Misinterpreting Customer Orientation

2

Introduction

One has to face the fact that over the past few decades, academia, business literature and consultants have contributed to a false dichotomy that's used to mentor executives: namely, that customer orientation is good and product orientation is bad.

In practice, very few directors or executives are product oriented. Far more common are executives and directors that are completely consumed by 'how-to-do' tools such as the ones discussed in the previous chapter. For instance, in the majority of MBA programs a business strategy amounts to a compilation of technical and conceptual tools outlined on presentation slides. MBA students should ask their professors if companies have been successful as a result of these business models, or if these business models have been successful as a result of tenacious and experienced companies.

With regards to the above, experienced managers increasingly seem to believe that 'canvassing', 'diagrams', 'positioning maps', 'value drivers', 'corporate matrices', 'scorecards', and so on are fun to discuss and fill out; yet, none of these have any short or long-term impact on a company's customers. The reader shouldn't get the wrong impression. Some of these tools are very inventive and well-intentioned; however, the creators of these tools have neglected how they've been interpreted and used within the world of management.

Indeed, the use of these tools has meant that generations of entrepreneurs, company directors, and executives are disconnected from what customers really need: the solution to a problem or challenge.

The only way to deliver this solution is through a product or service.

Few people seem to remember that the only reason a company exists is because customers buy its products in order to *use them*. In this chapter, the author will discuss how the customer orientation paradigm has been misinterpreted by industrial organizations. Moreover, the victim in this scenario is actually the protagonist: that is, the product and the product's real benefits.

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No one knows for sure when the customer orientation paradigm came into being. In all likelihood, it never appeared, it just always was. What's clear, however, is that following the Second World War, and with the creation of thousands of business schools worldwide, this paradigm became incredibly popular.

Since then, the customer orientation paradigm has been passionately endorsed by opinion leaders, academics, and—from the 1970s onward—by business consultants. It has introduced new terminology: keep close to customers, listen to customers, customer focus, voice of the customer, customer-driven, market-driven, etc. And executives everywhere have raced to gather customer information and share their discoveries with their organization. There are numerous customer orientation models that companies can refer to for this kind of project.

Unfortunately, customer orientation quickly found its antagonist in what academics and consultants refer to as 'product orientation'. According to popular belief, product orientation is considered a mental illness, one that makes a company focus on what it produces or sells. It didn't take long before people started seeing product orientation as a sickness that plagues organizations, keeping them in the dark and underdeveloped. This is the case for many industrial companies.

What's even more unfortunate is how businesspeople and executives have interpreted this duality (customer orientation *versus* product orientation). Trapped in a disheartening commodity culture, when these businesspeople were told that 'product orientation' was misguided, they turned to 'soft' ways of satisfying customers. Many of them neglected their product and thought of their product as an 'indistinguishable commodity'. Today, as a result, it's common to hear comments like:

> Our products are commodities. The only way to ensure a sale at a good price is by offering complementary services.

This way of thinking about an offer is represented in Fig. 2.1.

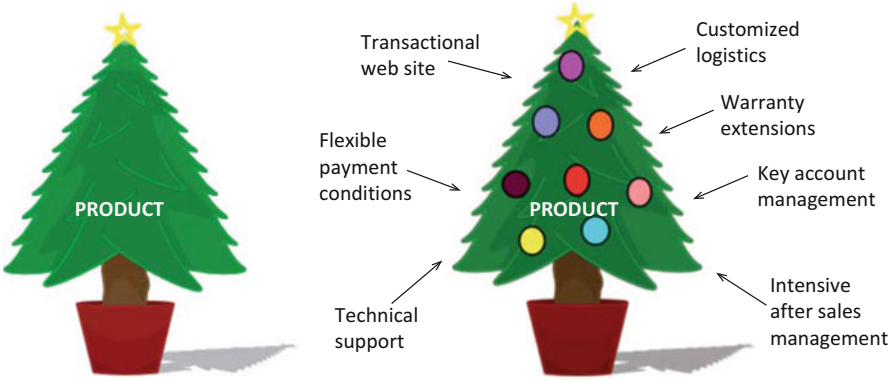


Fig. 2.1 The tree depicted on the left represents the product itself. The tree on the right shows the same product, only now the product is decorated with complementary services. These services, many of which may be necessary for customers, tend to have their greatest impact during customers' purchasing experience

There is a wide range of services that are used to set a product apart and make it 'distinguishable' from other products of its kind. These services will probably be similar to, if not identical, to those offered by competitors. They include:

- Better delivery times
- Improved delivery punctuality
- Special price promotions
- Improved stock and mix management
- Allocation of executives to manage 'key accounts'
- Creation of an online store
- Organized technical support (in case of complaints)
- Invitations to technical seminars
- Merchandising for distributors
- Others

Some of these focus on logistics, others focus on sales or promotion. What's the problem with these initiatives? In the medium and/or long-term, none of these are strategically advantageous for a supply company. That is, the majority of these ideas are meant to assist a customer during the purchasing process.

This chapter proposes that an industrial marketer should figure out which complementary services are required by each customer and think of these services as a *hygienic base* from which to begin benefiting the customer. This conceptual foundation underpins a reality that is generally overlooked by most suppliers: that a customer will own their product over time. Customers will use the product, and, over the years, they'll form an opinion of the supplier or the supplier's technology based on the benefits they receive from the product. In fact, many industrial suppliers have simply forgotten that *a product is bought in order to be used and benefited from*.

When customer orientation is misinterpreted, the first victim is the product itself. It's not an exaggeration to say that in several organizations, the customer orientation paradigm has effectively 'killed the product'. The consequences were immediate. For authors that promote 'customer orientation' as an upper state of mind over 'product orientation', one of the most extensively example used is the automobile Saturn. During the early 1990s, when the Saturn Corporation first began, it seemed promising. Originally, this subsidiary of General Motors chose to offer interesting and good-quality automobiles; moreover, they were backed by a solid and diligent network of distributors. For the first time, their assembly line permitted 'flexible manufacturing', a method of manufacturing that originated in Japan and that Saturn Corporation imitated and improved upon. As the years passed, Saturn kept investing more resources in creating 'friendly and diligent dealerships' as its main "differentiation strategy".

