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# Spend a Day in the Life of Your Customers

by Francis J. Goullart and Frederick D. Sturdivant



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*At industrial companies, there is no substitute for senior managers' personal sense of the market.*

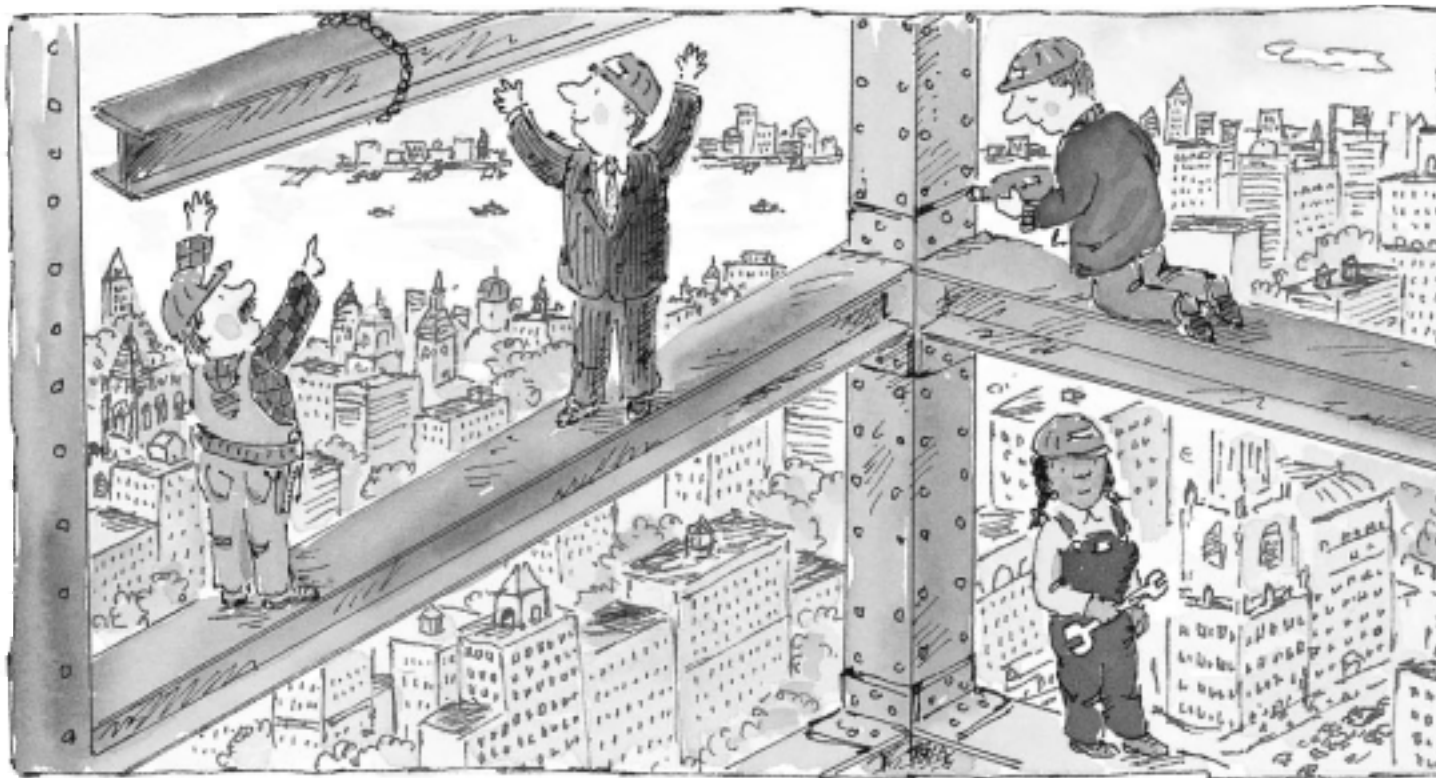
# Spend a Day in the Life of Your Customers

by Francis J. Gouillart and Frederick D. Sturdivant

Every successful business is built on superior senses—of timing, opportunity, responsibility, and, not infrequently, humor. None, however, is more critical than the ability to sense the market. A senior executive's instinctive capacity to empathize with and gain insights from customers is the single most important skill he or she can use to direct technologies, product and service offerings, communications programs, indeed, all elements of a

company's strategic posture. Bill Gates, Akio Morita, Sam Walton, and others brought this ability to the enterprises they founded. Without it, their ventures might have been short-lived or at least far less successful.

Paying attention to the customer is certainly not a new idea. But many top-level managers, particularly those at industrial companies, consider customer contact the bailiwick of sales and market-



ing staff. And even if they do believe that market focus is a priority, most retain only limited contact with consumers as their organizations grow, relying instead on subordinates' reports—second- or third-hand information—to define and sense the market for them.

