

LEA E-letter 16 May 2005
Serving Consumers
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Dear Lean Community Member

In my previous e-letters I discussed the importance of rapid, reflexive replenishment in compressing the distribution pipeline and in producing exactly in line with consumer demand. This means rethinking the way the pull signal is transmitted upstream and the way products are made and shipped all the way back to the consumer. The ability to respond quickly and exactly to demand is going to be critical for every manufacturer. If they can also eliminate many layers of costs in getting products to consumers, then it may be possible to continue to make these products in high wage countries.

However while speed and accuracy may be necessary conditions for survival, they may not be sufficient. Being closer to sophisticated consumers should give local manufacturers an edge in understanding their current and future needs. But much of the attention is focused on speeding up product development time and adding new features to products. All well and good. However this misses an increasingly important piece of the story – how consumers access and use these products. At the same time many companies are losing direct touch with consumers as they outsource customer support and help lines, as well as production.

What is needed is a simple method for defining value from the consumers' perspective. This is the first principle of Lean Thinking. Jim Womack and I have been thinking a lot about what lean consumption might look like as a complement to lean production and lean supply chains. The key is to recognise that purchasing a product is not an isolated transaction but a series of steps just like production – a consumption process. And the purpose of this consumption process is not the product itself, but the use of the product, together with the relevant services and knowledge, to solve a consumer's problem.

On a personal level this may be getting a medical condition diagnosed and treated, collecting the ingredients for the family meal or getting your home office and communications equipment and hardware to work together so you can communicate with friends. But it is just the same in our professional lives, where we are both consumers of products and services from others and providers of products and services to our customers.

In each case there is a consumption process, mirrored by a provision process, mediated by a series of interactions between them – telephone calls, exchange of information, delivery of products etc. As with production we can list the consumption steps and record the time they all take, carefully differentiating the few steps that help consumers solve their problems from the rest. We can also note how helpful or frustrating the interactions with the provider were and whether they were necessary or not.

Learning to see the consumption processes of the different types of consumers that use your products is going to be a key skill in the years ahead. To recognise how badly designed and dysfunctional both these processes are just reflect on your recent experiences as a consumer (whether consuming on your own behalf or in paid time on behalf of your business). Here is a very typical example.

On the busiest day in the year in our little three person office our printer and fax machine broke. It was just over one year old. A quick call to Stephen, our

technical expert, confirmed our diagnosis. The next call to PC World revealed it would be too expensive to send someone to fix it, but that if we rang another number we would get vouchers to buy another machine. However these came from a different firm altogether and it took three more calls to find out how much we would get back and that we could not directly use these to buy another machine. They would follow a week later by post!

So at the end of the day I get in my car and go to PC World to get a replacement machine. But of course they do not have this machine any more, only an inferior replacement that is far less robust. But it will have to do for now.

Next morning the new printer refused to talk to our PCs. After reloading the software several times we were still stumped. Three calls later we get hold of someone at Hewlett Packard who after much discussion concludes the disc with the software must be faulty and we should download the software from their web site. After more frustration our expert finally gets it all to work.

Total working time from last good print to the next good print was six hours! The total cost of our time and travel and Stephen's time was considerably more than the cost of the printer! Add in the cost of the folks answering the eight calls to their "help lines" and you begin to see how much time and cost was wasted because of a broken process. True enough the vouchers arrived a week later and we will have to think of something else to spend them on. However this kind of service, or lack of it, makes you mad. Shame on PC World, their warranty provider and Hewlett Packard!

It may be a trivial example, but this kind of thing happens all the time. In fact it is repeated day after day in both our private and business lives. But we have learnt the art of shrugging our shoulders and forgetting precisely what happened, in the vain hope that it will not happen the next time. But of course it does!

The real problem is that no one had thought to define value from the consumer's perspective – as a continuing ability to print. And none of these firms are using the information on the problems we rang them about to eliminate the root causes of the problems and redesign the process – and to eliminate the need to make any of these calls in the first place.

It would not take a rocket scientist to redesign this provision process to save time and cost for both providers and consumers. It would however be a brilliant place to start thinking about new ways of solving consumer problems.

Yours sincerely
Daniel T Jones
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PS. We will shortly begin selling our first Lean Novel – The Gold Mine by Freddy and Michael Ballé. It is not only a great read, but also an eye opener to the people side of making a lean transformation. I am sure you will enjoy reading it and sharing it with your colleagues. Following the success of our workshops in April, we will be running the core ones again on 4-7 July in Ross-on-Wye. Maybe I will see you there?