Until here, the story works in favor of the "customer orientation" case. It was in 1999 that, in the words of Jeff Nelson of Curbside Classic, Saturn began "a long and tragic fall into irrelevancy and failure." In simple terms, one could say that this was attributable to a misguided business 'model'. Complementary services were given priority over and above the product's characteristics that customers look for in a

good product (the car). By mid 2000, the only thing left of Saturn was an excellent network of distributors. In 2009, the brand closed its doors for good; they left for posterity the added failure of not being able to sell the company.

A further problem with how customer orientation has been taught and understood by industrial companies is this: in their attempts to gain an edge over competitors, executives have become far too creative at inventing 'services' and 'soft' forms of offers. Just look at the following example of a pharmaceutical laboratory that launched a 'customer loyalty program' for customers it considered 'strategic'. Figure 2.2 shows how several new services were launched that were 'standard' for these customers. Transactional clients were not as fortunate; for them, many of these services were either optional or unavailable.

What was the outcome of this so-called customer orientation? That after 2 years, this company was offering practically all of these services to all of their customers. See Fig. 2.3.

If the reader wants to learn more about dramatic examples of customer orientation gone wrong, they should look at industrial manufacturers. In many cases, industrial manufacturers' product (be it a component or an ingredient) travels down a stream of intermediary companies before it arrives at the end-user. A lot of these manufacturers focus on serving their immediate customer (the one who pays the bills) as well as possible. These immediate customers might be a distributor, a contractor, or an integrator.

Driven by good intentions, these industrial manufacturers have asked their immediate customers about their needs, ignoring the importance of learning about the requirements and needs of the most strategic customer of all: the end-user.

	ELEMENTS OF THE OFFER	SEGMENT	
		Transactional customer	Strategic customer
Services			
	Product returns	Standard	Standard
	Technical assistance	Standard	Standard
	Single point of contact	Not offered	Standard
	Future incident forecast	Not offered	Optional
Programs			
	Price promotions	Standard	Standard
	Financial incentive type I	Not offered	Standard
	Executive insights	Not offered	Standard
	Consolidated purchase report	Not offered	Standard
	CRM program	Not offered	Optional
	Corporate consulting	Not offered	Optional
Systems			
	Express order entry system	Standard	Standard
	Key IT supplier assessment	Not offered	Standard
	No stock inventory program	Optional	Optional
	Key IT supplier asset management	Optional	Optional

Fig. 2.2 Example of a complementary service program run by a pharmaceutical laboratory. This design provides basic services to a group of 'transactional' customers; meanwhile, 'strategic' customers receive a wider range of services

	ELEMENTS OF THE OFFER	SEGMENT	
		Transactional customer	Strategic customer
Services			
	Product returns	Standard	Standard
	Technical assistance	Standard	Standard
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	CRM program	Standard	Standard
	Corporate consulting	Standard	Standard
Systems			
	Express order entry system	Standard	Standard
	Key IT supplier assessment	Standard	Standard
	No stock inventory program	Standard	Standard
	Key IT supplier asset management	Standard	Standard

Fig. 2.3 Two years after the implementation of this complementary service program, it's clear that the offer has been homogenized and transactional customers receive the same services as strategic customers. Competitors have done the same thing and each service program has only made the product more expensive for the end-user

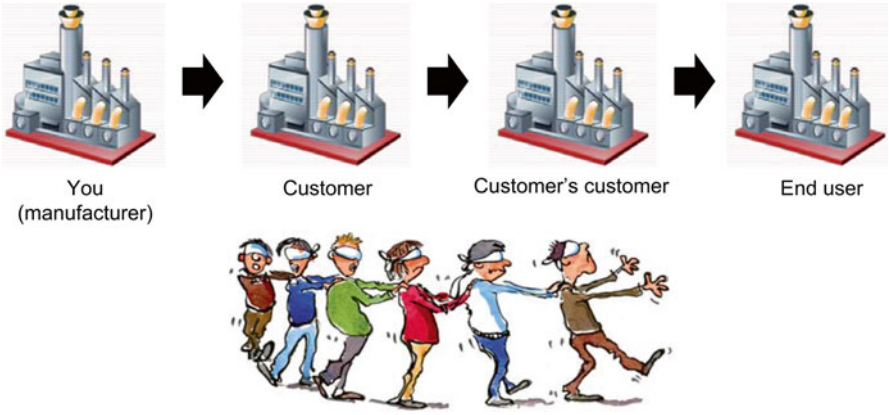


Fig. 2.4 The danger of simply 'listening' to the customer. In industrial markets, the downstream industrial chain is key to creating a reliable business strategy. However, direct customers aren't always the best source of information since they may not know much about their own customers' needs. This continues until arriving at the end-user

This is where a phenomenon that can be named as 'systemic chain blindness' comes into play. In 'systemic chain blindness', a company's business is built around 'listening' to customers that are ignorant of their own customers, and on and on down the industrial chain. See Fig. 2.4.

Listening to customers about their needs can be dangerous if companies don't use appropriate concepts and an appropriate method. As a general rule, customers

answer well-meaning questions with an eye to their own 'immediate' concerns. Experience shows that in an industrial context, immediate customers usually request lower prices from suppliers; in addition, the supplier is asked to comply with any technical standards governing the offering, and fulfill logistics requirements. As discussed earlier, none of these initiatives are strategically advantageous to an industrial supplier. Quite the opposite. None of them require much creativity or talent, and yet, fully complying with these kinds of expectations is grueling, not to mention unprofitable.

A company that fails at customer orientation is not necessarily product oriented. As a paradigm, product orientation is probably less common than one would think. This is because naïve consultants and academics tend to confuse 'product orientation' with 'operations orientation' or 'office orientation'. Or, they might confuse it with the type of corporate autism discussed in the previous chapter.

People who can't see the forest for the trees are drawn to productive and administrative operations. Worse yet, these types of activities tend to be self-perpetuating since a lot of executives invent more office tasks to show hard work and results.

Some 'how-to-do' tools (such as ERP software, or the implementation of ISO 9011 standards) are catalysts for officism or corporate autism. A company that makes improvements solely based on customer complaints, or on complying with technical standards, is a company that underestimates the importance of its product and its product's benefits.

On the other hand, if a company is truly product oriented, it will care about what its product does for the user. Above all, a supplier should understand that their entire business, operations, administration, sales and finances exist for a single, unequivocal reason: customers buy their product in order to use it and benefit from that use.

This chapter will focus on product user experience.