Such approaches are dangerous for several reasons. First, customer input and market data are useful only if they're coming from the right sources. Most industrial companies define "customer" as the next entity in the distribution channel and stop there, routinely gathering all their marketing information accordingly. This is a serious mistake. Each link in the chain right down to the end user is as important as the next. Only market data that reflects desires and needs at every step can give senior managers the kind of comprehensive picture they need to make informed, accurate decisions about new services, product positioning, and the like. For consumer goods companies like Coca-Cola, Gillette, and Nike, the chain is short, so even information that doesn't reflect all steps will probably be on or near target. But for industrial concerns, several steps removed from the end users of a finished product, such an error can result in a grossly inaccurate portrayal of the market.

Another danger is that most managers do not understand the distinction between information and knowledge. Even if they include information from all points on the distribution channel, most general market data do not show a manager how each cus-

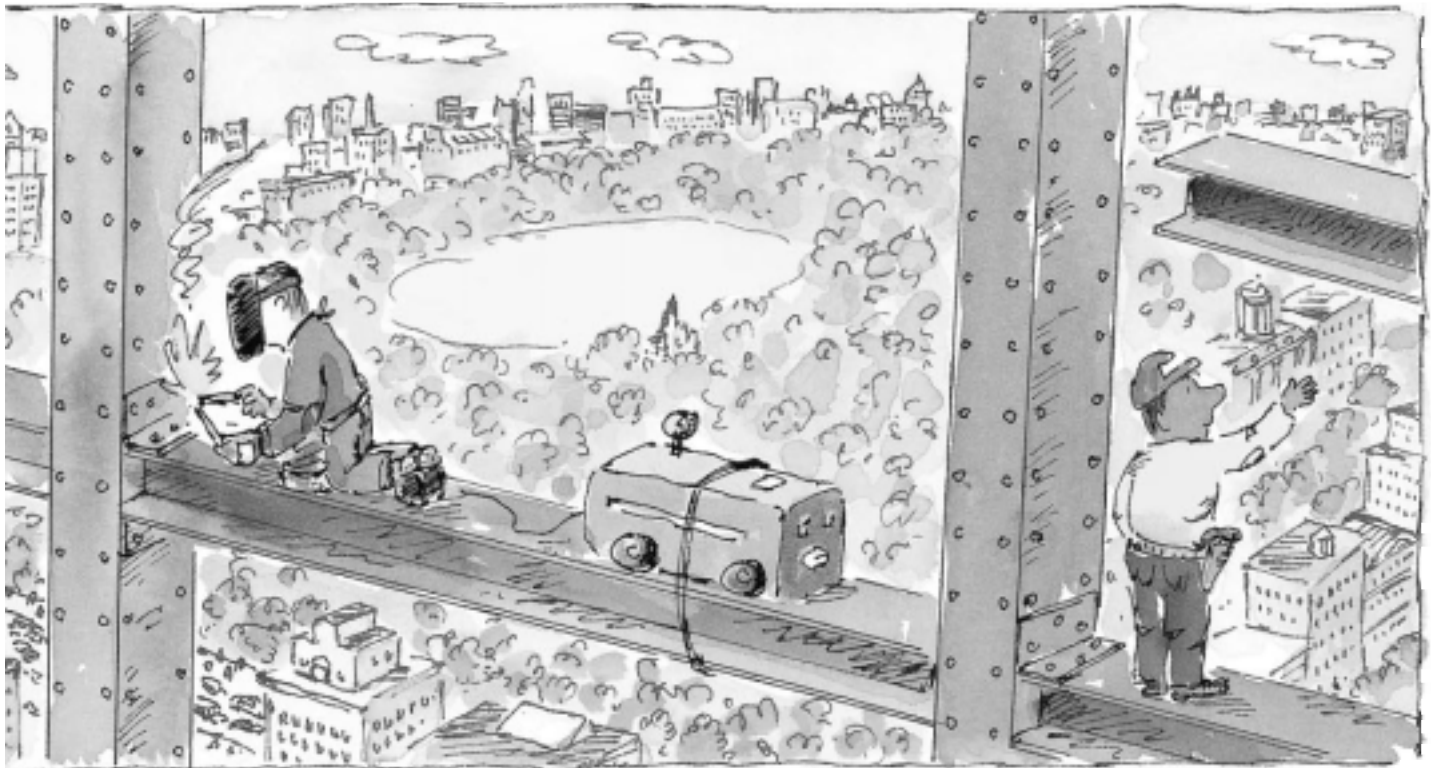
tomers relates to the next or how customers view competing products or services. Managers faced with too much general information tend to average results, blur boundaries, and miss distinct, segmented market opportunities.

