

Do Your Customers Believe You?

It's easy for a company to believe it is doing what's right for the customer. It's another matter entirely for the customer to believe it.
— EWB—

Much has been written explaining the phenomenon of how a once successful business can slip into a cycle of poor business results. These explanations range from: loss of focus, loss of leadership, excessive spending, poor customer satisfaction, inefficient business processes, competitive pressures, declining market conditions, bad IT systems, employee issues, internal focus, executive arrogance, complacency, and so forth.

While all of these are contributing factors, the decline of many businesses often has a simpler and more profound explanation, namely that **these businesses lost sight of what is important to their customers.** While they focused on capturing growth, making profits, or managing costs, they failed to analyze the way they conducted business and whether what they did made a meaningful and *valuable* contribution to their customers. Furthermore, during periods of apparent success, many companies' exhibit attitudes and behaviors that help propel a company presumptuously forward.

However, we believe that these attitudes and behaviors actually mask what's really happening inside many companies, that is:

- 1) They have grown disconnected to what is important to customers,
- 2) They are failing to recognize that the company's success depends on customers, and
- 3) The people, processes and costs in the business are not aligning to customers

In today's competitive global marketplace companies are likely to continue to struggle until they recognize the central role customer value plays in the success of the business. The critical question then becomes, *Are there business approaches that companies can confidently embrace to succeed, or has the global marketplace gotten so confusing that success is mere chance?*

Experience Based Principles

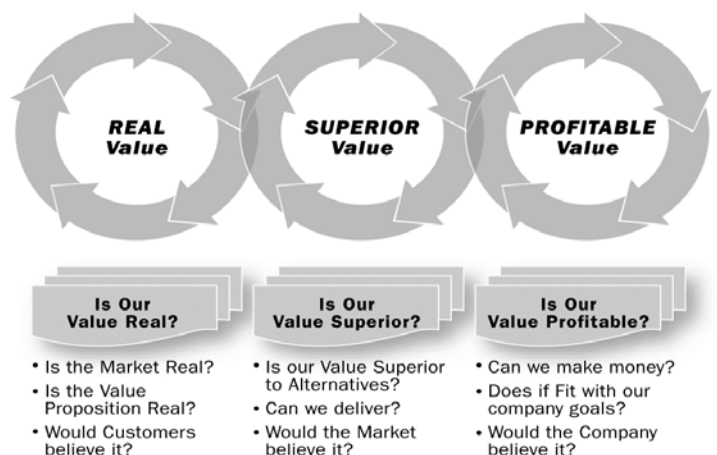
Like many advances in a profession, the answer to this question came from hands-on work with companies on their performance issues to discover and apply principles that improved their business' results. We focused on those things that were within a company's own ability to control, such as, the sequence of improvement efforts. We also recognized that there were common elements to successful companies, regardless of their issues and challenges. Concentrating on the **sequence** of improvement actions and the **common elements** increased the reproducibility of our results. In addition, it eliminated the argument that this value based approach couldn't work for a company claiming its business, team, product, or market, were so "very unique and different."

We became passionate with learning and then seeing the results that business teams produced from applying our approach. The results are evidence that superior customer performance, healthier organizations, and sustainable business performance can all be achieved. **Our goal** is to deliver *Value-Based* approaches and tools to companies which will improve and sustain performance regardless of a company's current situation.

We found that core principles are inherent to running a successful business and achieving great performance with customers, employees, and investors. These three value-creating principles, **Real Value, Superior Value, Profitable Value** referred to in Figure 1, are essential to an enterprise's success.

Figure 1

Develop and Sustain Enterprise Value Creation



These three value-creating principles: **Real Value**, **Superior Value**, and **Profitable Value** have guided implementation of our work to improve customer processes. Customer Value became the focal point when it came to evaluating the latest new management idea.

For example, “Six-Sigma” is a management tool being pursued by many companies to foster business change. While Six-Sigma is a good process improvement tool, most companies will need to do much more to achieve breakthrough success with customers than by just applying Six-Sigma to their business processes. As we discuss in the book, Value Based Marketing for Bottom-Line Success, the Six-Sigma concept, “Voice-of-the-Customer,” hinges on the big assumption that customers can actually tell you how to improve their businesses or lives. This may be true in some cases, but we have found that it is safer to assume that customers will never be more knowledgeable about benefits of a product, technology, or service than the company selling them. Placing the responsibility on customers to figure-out for themselves and then tell you how your product, technology, or service brings value to them limits the depth of new insight you gain. Companies need to discover fresh insights about their customers by learning more about the customers than the customers themselves know about their own businesses or lives.

Success in a Tough Business

One of the best examples of a company that discovered what really matters to customers is Southwest Airlines. Southwest has diligently built its business based upon the insight it discovered about what would improve its customers’ lives. They then developed a focused strategy, processes, and organization to deliver the most meaningful value to a targeted group of travelers.