Understanding Customer Orientation

An industrial customer and supplier should consider that their relationship lasts (at least) as long as a product's service life. That is, assuming that a supplier wants to be seen as proactive. This relationship goes through three important stages:

1. The purchasing/selling stage: here, a supplier has researched potential capital expenditure projects, contacted customers to inform them of the offering and provide technical advice, and, additionally, provide customers with information about the commercial, logistics and production conditions of supply. Their potential customers have asked questions, learned about the technology, and compared the performance of various offerings. This stage might include involvement with distributors. More information on this intense iteration between customer and industrial supplier can be found in Chap. 8.
2. The product integration or assembly stage: at this point, a product is installed wherever it will be performing its ultimate function(s). This installation might require that a product be combined or integrated into a more complex product.

It could be the manufacturer, a contractor, or the customer themselves who is responsible for carrying out this stage. Whatever the case may be, the product should comply with technical standards, be tested prior to its use, and suppliers should train users on how to safely use and maintain the product.

3. Product use: during this stage—which, for most products, is the longest-lasting of these three—a product is 'turned on' (a reference to pressing the 'on' button) and a customer uses a product for the purposes for which they bought it. The relationship between supplier and customer continues if there are after-sale and maintenance services. Additionally, a supplier may decide to do strategic follow-up on product performance and use (e.g. this is useful for developing a better product, etc.). Finally, when a product has completed its useful service life for a given customer, it can either be resold, discarded, or recycled.

The three stages in the industrial customer-supplier relationship can be represented graphically, as shown in Fig. 2.5.

With these definitions in mind, it should be perfectly clear that the ultimate purpose of a technical product is to perform a task for the user; moreover, the benefits a customer receives when this task is performed (the *product of the product*) is the reason why the product was originally purchased.

Paradoxically, of the three stages described above, the purchasing/selling stage is the one that most industrial suppliers are committed to exploring and being creative about. It's here that, in an attempt to stand out, suppliers have devised various activities and have used up a large portion of their commercial resources. See Fig. 2.6.

It's not hard to realize that if a short-term minded supplier thinks that the first stage (purchasing/selling) is the most important one, then their research on customer needs will focus on this stage. What do customers usually ask for when they give feedback to suppliers?

1. Improved delivery times and/or availability
2. Improved technical assistance
3. Better payment periods or increased credit lines
4. Correction of x, y, z defect
5. Lower prices
6. Improved communication between companies
7. Other similar feedback

Executives are familiar with the results of these conventional iterations between industrial customer and supplier: attempts to improve logistics, cost reduction programs, bringing a product up to par with technical standards, etc. Unfortunately, it's easier to reproduce these types of initiatives than it is to design, manufacture and sell a new product.

This implies that a supplier's competitors will also focus their energies on purchasing/selling or assembly/integration; meaning that any improvement carried out by one supplier, will rapidly be imitated by others (offers become homologous

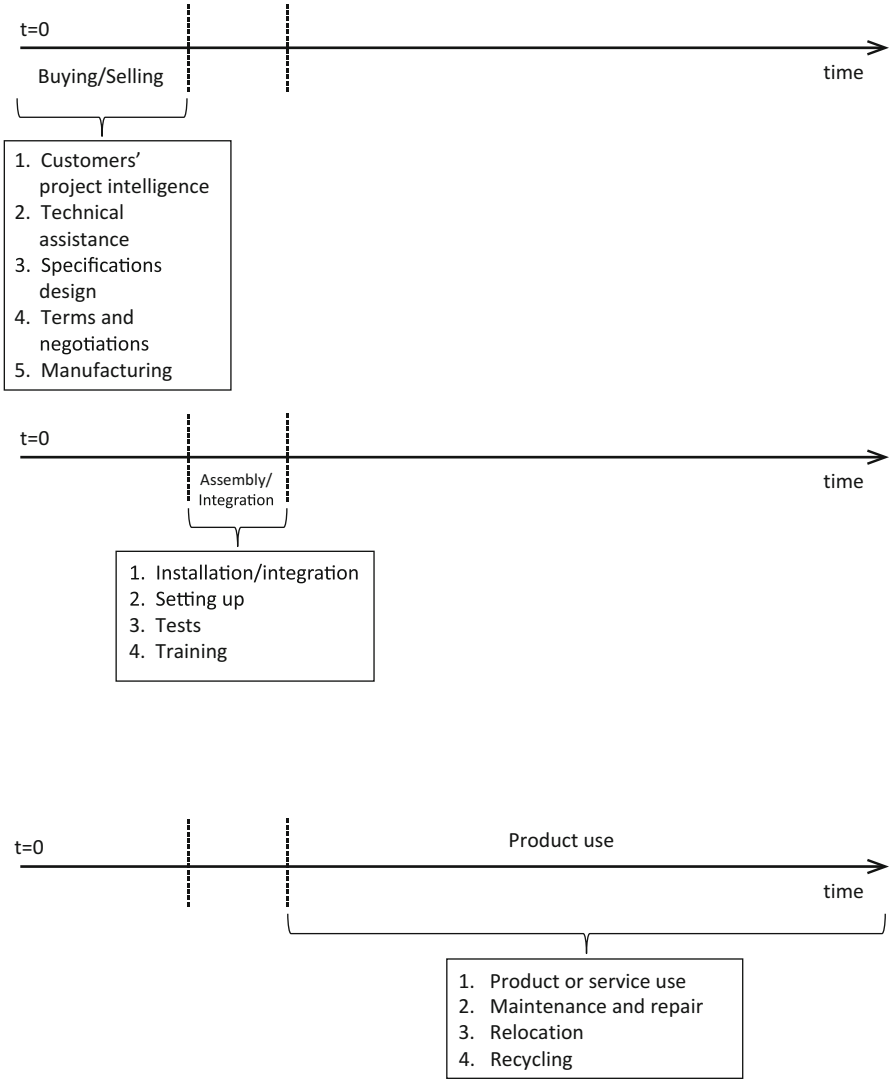


Fig. 2.5 *Top*. Purchasing/selling experience. This timeline depicts three basic experiences between a supplier and industrial buyer. The purchasing/selling experience begins following t=0, along with typical supplier-customer iterations. *Center*. Assembly/integration experience. Following the purchasing/selling experience, the product/service must be installed, assembled or integrated. *Bottom*. Product use experience. After the assembly/integration experience, the product/service is put to use. This diagram shows the common activities that take place during this phase

during the purchasing/selling and/or assembly/integration stages). The effect, which is clearly visible in several modern-day industries, is an over-abundance of complementary services that don't single out any one supplier, but that nonetheless make the entire industrial chain more expensive. As a result, a supply company that began