Finally, unless senior executives make market focus a personal, strategic priority, they will not initiate organizational change, even if all data indicate that such change is warranted. Most top-level managers routinely spend time visiting customers. But all too often, these visits are superficial; the managers don't invest the effort needed to understand and empathize with the customer. They may have preconceived ideas about a client's situation and, as a result, may not ask imaginative, probing questions or separate significant kernels of information from the overall picture.

This failure to listen carefully to all customers, to empathize with their needs and desires, results in reduced service levels, streamlined product lines, and uniform product designs. It inadvertently favors cost reduction at the expense of individuality, even when market needs point toward greater cus-

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tomization. What's more, managers who are not market focused often come to the conclusion that there is really no fundamental difference between their offering and that of their competitors. Commoditization, the natural outgrowth of all competi-

## If all competitors fight with the same weapons, the natural result is commoditization and declining profit margins.

tors fighting with the same weapons, becomes a self-fulfilling prophecy. And commoditization is why so many industrial companies that embraced time-based competition or reengineering may have realized short-term gains but have ended up destroying their industries' profit margins.

Top-level managers need to spend a day in the life of key customers in their distribution chains. There is no substitute for managers' instincts, imagination, and personal knowledge of the market. It should be the essence of corporate strategy. Only in that context can analytical devices like customer-satisfaction indices, market-share data, and benchmarking results become servants rather than masters. And only with market-focused leadership can companies continuously and quickly reinvent themselves to meet new market needs.

Consider the following fable as an illustration of how senior executives' commitment to market-focused management makes a critical difference.

### The Tale of Woodbridge Papers

Once upon a time in a New Hampshire valley, there was a proud manufacturer of specialty papers called the Woodbridge Company. Woodbridge made colored packaging paper used by the food industry for soup, ketchup, and junk food. It dominated its market. (Hyde Park Papers and Mountain View Papers, its closest competitors, had long ranked second and third, respectively.) Woodbridge made its customers happy, from the printers who bought paper from the company to the food companies who bought labels from the printers.

One day, however, Mountain View Papers began displaying an abundance of new-found energy. A loyal customer—a printer from Chicago—informed Woodbridge of the threat. "Mountain View is now able to deliver in a week," the Chicago rep told the

Woodbridge sales manager. "I'm thinking of switching companies."

The Woodbridge sales manager did not reply but thought to himself, "We could deliver in a week, too, if we had to. But we couldn't do it routinely."

Woodbridge's lead time was four weeks, and it was hard enough to meet that schedule.

The minor irritation grew into a full-blown headache when Woodbridge's CEO saw a key customer, a soup manufacturer, a few weeks later on his yearly "Meet the Customers" trip.

"We find Mountain View Papers can save us when we run out of pack-

ages during promotions," the soup manufacturer told the CEO and sales manager. "As a matter of fact, we have decided to switch about 40% of our business over to them." A gulp could be heard from the Woodbridge delegation.

"*Let's Counterattack.*" Upon his return, Woodbridge's CEO immediately called a senior staff meeting. Something had to be done. But what? The tension was as thick as the pea soup that Woodbridge helped package.

Marketing and sales attacked manufacturing's inability to bring the order-to-delivery cycle time below four weeks. The manufacturing manager struck back. "Yes, it takes four weeks to go from order to delivery," he agreed. "But have you ever examined what you are doing to us by constantly adding new products? At last count, we had 440 items in our catalogue. I'll bet Mountain View and Hyde Park Papers have half that many."

"Mountain View has about 140 items in their catalogue, Hyde Park around 240," the market research director proudly announced. "This should legitimize market research for a good six months," he thought.

The head of manufacturing pursued the offensive. "If we didn't have all these shiny vermilion and shamrock green papers to manufacture, we'd be all set," he said. "These papers run two or three times a year at most and in puny quantities. But the color stays in the machines for three days and, as a result, setup costs have skyrocketed. I'll bet our competitors don't have shiny vermilion or shamrock green."

The CEO considered all the comments, then went to work. He set up a steering committee made up of department heads from manufacturing, sales, marketing, finance, customer service, and information technology. He also created a working task force of high performers. The two groups learned

about empowerment and becoming agents of change. They became an encyclopedia of continuous improvement, reengineering, process redesign, and business transformation methods. The groups mapped out the order-fulfillment process, from order entry to delivery at the customers' dock and billing. They challenged assumptions, weighed organizational options, studied how information technology could help. They set up a war room to track results. Close to 300 people devoted time to the effort.

Within three months, Woodbridge had made several important discoveries. The manufacturing cycle was in fact only two days long, a far cry from the four weeks allotted for the full order-to-delivery cycle. Queuing, paper shuffling, and setup took up the rest of the time. After identifying the weak spots, the groups began to streamline the process.

An activity-based costing analysis of profitability showed that 35%—about 150—of the manufactured items were destroying around 40% of the profits. These items were the lowest volume articles in the catalogue. Good-bye, shiny vermilion and shamrock green!

