



KEEPING YOU INFORMED

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Customer Requirements are Your True North Compass

It's Easy to Lose Touch

Most organizations agree that it is important to be customer-focused, and stay in touch with changing customer needs and market conditions. However, in actual practice, it is challenging to make that happen. There are several dynamics at work that make it easy to lose touch with the most important customer requirements that influence customer engagement and satisfaction. For example, sales and marketing executives come and go, and each new leader brings their own ideas and practices that have worked for them. Fads also come and go, and the people who work directly with customers can become skeptical or even cynical about “the next big idea” to rev up revenue, or a “new marketing strategy” intended to outmaneuver the competition.

Some organizations have talented research and development departments. That strength is often accompanied by a tendency to focus internally, searching for the next “killer application” or tinkering with product and service offerings to unlock unseen value that will have the potential to win over current customers or attract new customers. I fully agree with the need to consistently focus on continuous and breakthrough improvement. However, sometimes organizations can become so internally focused in the development of new and improved products and services that they downplay the relative importance of current and emerging customer requirements as drivers of product development and innovation. It's easy to get the cart before the horse!

The many distractions and crises in managing day-to-day operations also cause us to lose focus on customer requirements. Accompanying that reality is a natural human tendency to become comfortable with the feeling “we already know that.” This is dangerous thinking because customer needs, technology, competitive market conditions, and socio-economic-political conditions are rarely static. Something is always in a state of transition, and that “something” often influences something else that ultimately influences customers and their requirements.

Customer Requirements are Your True North Compass

By customer requirements, I am referring to the important characteristics and specifications of a product or service as determined by the customer. The tricky thing about customer requirements is that they may be stated or implied.

For example, a parts supplier may receive a quarterly supplier scorecard from their customer, who is a prime contractor. Their scorecard indicates that they are being judged on quality, on time delivery and cost relative to their competitors. What may not be expressly stated is that their customer is repositioning themselves in the marketplace, and is planning to accelerate their rate of improvement to become more competitive. They are evaluating their supply chain to determine their most viable suppliers who can best support their growth plans. They are assessing the quality of each supplier's leadership team, and whether or not they are implementing a lean manufacturing system, or have a viable continuous improvement process in place, or developing a skilled, engaged workforce. Due to the customer's new strategic focus, quote turnaround time and responsive customer service are emerging as important new requirements, but have not yet been added to the formal supplier scorecard.

Average suppliers will continue doing business as usual, read their quarterly scorecards and assume they are meeting all requirements. Enlightened suppliers will continue to actively and consistently build trusted relationships with key customers; regularly meet to validate current and emerging customer requirements; and have in place an array of effective customer listening methods to obtain actionable feedback from both current and potential customers. As a result, they are better prepared to anticipate and respond to changing customer requirements.

When you stop and think about it, customer requirements are your true north compass. You must have a close relationship with your most important customers so that you are clear about what their current and emerging requirements are. Only then can you be sure that you are pointed in the right direction. In my opinion, validated current and emerging customer requirements represent the most important driver of an organization's success. If you are not clear about the most critical customer requirements, how the customer differentiates your organization from the competition, and what the customer's purchase decision-making process is truly based on, you cannot effectively align and integrate your organization's strategies, people and processes to sustain success. If you're not close enough to your customer to determine their requirements, you risk being viewed as a commodity provider, with price as your only differentiator of performance.

Four Immediate Steps to Take

Following are four steps to help your organization better focus on customer requirements, and more effectively achieve and sustain success in your competitive marketplace.

First, identify key customers and key market segments. Which current customers generate most of your revenue and profits? What new customers or market segments do you need to pay attention to, and why? What are the common characteristics of each group of customers? How are requirements different among each segment, and why?

Second, identify and validate key customer requirements. Begin by documenting what requirements have been expressed, and what you can reasonably assume. Arrange face-to-face meetings and engage in open, two-way dialogue to validate current and emerging requirements, and discover what you don't know. Bring an open mind, and be prepared to listen and learn.

Third, establish effective processes for regularly updating customer requirements and other feedback. Develop approaches that are "customer-friendly," and easy for them to participate in. Plan to meet at least annually to formally review and update customer requirements, or more often if your marketplace is particularly dynamic. Benchmark with other organizations to learn how to improve your customer listening methods and obtain more actionable customer feedback. Manage customer complaints as a closed loop process to prevent problems from reoccurring. Regularly measure and track customer satisfaction and dissatisfaction trends compared to competitors.

Fourth, integrate customer requirements into your strategic planning, action planning and organizational performance review processes. Set up processes to systematically gather, analyze and use data and information concerning customer requirements, satisfaction, complaints and other feedback. Use customer feedback as an important centerpiece in your strategic planning and organizational performance review processes to plan future product and service offerings, and more clearly focus priorities and resources for continuous improvement.

Our mission is facilitating organizational transformation and performance improvement. If you would like to explore practical ways to help you ensure that validated customer requirements are an effective part of your organizational performance management system, or discuss other aspects of improving organizational effectiveness, please contact us. © 2009 by Jeffrey H. Bracken, Bracken and Associates. All rights reserved.