Southwest has also achieved exceptional financial performance and it is the only major airline in the world that has made money consistently every year. Southwest’s performance from 1990 to 2000 averaged a total return to investors of 34.8 percent. By 2000, Southwest had consistently become one of America’s most admired companies, returning 37.7 percent from 1995 to 2000, with a whopping 108.2 percent in 2000. In comparison, GE delivered 28.6 percent from 1990 to 2000, a 34.0 percent return from 1995 to 2000, and a total return of (negative 6.1 percent) in 2000.

Southwest Airlines CEO Herb Kelleher stated in *Money Magazine* in June 1999, “When we started out, the people of Texas weren’t willing to settle for peanuts either. You have to establish a different value system.”² His statement suggests that there is a proactive and a sequential application of the value principles to creating better businesses. Southwest Airlines **first** discovered what the best value was (without the benefit of Six-Sigma), and **then** consistently made outstanding returns for investors after its initial start-up phase.

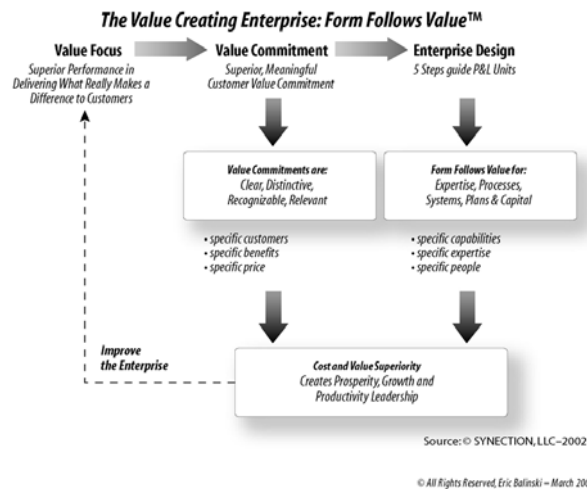
Equally intriguing to Southwest’s shareholder performance is its high customer satisfaction level and great safety record while maintaining the lowest cost structure in the industry. In addition, Southwest continues to have highly motivated and well-paid employees, and is still aggressively sought by airport authorities to serve their cities.

The real demonstration of Southwest’s greatness as an organization and as a business worthy of emulation came in the wake of the September 11th tragedy. Southwest did not solicit the government for bailouts or institute lay-offs, as did its industry peers. In fact, Southwest has **never in its 30 years downsized a single employee**. How many people would love to work in a place like Southwest?

It is a tempting simplification that better employee programs achieve better business performance. But this is not likely to be sustainable if the company’s offering to customers is inferior. Our belief is that superior value for customers, with the appropriately aligned business processes and organizational structure, creates the most successful business. In turn, this can ultimately foster great employee practices. This is the secret that Southwest Airlines figured out. It is a secret they have practiced diligently for 30 years.

The Value Creating Enterprise

In a business that is a Value Creating Enterprise, Figure 2, a company focuses its people, expertise, processes, resources and capital to create value for its customers. It is built on principles any business, in any situation, can use to achieve great business performance and profitable customer relationships.

Figure 2

This framework connects and aligns the business **Form** (with Form referring to the resources, people, processes, and systems), to the **Value** that is most important to customers, *and* on what they **will pay**.

Additionally, this leads to a prioritization of the benefits that comprise the product/service offering that a company sells. Prioritizing the components of customer value gives a business the ability to reallocate resources. The lower priority activities, functions, and resources are realigned to what has the greatest impact for customers.

Customers and the Bottom-Line

While it may seem there are few useful answers for achieving sustainable business success, don't give up just yet. In Value Based Marketing for Bottom-Line Success, we share the case of a Dow Corning Corporation, a story of a company in turmoil. In Chapter 11, it faced a \$4.3 class action settlement, and even worse, their main competitor, GE, was at the top of its game. However, on June 1, 2004, after 9 years in Chapter 11, Dow Corning announced that it had emerged from Chapter 11. The business today is profitable, growing and the people are optimistic about the future of their company.

So why can't all people and companies have a clearer and more prosperous future in the face of their business challenges? We believe they have the same potential, but holding them back are:

- 1) Their current assumptions and beliefs about business and customer value;

- 2) The things they focus on and the way they conduct business with customers;
- 3) How they lead themselves and their organizations; and
- 4) A lack of courage when there appears to be no light at the end of the tunnel.

You can get customers to believe again and create superior business results in your business. The central principle is straightforward- deliver what matters most to them, **Real Value**, **Superior Value**, and **Profitable Value**, then count your profits.

*“Value is in the eyes of the beholder ...
And in the wallet of the one who has to pay.”*

- 1- “How Herb Keeps Southwest Hopping. Investing – CEO Speaks”, Money Magazine- June 1999

Eric Balinski co-authored, Value Based Marketing for Bottom-Line Success, released by McGraw-Hill and the American Marketing Association in 2003. He is also the founder of Synection™, a marketing consulting firm which helps companies achieve profitable growth and stretch goals by implementing customer value practices. For twenty years Eric held management roles at Fortune 100 companies in North America and Europe, such as GE, Dow Chemical, and AlliedSignal. Eric can be contacted at, ebalinski@synection.net.