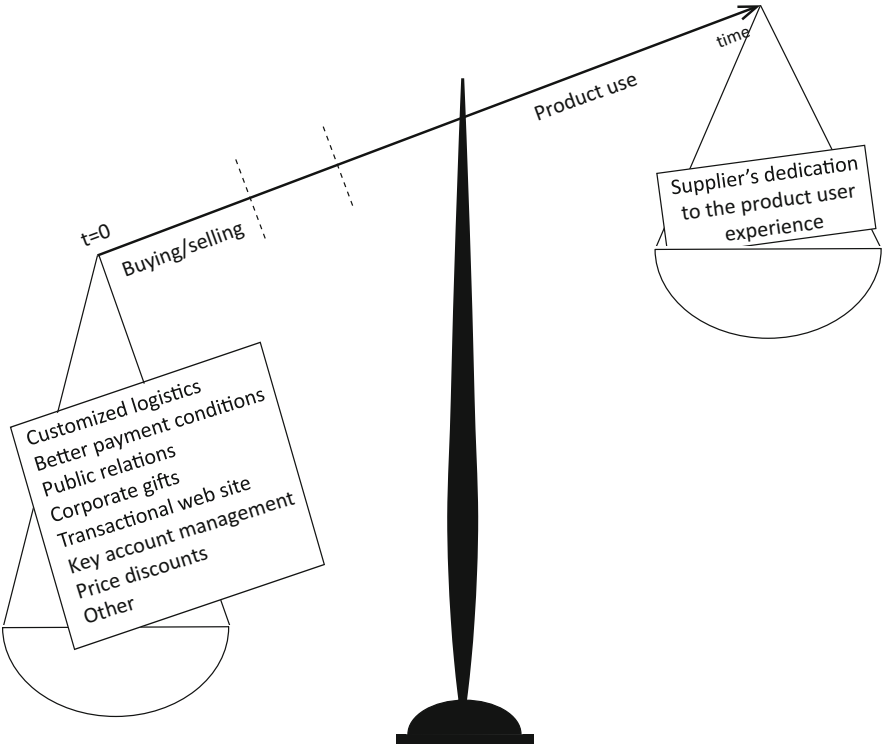


Fig. 2.6 Most industrial suppliers' efforts and energies have centered on pursuing 'differentiation' during the purchasing/selling stage. The remaining stages (assembly/integration and product use) are usually only taken into consideration when something 'fails' or if the possibility exists to generate more sales (replacement parts, maintenance or repair services)

with a single commoditized product ends up with two commodities: both the product and its complementary services.

This can be incredibly frustrating for executives who adhere to this paradigm. Frustrating and exhausting. Organizations that think of business in this way, are breeding grounds for mental illnesses and are, moreover, terrible professional schools. Academia is partly to blame for this sort of frustration; academia has likewise confused *customer behavior* with *customer purchasing behavior*.

When Excellence Doesn't Get Past the Hygienic Base

It wouldn't be fair to just write-off the logistics efforts and complementary services that suppliers offer industrial customers (and that, in fact, customers need); as such, it's a good idea to identify these needs and think of them as a *hygienic base* for an offer. This can be seen in Fig. 2.7.

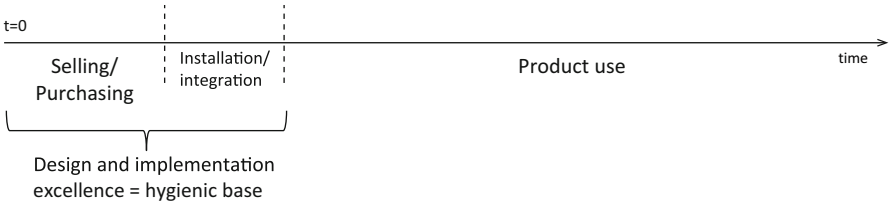


Fig. 2.7 The identification of customer needs during the purchasing and assembly/integration stages should motivate a supplier to design and implement activities impeccably. Only once this type of excellence has been achieved, can an offer be said to have acquired its "hygienic base". As a rule, progressive suppliers should consider that this hygenic base provide a competitive edge only in circumstantial situations

Nonetheless, having a hygienic base is a bare minimum. From here, a company can begin to build up its true competitive edge: improving the benefits of product *use*. This hygienic base is necessary, but it's not sufficient. It's basic, but it's not outstanding. A supplier will only stand out for these things if their competitor's performance is inadequate during the purchasing/selling stage. This occurs when the products on offer are similar (if not identical), and the only thing that makes one supplier stand out over another is their ability to provide a better hygienic base.

With this in mind, it's important to understand what goes on during the third stage of the industrial supplier-customer relationship: product user experience.

In order to explain the importance of this stage, it's necessary to refer back to the following inescapable premise: *a product is bought in order to be used and benefited from*. As a result, all of the stages that are prior to product use (contact between customer and supplier, promise of sale agreement, transaction, assembly/integration), are just a way for a customer to obtain a product under appropriate circumstances and, with time, benefit from its use. The key word here is 'time'. For the vast majority of products and services, product use is the stage that lasts the longest. At this stage, the relationship between *end-user* and *product* is fully realized; it is a relationship that, for the most part, takes place in the absence of manufacturers or suppliers. For the end-user, the product and its function are ambassadors of sorts; they represent the supplier that designed, manufactured, and delivered them.

This makes marketing activities more complex for an industrial manufacturer whose products go through several intermediaries before arriving at the end-user: now, the manufacturer has to focus on the end-user. The degree of complexity depends on a manufacturer's proximity to them.

Not surprisingly, the end-user is often seen in abstract terms by ingredient and component product manufacturers. And yet, this is the most strategic customer in the entire industrial chain. From a conceptual point of view, the end-user is *the customer*.