After another three months of implementation, the order-fulfillment cycle was down to nearly one-and-one-half weeks. Woodbridge had reduced its inventory-control staff by 50%. And the angry phone calls from distributors had stopped. Market share, which had been dropping at the rate of about 1% per month for six months, stabilized. Everybody celebrated. The marketing, sales, and manufacturing managers toasted their unwavering partnership.

Encouraged by its success, Woodbridge applied for the Malcolm Baldrige National Quality Award. It sent people on benchmarking missions to Japan. Sony became its standard for new product introduction, L.L. Bean for distribution, Procter & Gamble for marketing. Woodbridge even benchmarked its benchmarking process, choosing Xerox as best practice. The cafeteria staff began to strive for world-class status.

A year later, Woodbridge became the proud recipient of the Baldrige Award. The whole valley rejoiced. End of story? Well, not quite...

*The Unhappy Ending.* Within a year, a frightening new marketplace pattern emerged: prices steadily declined. Every bid required heavy discounting. The three paper companies met one another's prices as a matter of policy. Each of the three took turns initiating a price cut, always blaming the others.

Lead time was now the same for all players involved: about one week. Product lines looked in-

creasingly alike after successive waves of pruning by Woodbridge. In quality and service, the three competitors consistently ranked on a par with one another in customer surveys. Their benchmarking had been so effective that they looked identical.

The term commodity raised its ugly head. Marketing people again accused manufacturing people of evil behavior, informing them that narrowing the product line had taken a heavy toll. There was not much they could do to better Mountain View Papers or Hyde Park. "Price is all that we've got," they moaned.

Seven years later, the colored-packaging-paper industry had gone the way of the steel industry. Woodbridge—like Mountain View and Hyde Park—had had one profitable year over the last five. Collectively, the companies had laid off 30,000 people across five states.

*What Really Happened.* We have seen this scenario played out in the real world all too many times. But consider another ending based on the actual experiences of a U.S. paper company that successfully repositioned itself and is now one of the most profitable paper manufacturers in the world. Rewind the tape to the first management meeting. Woodbridge's senior staff is trying to find a way to respond to Mountain View's newly reduced delivery time. Here's what really happened:

In the midst of all the yelling, the CEO's voice broke through, "Why don't we invite the unhappy soup manufacturer and the Chicago printer to come talk to us about their concerns?"

"But we have a lot of customer data," the marketing vice president protested, offended that his boss would suggest that there was still something to learn about *his* customers. "What about our surveys, our focus groups?"

The CEO ignored him and told the vice president of planning to organize the event. The marketing vice president sulked for a day.

## Like Woodbridge, industrials can reposition themselves to avoid commoditization.

The meeting took place a month later. The soup manufacturer's delegation included the product manager, the packaging buyer, and the soup plant superintendent. The Chicago printer was represented by its CEO. Woodbridge had a delegation of ten people, led by the vice president of planning. To

the surprise of the soup contingent, the first battery of questions didn't touch on paper or printing. Instead, the Woodbridge delegation asked questions that focused on soup manufacturing and marketing: problems *they* had, issues *they* faced, how *they* could increase their own profit.

"One of our problems is in handling promotions," the product manager volunteered, although she really was not sure why she was baring her soul in front of a supplier she didn't deal with directly. "We never know how successful we'll be until the product hits the grocery store shelves. When the promotion is successful, we stock out. This costs big money in lost sales and profit margin, not to mention wasted advertising dollars."

"You often forget to notify us, your colleagues, when you run a promotion," the soup plant superintendent suggested sheepishly. "If you don't let us

## The soup manufacturer needed brightly colored, hard-to-make paper for its export market.

know, our manufacturing schedule is blindsided." The superintendent and product manager seemed to be discussing the topic for the first time.

"But the problem is further compounded by the fact that no printer can print packages fast enough to avoid stock outs," the product manager continued explaining.

"That's true," the Chicago printer conceded. "But we aren't the problem. The problem rests with the paper manufacturer and its three to four weeks of lead time. We have old printing presses we could activate if we could get the paper faster."

"Is that why you like Mountain View's one-week lead time?" asked Woodbridge's vice president of manufacturing.

"You got it," the printer and the soup manufacturer answered in unison.

At the break, Woodbridge's manufacturing vice president approached the Chicago printer. "You know, we have an old paper machine we don't use anymore. It is neither the fastest nor the cheapest machine on the block. But it could help us in these stock-out situations." They sketched out on a napkin how the integrated system would work.

There were to be still other surprises. In the middle of the afternoon, the Chicago printer told the Woodbridge team, "One of the most irritating things for me is the fact that you keep delivering

paper in 100-inch rolls. My printing press is 95 inches wide. The first thing I do is chop off 5 inches of product, which creates a lot of scrap and an additional labor operation. I've been complaining about this for years."

