

# How to Use Customer Innovation to Achieve a Cutting Edge Reputation.

**Meeting Customer Needs:** Most companies are keen to be viewed by their customers, employees and shareholders as innovative, operating at the cutting edge of their particular sector. Achieving and maintaining an innovation identity is becoming significantly more difficult.

A relatively neglected area of innovation, but one which can be potentially lucrative for companies that get it right, is in the way a company interacts

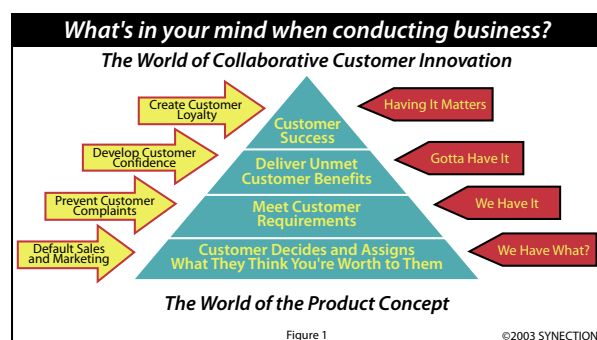
with its customers and addresses customer needs.

Scott Fuson, Dow Corning global executive director of marketing, sales and customer service, which offers silicon-based products, technologies and solutions, and Eric Balinski of the management consultancy Synection which specializes in the customer value process, discuss the issues of innovation and customer needs and share some of their experiences in the area.

**What is the best way for a company to fully understand its customers' needs and expand the scope that it does for them?**

**Eric Balinski (EB)** First, people and companies need to stop thinking about their products and services and should focus instead on what is going on in the customers' lives and businesses. To do this well, companies must observe, listen and study the customer. Never start by asking them about how your product could help them. Rather, put yourself in their shoes and envision you are now running their business to understand why customers do what they do.

**Scott Fuson (SF)** The key is to visit their facilities and ask questions of multiple people at the business. Validate your observations and their needs afterwards with customers and involve them in prioritizing their requirements. Most importantly, ask WHY?—it's the best way to achieve a deeper understanding of customer motivations, limitations and requirements. To keep your observations as unbiased as possible, go into the interview and analysis as if your company doesn't exist. The result is that you'll obtain an insider's perspective—from the customer's point of view.



**Do companies tend to concentrate too much on their products and prices—and not enough on understanding their customer's whole business process and how we can provide more—in terms of a broader range of products, services and solutions/expertise?**

**SF** Yes, especially if the company has been successful. Many organizations and employees become dependent on their existing business models and strive to maintain the status quo, since that is what made them successful in the first place and rewarded them over the years. Thus, over time, they forget that it's the customer who determines value—not only the value of the opportunity but also the value of the company's offerings. To obtain in-depth insights, we conducted a global segmentation study and, based on the results, redesigned our offerings around customers' individual needs and lifecycles so we could meet their needs exactly.

**EB** This is one of the biggest challenges facing companies. Many hold strong and passionate beliefs about their own products, yet are insensitive to the real issues and problems facing their customers.

Companies need to discover and then create an offering that truly makes a difference and then align everything they have—resources, people, capital—to provide specific

customer value. This creates superior profit because internal costs are lean and focused on what makes the biggest impact for customers. There are two choices: Cost cutting or Creating value for customers. The first approach is a no win-game. The second holds the key to creating sustainable performance for customers and a company.

**Are there any recent IT innovations which make the interface with customers any easier?**

**EB** Too many companies see IT tools as the ultimate solution for product development and customer relationship management. IT tools have their place, but an organization can not afford to “outsource” its brain capacity, cognitive thinking skills and customer relationship management solely to IT tools. People are the most powerful and only reliable tool to gain fresh customer insights. The dilemma most companies face is figuring out how to use employees more effectively to add value to both the customer and the business.

**SF** What we've done with our IT infrastructure at Dow Corning is to build it from the “outside in.” We have used customer feedback to understand and design it around their requirements. Instead of using IT to simply reduce the costs of customer communications, we use online communications, our website and online services to offer customers choices to interact with us. Having this fully integrated with our global business processes enables us to execute efficiently, measure our results and ensure that customers are getting what they need from us, in the way they want it. The most important part of “customer relationship management” is the *relationship*.

**How do we increase a customer's confidence in our business as a key partner in their success?**

**SF** By listening, understanding, and acting exactly to meet their needs. We have trained our sales staff on the finer points of in-depth listening. We make sure we get to the “why” behind the customer's needs—beyond the symptom level. If we understand and solve the deeper needs of our customers, they will derive greater value, which in turn strengthens the relationship and provides opportunities for both companies to grow.

**EB** This is not hard to do. First, as Scott said, understand the customer. Second, human nature is such that people respond well to others who show genuine interest and concern for them—much more so than when someone has something to sell. Third, commit to offering a “value” that makes the customer successful.

**Is it possible to rationalize all this good thinking when so much focus these days is on taking out costs?**

**EB** The cost cutting game is one with no long-term future for anyone, even customers. Yet, reducing costs is important, but most companies do it backwards. First they need to understand what will make a difference to customers—this defines real customer value—and then

eliminate those costs that DO NOT contribute to customer value. I call this “*Form Follows Value*.”

It's actually simple to understand, but hard for a company to develop this approach because many people are not focused on the customer's world. Once a company understands this world, and determines customer values, the cost decisions become quite clear.

**SF** We deliberately rationalize everything we do that touches customers—we invest in activities that increase customer value and eliminate those that don't. It is an ongoing process that changes and evolves based on customers' needs and external factors. The benefit of our commitment to listen, understand and act, exactly, to meet customers' needs is that we engage in only value-added activities and focus on making every touch-point count.

**Are there examples of innovative ways that companies have helped their customers succeed?**

**EB** In our book, *Value Based Marketing for Bottom-line Success*, we discuss the higher level of Strategic Value Planning. This is where a company creates and suggests future ideas to customers. This is based on a simple philosophy: customers really only care about their businesses, and rarely have time to understand what you can do for them. So, understand more about the customer's business than they know themselves and then use both customer insights and one's product or technology expertise to innovate products for them.

**SF** Our research has shown us that our customers have different priorities based on a variety of factors, including product life cycle. Because their needs vary, we customize offerings to each customer's goals and challenges. Through our focus on Smart Innovation, four paths that lead to change, we help customers who are innovating create new products or new markets; who are striving to keep up with growth in their businesses or market share; or who are trying to reduce cost. Through these lenses we see more specific business challenges and then match our capabilities to meet those specific needs exactly.

*To follow up on this dialogue with the principals, their contact information is listed here:*

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*Scott Fuson is global executive director for marketing, sales and customer service at Dow Corning. For more information on the company, its products, technologies and services, go to www.dowcorning.com/innovate.*

*For a copy of Eric Balinski's article highlighting innovative customer strategy, “Winning Value Propositions,” go to www.dowcorning.com/innovate and download the PDF file.*