It's not an exaggeration to propose a new strategic goal: that industrial manufacturers understand their 'real business' as the relationship between end-user and product. In other words, business begins as soon as the product is 'turned on' (when the 'on' button is pushed) and begins to provide the use and benefits it was designed for. Everything that comes before that—including the purchasing and assembly/

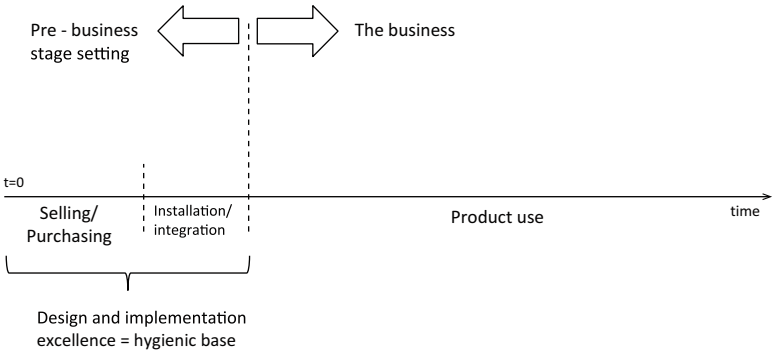


Fig. 2.8 An industrial manufacturer can think of product use as a new strategic goal. The word 'business' can now refer to how a product is used by an end-user. The activities that come prior to product use (in the purchasing/selling and assembly/integration stages) can be thought of as pre-business

integration stages—can be thought of as pre-business. This is represented in Fig. 2.8.

This line of thought differs from the traditional definition of a 'business'. The majority of executives or businesspeople define a business as a transaction in which an offering is exchanged for money. Others define a business as the physical place where goods and services are produced. The redefinition proposed here—one founded on a unique vocabulary—can be used to foster a significant conceptual change; it is a change that is much needed if product use is to become a priority.

When Good Intentions Become Strategic

In many industrial cases—especially for component and ingredient products—a product's uses become 'atomized' further down the industrial chain; so much so, that a product can have hundreds, or even thousands, of different applications. Instead of getting exasperated, marketers at these companies' should celebrate having new opportunities to better serve their users.

Thus, what a CPU (Central Processing Unit) manufacturer should realize is that when a doctor observes and analyzes a tomogram, they're using the manufacturer's product in a way that they (the manufacturer) hadn't envisaged. (A tomograph is a machine with several electronic components, among which is the CPU. These serve various functions, all of which affect the machine's overall functionality). This is shown in Fig. 2.9.

At the same time, a professional geophysicist can use this same technology for purposes that clearly differ from medical analysis. A geophysical analysis (a seismographic study, for example) might require technological variations of a tomograph. This paves the way for a commercial officer and product development department at a CPU factory to study new designs that might better satisfy these functions.



Fig. 2.9 Understanding the benefits end-users need isn't solely the responsibility of the manufacturer that produces the finished product (such as a magnetic resonance imagining (MRI) scanner), it's also the responsibility of suppliers. When other manufacturers upstream on the industrial chain research these benefits, the possibility of improving the finished product's functionality/attributes increases dramatically

What implications do these new definitions of 'business' have for industrial manufacturers? These definitions expand the strategic horizon for any manufacturer or supplier in the industrial chain, allowing them to better understand the reach of their products and develop products that fulfill different users' needs.

What Fig. 2.9 shows is this: not only does understanding a product's use provide strategic feedback to industrial manufacturers further upstream, but it also puts responsibility on each and every manufacturer to improve or adapt their product to the benefit of others. Inventive leadership (coming up with a better product to offer the end-user) is not just the responsibility of the integrator or manufacturer that assembles the final product; rather, it's the responsibility of any manufacturer in the industrial chain.

Here, the premise is that each manufacturer has expert knowledge of their own technology; in the long run, once they understand the end-user's problems and needs, each manufacturer is the most well-suited for developing a better component product.

The COP Paradigm: Customer Orientation Through the Product

Customer orientation has been defined in vague terms by academics and consultants. As a result, managers have relied on intuition to interpret its meaning. The results have been rather poor: an astonishing amount of industrial companies say that, despite their 'customer orientation', their proposals and offers are hardly

distinguishable from those of their competitors. Moreover, faced by such uniformity, customers opt for the cheapest offer.

Customer orientation has been unable to specify just what its 'orientation' consists of. Industrial companies have used up most of their commercial creativity during the purchasing/selling stage described above. Only a few have applied their creativity to the assembly/integration stage. And, an even smaller number of commercial officers have made an attempt to systematically understand the 'product use' stage.

What follows is an integrating concept known as COP (customer orientation through the product). What this concept suggests is that industrial companies will progress further so long as they base their inventions and commercialization off of a product's *use* and the benefits of that use. Product use refers to how a product is applied (what is needed from it) over time by an end-user; this is true just as much for the product as a whole, as it is for the product's ingredients and components. An organization that rallies around this concept (from its commercial department to its production process) will be at an advantage when it comes to making multidisciplinary improvements at the core of their customer's business.

As a result, two types of orientations that were once thought to be mutually exclusive—customer orientation and product orientation—are now integrated into a single paradigm: customer orientation through the product (COP).

As is true with most paradigm shifts, it's easier to talk or write about than it is to go through with it. Considering that it's hard enough to create a paradigm shift on a personal level, it doesn't take much imagination to realize how difficult it must be on an organizational level. This is especially true for an organizational paradigm that encourages and fosters the most deeply-rooted corporate behavior of all: short-term sales behavior.

For an industrial company to fully understand and accept the strategic importance of product use (wherever it is that the product is used), it has to undergo a transformation: from an organizational culture focused on *sales* to an organizational culture focused on *marketing*. For companies where short-term thinking is ingrained in everyone from stockholders to the most recent employee, this is an almost Herculean task.

For instance, most industrial companies that are traded on the stock market have to provide short-term results to their stockholders. It's stockholders who appoint members to the board of directors, and the directors are the ones who hire the general manager. In turn, the general manager hires his or her own managers and executives. As a result, it's not surprising that industrial companies that aren't traded on the stock market are the ones that invest the most in research and development with respect to sales, and that, additionally, register more patents with respect to their total number of employees.[1]

Customer orientation through the product (COP) means dividing up responsibilities; that way, a customer receives an offer that includes a hygienic base as well as a focus on product use. Having a robust organizational culture that strengthens the

[1] The Hidden Champions of the 21st Century. Herman Simon. pp. 163–9. Springer, 2009.

customer/product relationship doesn't take away from excellent logistics performance when delivering, assembling and integrating a product. Just the opposite: this duality is similar to the two hemispheres of the brain, each one tasked with their own primary responsibilities. One work team measures, controls, and corrects performance at the hygienic level, while another work team measures, controls, and corrects product performance while the product is in use.