"That's news to me," said Woodbridge's manufacturing vice president, glaring at the sales rep. It seemed that communication gaps also existed at Woodbridge.

"It would be worth studying the engineering to see if we could align the width of our machine with yours," the Woodbridge engineering services manager said. "Our machine, as far as I know, works only for printing and packaging applications, and most of your colleagues must have similar presses. The only reason we made the paper as wide as we did is that it is generally accepted in the industry that the wider the machine, the cheaper it can make the product."

"If the engineering study works out, we could charge you by the usable square yard rather than by the pound as we do today," the marketing vice president suggested.

"I would like that," the Chicago printer said, beaming. "I sell square inches of printed stuff, not pounds."

The two sketched out the rough parameters of the engineering, the new economics of the redesigned paper machine, and the associated pricing.

Late in the day, the soup manufacturer's team revealed even more about its industry. "The key to our business is taste, taste, and taste," the product manager said. "But the other trick is to make our soup stand out on the shelf. 'Hello, pick me, I'm your soup.' Well, the business is increasingly complex. We need to tailor our recipes and packages more to regional tastes through the distribution system. For example, they like gazpacho spicy in the Southwest, bland in New England. We've also found that brightly colored packaging helps in the export market. Holland likes red cans. France, on the other hand, loves a picture of a vegetable garden on a dark green background."

"Dealing with this fragmentation is a nightmare," the soup plant superintendent confirmed. "France is typically a six-hour run every six months, Holland a two-hour run. Every time, we have to change the setup, reformulate the recipe, locate the packaging, run the order, and clean up."

"The complexity you describe applies to us as well," said the Woodbridge manufacturing vice president. "Our shiny vermillion, which must be for the Dutch market, is very hard to make. The same is true for the shamrock green."

## Wireline: Identifying the Need for Segmented Services

When senior managers spend a day in the life of their customers, the rewards are twofold. First, the experience generates new insights into business opportunities, reawakening managers' instincts and challenging their senses. It also becomes the catalyst for action. Rather than looking at their customers through a one-way mirror, market-focused managers feel their customers' stresses, joys, disappointments, and rewards. From this personal involvement comes the conviction needed to drive organizational change.

Consider the Wireline division of Schlumberger, a major player in the petroleum services industry. Wireline helps owners of oil properties assess the configuration of the oil reservoirs on their properties.

Simply stated, Wireline is in the business of helping owners maximize the yield from their petroleum assets.

To do so, Wireline brings together geological, mechanical, and electronic engineering skills. The company's engineers drill holes several thousand feet into the ground and analyze what they find. They lower electronic sensors underground and interpret the signals they pick up. When they find great potential for recovery, they build a three-dimensional model of the oil reservoir, using one of the most complex computer applications known to man. The symbol of Wireline's expertise is the large truck that employees drive to land-based projects; it is fully equipped with mechanical and electronic gear—Wireline's latest technologies—and ready to solve any reservoir definition problem.

The company has long encouraged pride and unabashed elitism. Wireline's engineers are selected from leading engineering programs around the world. The organization encourages a global attitude; most of its engineers will move from Nigeria to Alaska at the drop of a hat, and many speak several languages.

But back in the early 1980s, Wireline's general manager noticed that market share was slipping. Confident that the company's reputation as the technological leader was solid, the general manager wondered what was going wrong. He sent himself and his direct reports to spend a day in their customers' shoes. "I want us to feel their pain," he said.

They started with their stronghold: companies like Exxon, Mobil, and Shell that generally commissioned

large, deep-well, complex applications. They gathered helpful information about how they could provide better service. Punctuality was one issue, "Schlumberger arrogance" another, unnecessary tests a third. There were no groundbreaking discoveries, but Wireline identified and took to heart a series of incremental improvements. And, by and large, these companies valued Wireline's technological leadership.

Wireline's managers found a different story in another market segment. Close to 40% of Wireline's market was in shallow well and smaller property work. These properties were owned by individuals like a San Antonio dentist and a Tyler cattle rancher, not by major corporations. Most properties were

easy to canvas; their owners didn't need Wireline's full range of technological skills or want to pay for unnecessary expertise if they could get someone else to do the job for less. Competitors had identified and targeted Wireline's vulnerability, and Wireline was losing market share.

Wireline's managers responded by creating a special division focused

on the needs of shallow-well and smaller property owners. They designed a simpler, cheaper version of the truck, downsizing its electronic and mechanical capability. They used their technology to improve operating efficiency, which in turn reduced project cost. They set up a separate business plan with different profit expectations and management. As a result, the company regained its lost market share and then some.

