

Lean consumption: defining value from the customer's perspective

AutoAsia magazine asked two gurus of lean thinking, James Womack and Daniel Jones, to summarise their new ideas on lean consumption. This is an extract of the full article, which is published in the latest issue of AutoAsia magazine.



Over the past 20 years, the quality of products has steadily improved while the real price of most consumer goods, including cars, has fallen. So why is consumption often so frustrating? Why do we routinely encounter the custom-built computer that refuses to work with the printer, the other computers in the house, and the network software? Why does the simple process of getting the car fixed require countless loops of miscommunication, travel, waiting, and defective repairs? Why does the diligent shopper frequently return from a store stocking thousands of items without having found the one item that was wanted?

Why does consumption – which should be easy and satisfying – require so much time and hassle? It doesn't have to – and shouldn't. The key word here is "process". Think about consumption not as an isolated moment of decision about purchasing a specific product but rather as a continuing process linking many goods and services to solve consumer problems. For example, buying a car is not a one-time transaction. It involves researching, obtaining, financing, insuring, maintaining and disposing of the product. For producers and providers, developing lean consumption processes means determining how to configure linked business activities, especially across firms, to meet customers' needs without squandering their – or the consumer's – time, effort, and resources.

The Principles of Lean Consumption

The concepts underlying lean consumption boil down to six simple principles that correspond closely with those of lean production. (1) Solve the customer's problem completely by making sure that all the goods and services work together to do so. (2) Don't waste the customer's (or the provider's) time. (3) Provide exactly what the customer wants. (4) Provide value where it's wanted. (5) Provide value when it's wanted. (6) Continually aggregate solutions to reduce the customer's time and hassle.

Let's briefly examine some of these principles. **Don't waste the customer's time.** Providers typically send a very clear message to customers: "Your time has no value." Having a car repaired is often a lengthy, frustrating process for consumers. They have to call to make an appointment, take their vehicle to a dealer, go through numerous queues to explain the problem, arrange for a loan vehicle or a ride to their destination, and then wait for the dreaded call with the diagnosis and cost of the repair. When they go to pick up the vehicle, they may find that it isn't ready, or discover later that the repair has not been done right.

The lean provider takes a different approach by looking at the problem from the standpoint of the customer and drawing a "consumption map" of all the steps in the repair process. Then, in each instance where the customer or the provider expends time for no return in value, the provider asks how the system can be reconfigured to eliminate wasted time.

Most managers instinctively assume that this will raise their costs, but the reality is just the opposite. Purging inefficiency from the “provision stream” – the steps needed to create and deliver goods or services – solves providers’ problems even as it helps customers. All those endless queues entail needless work for staff, and reworking jobs done wrong is even more expensive. By marrying a lean provision stream to a lean consumption stream, providers can usually reduce their costs – and lower prices to consumers.

Provide exactly what the customer wants. You may think that if current consumption systems do anything well it is to get customers the exact items they want. Not true. Research by the International Car Distribution Programme in the UK has shown that only 52 percent of consumers get exactly the car they wanted in the promised time and with no defects, and that only 64 percent of service and repair jobs are completed right first time on time. These results are mirrored across the world and in many other forms of retailing.

The lean provider’s approach has a common theme: pull. The lean provider puts in place rapid replenishment systems that quickly restock exactly what a customer or the dealer has just pulled from the shelf. This is not just a warehousing problem. It’s a total-system issue of multiple replenishment loops running all the way back to raw materials. These loops permit a business to quickly restock at every level what the next downstream customer actually wants, as shown by what a previous customer just used.

Provide value when it’s wanted. Most consumers have been trained to believe that goods and services are purchased on impulse. However, for most items — and in particular for major durable goods, which account for the bulk of our spending — most of us continually plan ahead. But most current customer interfaces actually penalise the customer for planning ahead.

This situation is bad for both consumers and producers. It thwarts the customer’s desire to get exactly what they want when they want it, and it increases the producer’s production and distribution costs. Producers incur these extra expenses because they cannot accurately predict the total volume of products that will be wanted at a specific time or the mix of features each customer will seek in these products. As a result, they must keep extra production capacity available; keep large inventories of finished units and parts on hand, or both.

Most of us would be willing to share our plans with the producer in return for getting exactly what we want at a future date with a discount. If producers can find a way to share the gains with their retailers, it should be possible to pre-sell a large fraction of products to customers’ specifications (at a lower cost and price) while keeping the capability to build customized products (at a higher cost and price) right away for the “got to have it now” customer.

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