The Customer/Product Relationship

The anxious (and sometimes manipulative) obsession that many industrial companies have with sales, has allowed a monumental myth to develop and take root: that person-to-person relationships are the key to success in industrial sales.

A good relationship between a supplier's personnel and a customer's personnel is necessary, but it's not sufficient. On top of this, there are all of the complex relationships that exist within a whole supply chain, represented in Fig. 2.10.

A basic industrial chain can have six or more relationship arrangements between participating companies. What follows is a look at two of these: the relationship between a user and a product, and the relationships between companies.

– End-user/product relationship: any company upstream on the industrial chain needs to understand that the end-user lives with the product and, for the most part, uses it when no supplier is present (relationship N°1 in Fig. 2.10). What occurs over the course of this relationship? How does this relationship change over time? What new needs arise for the end-user? How does the product facilitate or limit the user's own progress? These questions have immense strategic importance, regardless of whether a supplier delivers a finished product or ingredient and component products.

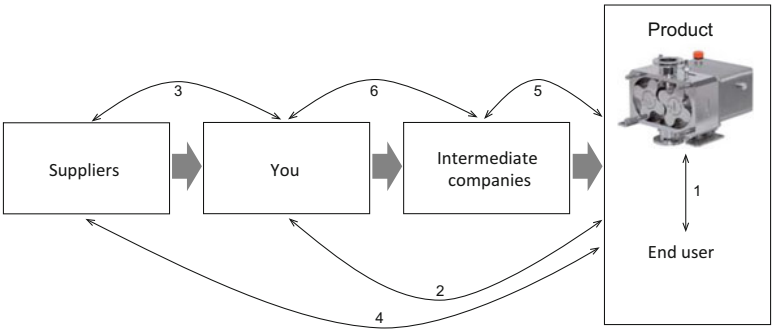


Fig. 2.10 Example of six types of relationship that exist within a simple industrial chain. Organizations with a strong sales culture tend to see relationships between companies through the traditional lens of company-buyer. Organizations with a marketing culture encourage relationships between various organizations and greatly emphasize the importance of a relationship that is frequently underestimated: the relationship between product and end-user

– The user/product relationship might take place over the course of several years; during this time, a user may receive occasional visits from suppliers. As previously discussed, these visits can be oriented in two ways: either they're sales oriented, or they're oriented towards marketing. In the latter case, the most productive visits involve exploratory research methods (e.g. Discovery Team©. See Chap. 4); the findings from this research allow manufacturers to redesign their product/service, or develop entirely new products (relationship N°2 in Fig. 2.10). On the other hand, sales oriented visits look for opportunities to sell more services, replacement parts, or learn about a customer's future projects that might require more products. These sales visits are absolutely necessary and vital to a supplier company; however, they tend to be oriented towards a supplier's own short-term benefits. Paradoxically, when a supplier puts talent, time, and resources into exploring the customer/product relationship, they ultimately facilitate the sales relationship. No doubt, suppliers that take good care of the customer/product relationship don't need to rely on 'manipulative sales'.
– Supplier company/customer company relationship: Fig. 2.10 shows relationships between different companies, including: the manufacturer's supplier, the manufacturing company (you, in this case), intermediary companies, and the end-user. The reader should be aware that this is a simplified representation of the relationships that might take place in the real world, which would include: competitors at each stage along the way, as well as various suppliers whose products are part of the final technology. In broad terms, any company that is upstream in the industrial chain, has the *right* to visit and iterate with the end-user. In fact, the *ideal* for creating technological progress is for various specialized members along the industrial chain to explore the end-user's needs. Figure 2.10 includes the relationship between the end-user, the manufacturer's supplier, and intermediaries (relationships N°4 and N°5). Similarly, the relationship between a manufacturer and its suppliers (relationship N°3) or its intermediaries (relationship N°6), should go beyond mere purchasing/selling and logistics. Their relationship should involve technology transfer and coordination, so that the technology can be made available to the end-user. Some intermediaries (e.g. integrators) also have a relationship with the product. They may require certain modifications that increase their productivity and lower the costs of integration.

Customer Orientation Through the Product (COP) Is Different from the Concept of After-Sale

Given that customer orientation through the product (COP) implies spending time and resources on business experiences that come up after a sale, it's important to highlight that COP is not the same thing as after-sale. As it's conventionally and commonly understood, after-sale is not usually exploratory. After-sale can be understood in two ways: the supplier makes sure that a product fulfills its promise, and the supplier delivers services and replacement parts. COP culture is evidenced through a product's characteristics; the exploratory research that occurs during the product

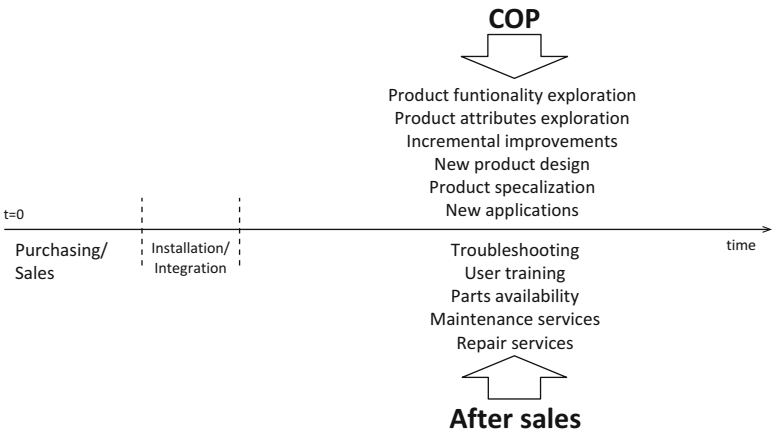


Fig. 2.11 After-sale deals with *what already exists* in a product that is being used. COP deals with 'what could exist' in a product that is being used. In order to do so, COP should codify the functionalities and attributes that each customer is looking for in a product

use stage means that these characteristics are constantly being improved. COP can also be understood as the pursuit and development of new functionalities or attributes (see Chap. 3) that benefit the end-user. Figure 2.11 shows the differences between these two concepts.

What Does Industrial COP Need in Order To Be Successful?

Before going into detail on a practical method for developing COP culture within an industrial organization, it's important to outline the basic conditions that need to be met in order for COP culture to function properly.