Wireline's managers might have spotted the need for segmented services by analyzing the company's market in a traditional way. But it is very difficult for a large, established corporation, especially one with a fixed culture like Wireline's, to commit to significant organizational change when that change involves a down-market move. As Wireline's general manager put it, only the direct experience of spending a day with the San Antonio dentist, from a morning at the office fixing cavities to an afternoon walk in the oil patch, compelled Wireline to redesign its truck and move beyond its elitist mind-set to compete in the smaller property segment. One of the field managers expressed it best, saying, "After sweating with the guy for a whole day, I felt like I had to help him out."



"Actually, we're thinking of dropping those products," the Woodbridge controller said, prompting an under-the-table kick from his marketing colleague. "We're losing our shirt on them."

"If you do that, you'll be like every other supplier," the soup maker's packaging buyer warned. "In that case, we might as well buy from anybody, at the lowest price we can get."

"Maybe we could review prices for these low-volume items and make them profitable for you," the soup product manager suggested. The packaging buyer turned shiny vermilion and shamrock green, but took it silently.

Over the next month, Woodbridge managers organized similar workshops with other food manufacturers and printers and tested the tentative conclusions they had reached with the soup maker. Woodbridge found that not all of its channel partners and customers sought the same benefits. But there were clear patterns. And within two months, the company was able to redesign its entire manufacturing system around its core customers' requirements.

First, it revived the old paper machine for rush jobs, aligned it with the printer's "in-times-of-trouble" printing press, and fully integrated rush scheduling all the way down to the soup manufacturer. All those involved agreed that prices would be at a premium for such situations. This became the rush-order system.

Second, Woodbridge dedicated one of its smaller machines to making paper for the export market in addition to other small volume orders. These pa-

## The first step to being market focused: recognize that your customer is more than the next step in the distribution chain.

pers would be made to inventory on a case-by-base basis. Woodbridge dubbed this process the hard-to-make system.

Finally, Woodbridge dedicated the rest of its machines to large-volume items. These machines now ran in tandem, for example, with the Chicago printer's large-volume, high-speed printing presses and the soup manufacturer's automated packaging plants. Such streamlining allowed Woodbridge to drop its lead time from four weeks to two, which in turn allowed a fourfold reduction in inventory

along the distribution chain, producing an annual working capital savings of \$300 million.

Three years later, Mountain View Papers announced that it was selling its colored-packaging-paper business. Woodbridge had successfully stripped Mountain View Papers of its only weapon—a shorter order-to-delivery cycle time—by focusing its "big-gun" machines on a set of streamlined, high-volume products. At the same time, Woodbridge outflanked Mountain View with its product proliferation strategy—by now, Woodbridge had 520 items instead of the original 440. Woodbridge had matched the soup market's fragmentation with a proliferation of paper types. As a result, Woodbridge not only prospered but also, thanks to its strong partnership with key customers, made itself invulnerable to competitor attacks.

### Becoming Market Focused: a Few Rules

Four simple rules can help managers practice market-focused management.

1. *Recognize that 'customer' means more than the next step in the distribution chain. An important corollary: do not think of your marketplace offering as a commodity.*

Consider the experience of Chevron's natural gas division and one of its complex delivery chains.

The links in this chain are as follows: Chevron uses a pipeline company to carry gas to a local distribution company (LDC). The LDC pipes the gas to a chemical company, which uses it to manufacture a leaching agent. The chemical company then sells this agent to a Colorado gold mine, where it is used to extract gold.

Through a series of workshops with the chemical company, the Chevron division's senior managers learned several significant things about their delivery chain and their ultimate customer, the mining company. For example, they found that

the gas delivered to the chemical manufacturer picked up impurities in the common carrier pipelines. Working with impure gas made the leaching agent more expensive to produce and lowered the manufacturing yield. They also found that the people at the gold mine were afraid of handling the toxic leaching agent, particularly during transportation from the chemical company.

The result? Several viable proposals for action and for increased profits. One Chevron engineer has suggested that the chemical company create its

own pure-gas pipeline, bypassing the common carrier lines altogether. An alternative option involves a joint effort between Chevron and the chemical company—or Chevron, the LDC, and the chemical company—to install a gas cleaning unit at the chemical company's gas access point. An even more radical proposition entails producing the leaching agent right at the gold mine. By pulling a gas line all the way to the gold mine, Chevron could solve both the manufacturing yield and the hazardous transportation issues.

Without the personal involvement and interest of senior management, it is unlikely that these options would have surfaced. From a practical standpoint, they look like much too big an investment to serve the needs of just one customer. And think of the leverage needed to advocate and nurture such radical options through the existing Chevron structure. Isn't it the stuff of which career-ending moves are made? But if the benefits for the mining company, the chemical company, and Chevron are large enough, any such investment can justify itself in short order. And that's just *one* chain.