- Medium and long-term mentality in management: this might seem obvious, but it's not. Medium and long-term thinking is a paradigm that most managers understand, but that few are willing, or even permitted, to invest in. It requires the drive to understand, the humility to change one's personal paradigms, a redistribution of resources, as well as enough perseverance to wait for results that might not come for another 2, or even 5, years. At this point, it's worth noting that COP culture can't be successful in a company where management has a short-term and commoditized mentality.
- Short-term thinking has various, deep-seated causes. When faced by a management team, it's important to ask whether or not the board of directors has instituted short-term incentives. And, if the board of directors is short-term minded, it might be worth asking whether or not stockholders have demanded short-term returns. Whatever the case may be, the fact that a general manager's personal plan involves spending 4 years at a company, and that their 'success indicators'

are based on sales and existing profits, does nothing to help stimulate long-term projects. Perhaps this explains why in so many parts of the world, a significant number of companies alter their strategies, positioning, and planning depending on who is in management.

- Willingness to invest in research and development. When an industrial company carefully studies customer use of its products, it will soon find that it needs to improve those products or even develop entirely new products. The purpose of this research is to determine how an improved product/service design can better resolve any problems that users are having. Research and design activities, along with new product introduction activities, require expertise in various areas of a company, including: production, logistics, finances, human resources, marketing, sales, and senior management. Furthermore, it also requires a culture of cooperation with suppliers and key customers (see Chap. 6 on developing new technical products). These are all new and complex variables that the head of any industrial company should keep in mind.
- Method and planning: in order for COP culture to be successful, it's not enough to merely understand the concept and feel inspired by it. Nor is it enough that several people in a company might share this initiative. It requires a method and planning. This method should eliminate any reservations people have about COP culture that could diminish its momentum; moreover, it should avoid common mistakes that could negatively affect results. Likewise, planning is important since it gives the people that pursue COP a sense of security and confidence; this means that the uncertainty people feel as they search for new ideas isn't made worse by doubts about how to bring those ideas to fruition. Lastly, method and planning make the concept of COP more cohesive and allow it to be taken more seriously, especially by team members that are not fully inspired, or convinced by it.
- An established hygienic base (or one in progress): as described in Fig. 2.5, the first two stages should be considered a *hygienic base* upon which to develop a more comprehensive form of customer orientation. This assumes that Stages 1 and 2 (purchasing/selling and assembly/integration) were carried out with excellent operational performance. If this is not the case, then it's futile to talk about a hygienic base. A company that wants to develop a COP culture, must first create a hygienic base, or, at the very least, be in the process of creating one. This so-called hygienic base should be clearly outlined by customer and supplier during customer needs exploration. The findings from this exploration should yield metric results (see Chap. 4). Not surprisingly, a supplier with a well-developed COP culture might be able to simplify (or even eliminate) certain unnecessary activities from their hygienic base.
- Personnel with an exploratory nature: the research performed by a supplier's exploration team (e.g. Discovery Team, see Chap. 4) is a crucial stage in the COP program. Creating a Discovery Team, however, requires personnel with different areas of expertise within a company, especially technical areas. This team should include both analytic and creative minded people. Their resumes should speak to their outstanding analytical abilities, as well as their outstanding creativity. And,

they should be able to foster their own exploratory behavior. For the most part, regardless of how talented they may be, the personnel responsible for commissioning sales do not fit this description. This is because they tend to 'push' for a deal rather than 'catch' customer insights, a tendency they will have developed after years of working in sales. This tendency in a commission-only sales force makes it nearly impossible for them to develop meaningful exploratory competences. A sales representative works against time, and can start to obsess over direct, high-volume customers.

– Sophisticated industrial marketing. Thus far, it's clear that industrial companies with an interest in developing COP culture must be able to explore their customers' needs, as well as be willing to invest more resources in researching and developing new products/services. Customer needs exploration and new product development are two out of three programs necessary for providing customers with a better offering. The third consists of an organization knowing how to introduce new technical products into their intended market. As will be seen in Chap. 12, the protocol for introducing new products is far more complex and nuanced than simply adding a new product to the sales force's product portfolio. Unfortunately, the history of new products is filled with thunderous and expensive failures. Overlooking a single detail in any one of those three main programs (exploration, development, and new product introduction) can make an entire project fail. An industrial marketer should never be mistaken for a mass consumption marketer. The latter has to contend with psychological factors that affect their customers' needs; as such, they devise and implement promotional programs that are built around psychological persuasion. An industrial marketer has to have considerable technical background.

The First Steps to Instituting COP Culture

The path to cultural change within an organization is a thorny and torturous one. In this regard, it's not worth asking *how long* this change will take to make, rather, the question should be when it will *begin*. This volume is not concerned with organizational change itself, a subject that has already been written about by many talented authors. What will be covered here, are those first practical tasks that can give way to a permanent COP program.

– Make the concept of COP known within your company, and commit to implementing it and encouraging its results on an ongoing basis. It's crucial to make noise and create enthusiasm within an organization. To do so, management should be passionate about this concept and insist on seeing its results. This is the only way for an organization to build up people's expectations and assure them that this is the correct way to create the company's future. A COP program should never take place behind the scenes (this is tempting for those with an excessive fear of failure). It's important to know about other cases of industrial companies that have successfully explored and implemented this idea in the past.

Within a company, there might be some skepticism about the possibility of decommoditization. Yet, a company's most adventuresome and creative members have a responsibility to keep up momentum and inspire others to look for not one, but multiple opportunities that might lie just beyond their doorstep. In part, this conviction may stem from the fact that an organization is the only one in its industry to understand the COP and attempt to implement it. For similar reasons, it's a good idea for sales and marketing managers to provide COP workshops for the whole organization. These workshops should go over the protocols of COP implementation, successful yet credible case-studies, and encourage people's enthusiasm. Each time the Discovery team goes out on field visits (see Chap. 4), company members should know about it; and, if any tangible progress is made, the team should give the company a general update on their achievements. An organization builds momentum by being fastidious about each step of the way; it's almost as if the organization were asking: so now, what will you do with this discovery? What are the practical uses of this discovery? When will you form a project that deals with these findings? When will these ideas produce tangible results?

- Create a diagram of each product's, or line of product's industrial chain. Industrial companies are immersed in a long supply chain (in this chapter, this has also been called an industrial chain). Central to the concept of COP (as well as to a company's business strategy), is having a physical diagram of each product, or line of product's industrial chain. Figure 2.12 depicts a standard industrial chain; of course, each line of product may have a different industrial chain, some are more complex than others, some are more simple than others, some are more lengthy, and some are shorter.
- Any sort of relevant link in the industrial chain should be included in the diagram, keeping in mind that each link corresponds to a different industry, and customers of these industries, until arriving at the end-user. Key suppliers should also be identified, see Fig. 2.10. Then, each link should be named according to the type of operations that characterize its industry (e.g. distributor, builder, integrating manufacturer, etc.). Given that many industrial companies don't know who their end-users are, it's enough for them to allocate a square as 'end-user'. For companies that have never before drawn a diagram of their industrial chain, this gives them a good opportunity to learn about their downstream market, and to start thinking of ways to familiarize themselves with each indirect link.
- Identify and study the end-user market. The end-user is defined as the market of companies and/or consumers that live with and use a product/service for its intended purpose. For many industrial companies, the end-user is an unknown entity. Generally, the end-user is found much further along in the industrial chain, is geographically removed, and is often fragmented. This fragmentation means that end-users sometimes consist of individual households. At first glance, *studying* an end-user seems like an abstract idea to many commercial officers at industrial companies. This is especially true for suppliers that are very far back in the industrial chain and are responsible for manufacturing component or ingredient products. However, a lack of imagination is the main obstacle that keeps them

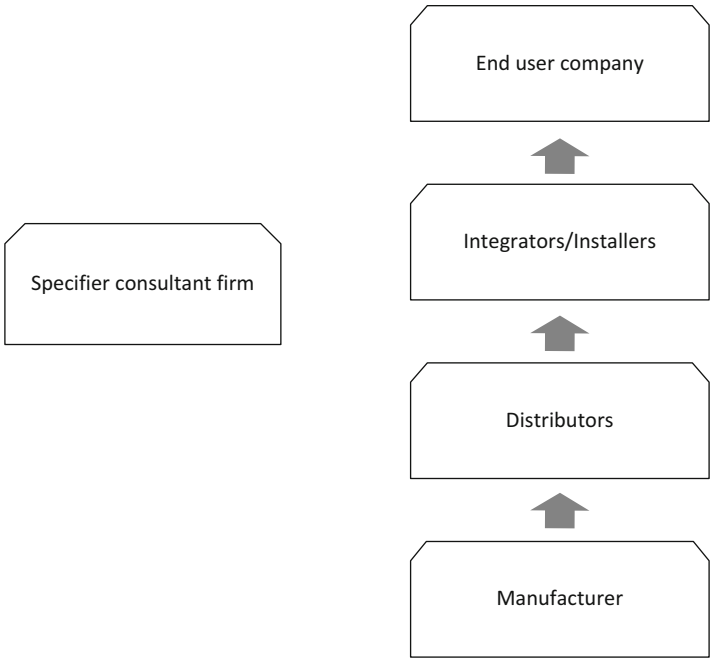


Fig. 2.12 Standard industrial chain. This figure shows an industrial chain that begins with a manufacturer (e.g. you, as a supplier) and ends with an end-user. Each link represents a customer, a customer's customer, and so on down the line. At the same time, there may also be firms that specialize in engineering consulting and engineering specifications. These might be members of the end-user's organization, or, in more complex projects, they might be independent engineering consultancy companies

from taking on this sort of initiative. Just ask these executives to take a look at the history of their own products; they'll find examples of innovations that changed the industry and created an entirely new universe of applications and functionalities further downstream. Take, for the instance, the transistor and its by-products, or chemical sweeteners, or polyethylene terephthalate (PET) and its by-products, etc. Even basic elements such as metals can be combined with any number of other chemicals in order to improve their functionalities or attributes. Here, an upstream supplier has two choices: they can either take the reigns on exploring their products' potential, or they can wait around for their customers and their customers' customers to begin calling for an improvement. On this note, it's worth remembering that there are countless historical examples of commoditized products that have been unexpectedly substituted.

Research into end-users can come up against temporary obstacles: a company's direct customers (intermediaries) may not want the supplier to get close to end-markets. Intermediaries might feel threatened by these initiatives since for them it means that a supplier might bypass them commercially (this is especially true for

paranoid distributors). Here, the supplier should consider the following: first of all, since end-users are the ones who use your product, they are also your customers. Secondly, no intermediary should expect that product improvements will spontaneously occur, or that a supplier will be able to think up product improvements on their own. Moreover, an intermediary will rarely pass along innovative ideas. For the most part, an intermediary is preoccupied with resolving issues that deal with logistics, availability, and supplier and customer prices. Thirdly, the manufacturer should provide a written statement that they will not encroach upon the intermediary's business. This document should provide a general outline of what the supplier intends to do, and what they won't do. Other than that, experience shows that an intermediary will cooperate when a manufacturer does not have clear knowledge of its end-markets.

- Find out where and how a product is *living*. Once the end-markets have been identified and researched, then it's time to figure out where the product fits into this complex setting. The key is to find where the product is *being used* (performing its job and delivering its benefits). The purpose of this research is not to find your product stored away in a warehouse, piled together with other stock, or to see it being installed. Of course, no one can deny that learning about these types of situations can also lead to improvements. Ideally, however, the product should be *at work*. This work produces results that are often underestimated by suppliers but that are of great importance to the end-user. During this research phase, it's important to ask these five simple (yet powerful) questions:
  - Why did the end-user buy my product (or the product that contains my product)?
  - In what way and under what conditions does the end-user use my product?
  - What are the expected metric results of this use?
  - How does our product's performance compare to the customer's expectations?
  - Does the user employ the product in new ways or under new conditions that we had not previously envisaged?
  - Does this product serve other functions besides what we previously thought?

These questions are profound in a way that extends far beyond what comes to mind just from reading them. The example of a transistor manufacturer whose products are integrated into a scanning machine used for clinical diagnoses, goes to show how important it is to respond to these questions. The transistor manufacturer, who perhaps had limited themselves to thinking that a transistor only does what it's always done (amplify electronic signals, modulate, etc.), must now venture into other fields of science, and become familiar with the issues and complexities of other disciplines.

For the majority of industrial commercial officers, this type of proposal may seem far too abstract when compared to their day-to-day tasks. The drive to find a *new reality* for a product design is what ultimately draws a line between free-thinking minds and minds that have already been commoditized.

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