Chevron is still investigating its options in this area, and its plans currently remain confidential. But imagine the degree of strategic freedom created for the company by these senior level insights. Chevron has moved away from the win-lose game of commodity negotiation and entered the win-win world of differentiation.

2. *Count on your customers for information, not for insight.*

Customers can describe their experiences and define their immediate needs. But only *you* can interpret their data and help them solve their problems. Being market focused is about your own creativity

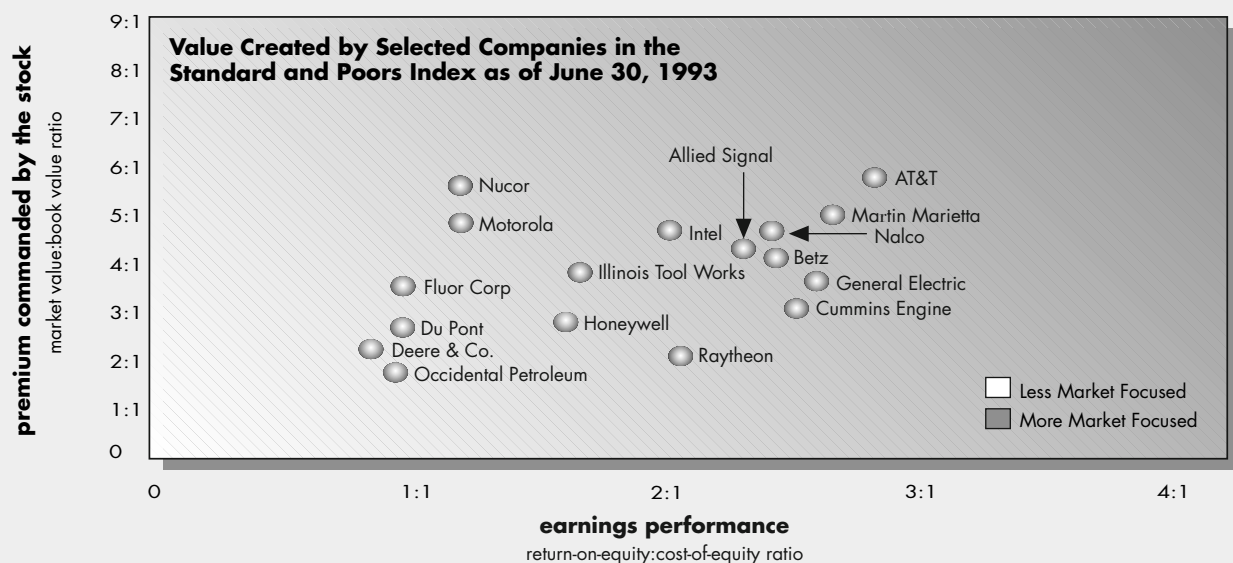
## Creative managers must bring insights and expertise to their customers' problems.

uncovering and solving your customers' problems.

Nalco Chemical and Betz Laboratories, two highly successful chemical companies based in Illinois and Pennsylvania, respectively, illustrate what happens when creative strategies are rooted in market-focused insights. These companies provide chemical water-treatment services for such large industrial operations as steel mills, oil refineries, and paper mills. Both companies' financial performances are spectacular by all standards, but they are particularly impressive when one compares them with other chemical companies. (See the exhibit, "Market Focus: Higher Profits, Greater Value to Investors.")

Originally, both Nalco and Betz thought of themselves simply as manufacturers and distributors of chemical products that were used in water-treatment processes. Like many such companies, they dropped bags and drums of chemicals at receiving docks and charged by the pound. They competed on the basis of price, service, and quality of products.

### Market-Focus: Higher Profits, Greater Value to Investors



Fortunately, Nalco and Betz both had cultures that encouraged senior managers and sales representatives to spend a lot of time in the field listening to customers. As a result, top-level executives became more intimately familiar with their customers' needs. And it became clear that industrial users did not want to deal with water-treatment problems. Maintenance department personnel, for

## Nalco and Betz encouraged managers to spend time investigating customer needs.

example, wanted to focus on boiler and steam problems, the core of their duties. They did not want to go to water-treatment conferences. Nor did they have time to read the manuals on the subject.

Over time, both companies concluded that taking over the water-treatment process themselves would result in benefits all around. So they each developed service businesses. For a monthly fee, Nalco and Betz offered to become the industrial facilities' on-site partners, guaranteeing the best available handling of all water-treatment issues. Customers could focus on their core businesses. Betz and Nalco would provide not only the chemicals but also highly valued technical services.

Did customers approach Nalco and Betz management and say, "We wish you would take over our water treatment?" No. It had never occurred to them that a supplier could eliminate their frustrations. Nalco's and Betz's managers, by focusing on their customers' problems, saw the potential benefit themselves. In fact, the idea wasn't accepted by all customers right away. Both companies spent several years convincing customers to give up their water-treatment functions. But the new businesses they created turned out to be immensely profitable.

*3. Don't expect brilliant insights each time you study a customer. Small operational shifts made from a market-focused perspective can also add up to significant improvements.*

When Michael Kaufman became chief executive officer of Southwestern Bell Yellow Pages, he inherited a revenue curve resembling a ski slope. From 1985 to 1988, the year Kaufman arrived, revenues had dropped by about \$250 million. In contrast, Yel-

low Pages advertising had increased over 30% nationally during that same period.

Kaufman and his team immediately began to focus on the market. They spent hours observing advertisers in their day-to-day activities. They discovered that salespeople spent only one-third of their time in front of customers, with the remaining time dedicated to paperwork and travel. They unearthed a dramatic misalignment between the company's publishing schedule and the canvassing schedule of the sales force, resulting in broken promises and many listing inaccuracies.

The company also saw for the first time the key role played by the customer-service center. On the positive side, telemarketing service reps handled 50% more business than the field sales representatives. On the negative side, customers who had been unable to resolve their complaints satisfactorily one year were twice as likely to cancel their ads the next year.

Kaufman and his colleagues heard many constructive ideas, which led to insights about repositioning Southwestern Bell's sales pitch. Customers educated the Southwestern Bell team on the true advantages of Yellow Pages over other forms of advertising. Southwestern Bell's message had long focused on how its customers could build name awareness by placing an ad. But, as the customers quickly pointed out, that's not why they con-

## As Southwestern Bell Yellow Pages discovered, small operational shifts can add up to significant improvements.

tracted with the Yellow Pages. Most used direct mail to build name awareness and relied on the Yellow Pages to persuade customers to make contact with the store in person or over the phone. The Yellow Pages were also the most convenient place to run an ad.

Armed with this information, Kaufman repositioned the company's entire operation. First, his team addressed the issue of customer retention by empowering service representatives to adjust dissatisfied advertisers' bills by up to \$1000. Old-time supervisors reacted with horror, convinced that the

service representatives would “give away the store.” In fact, the number and average dollar amount of adjustments went down, while at the same time customer satisfaction increased sharply. Customers had their issues addressed fairly and quickly – that’s what counted.

Second, Kaufman dramatically improved market penetration by realigning the sales organization. The team remapped a five-state area based on new customer density data and then reassigned the sales reps accordingly. Sales reps spent one-third less time behind the steering wheel and more time with the customer. The team also streamlined the sales management hierarchy, cutting the number of sales vice presidents from 2 to 1, regional vice presidents from 5 to 3, and division sales managers from 22 to 10. As a result, paperwork and meeting time also declined.

Kaufman didn’t change Southwestern Bell’s fundamental vision. Nor did he reinvent the business of Yellow Pages. But he did turn around a difficult situation. Through a succession of small moves, he aligned several critical steps toward delivering a new set of benefits to the market. Today Southwestern Bell Yellow Pages’ rate of growth is three times the national average.

*4. Involve all levels of the organization in the drive to become market focused.*

Senior management’s commitment and participation are vital for an organization to become market focused but not sufficient for prolonged success. For maximum results, the market-focused mind-set must invade the entire organization.

For example, consider the employees at a Weyerhaeuser sawmill located in the small community of Cottage Grove, Oregon. Far from headquarters in Tacoma, Washington, the general manager of this mill started a program that distinguished his operation from Weyerhaeuser’s other mills in terms of productivity, product profitability, and morale. A cross-section of Cottage Grove employees, from the general manager to forklift drivers, began spending a week at a time as “employees” of their customers. The shipping manager, for instance, ended up working on the receiving dock of a California distribution center. Customer-service representatives



**Customers provide the information, managers the insight.**

worked as sales assistants in Builders Emporium and Home Depot stores.

They were there to look, listen, and learn – not to sell. They brought back insights that enabled them to distinguish their mill. They began to wrap their lumber in plastic and paint the ends in a distinctive color. They learned to load the lumber onto railway cars in a way that made it easier to unload. Buyers soon found that they were dealing with field and telephone sales personnel who not only understood their problems but also frequently anticipated them. In customers’ minds, Weyerhaeuser’s lumber became different from any other. It became a branded item in an ocean of undifferentiated offerings.

The good news for Weyerhaeuser is that Cottage Grove’s methods have been contagious. General managers from other mills and other employees, including many from Tacoma, have begun to visit, to learn, and to implement similar methods.

Such success stories often serve as magnets for visitors: Saturn, Worthington Steel, Nordstrom, Federal Express, and others are flooded with requests from executives, consultants, journalists, and academics to come and learn. The trips are probably useful. But these executives should next turn to their customers. Spending a day in the life of the customer is where the real learning occurs. ▢

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