



## TenStep Supplemental Paper

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### **Customer Encounters...Making The Big Difference!**

*Capturing hidden customer needs and transforming them into breakthrough product ideas*

Customers today are undeniably powerful. Products are being designed and created just for them, as and when they require them. From washing machines that talk, refrigerators that open by the touch of a toe, mobile phones with cameras and Internet at the fingertips...all these emerged on demand. The question now is, *how were these needs captured and translated into products?*

Going by the conventional approach of idea generation and concept development, such innovations were hard to achieve. The conventional approach to develop new products was simple. Ideas were developed internally by a company and then validated through customer screening and product testing. Despite conducting customer surveys and involving focus groups (where customers come to a company for its needs) in the concept development process, studies revealed that nearly half the big product ideas of many companies were either cancelled or had failed to generate adequate ROI.

Analyses also reveal that failure of new concepts could be attributed to failure to understand customer needs. Companies nevertheless vouch for the fact that ample customer research was done before developing and testing these concepts that eventually failed. Then, why did things go wrong?

#### **The basics!**

The answer is simple...heavy reliance on conventional methods like surveys and focus groups. Often, customers are unable to describe their likes and dislikes clearly in a focus group. Problem articulation is another issue. Customers sometimes find it difficult to clearly express the kind of product that would help them meet their needs/ solve a problem. This would perhaps explain why minivans were invented late. The station wagon was the popular mode of transport for school children until Chrysler saw the problem. It worked on the problem and provided a better solution... the minivan, which is immensely popular even today!

Companies desirous of satisfying their customers must understand the impact of meeting customer requirements on satisfaction levels.

#### **The Kano Model: for fresh insights!**

This model enabled leading Japanese automobile and electronics companies to develop innovative products. Customer requirements can be expressed in terms of Revealed, Expected and Exciting needs.

**Revealed needs:** These are typically the answers obtained by asking customers what they want. Here, customer satisfaction is directly proportional to the fulfillment of a need.

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For instance, if you are an extensive business traveler, you choose a particular airline for its prompt timings and services. If the airline fails to meet this need, you will look for the same elsewhere.

**Expected needs:** These are the most basic, yet hardly expressed by the customer. In other words, a customer may fail to mention such needs until a company fails to deliver them. Meeting these needs often goes unnoticed by a customer and hence will not improve customer satisfaction significantly. However, failure to meet these needs causes dramatic dissatisfaction like emotional outrage.

Say you fly from London to New Delhi. At your final destination you expect to get delivery of your luggage intact. This is your expected need and is not a factor that you consider while choosing an airline. However, if you lose your luggage, you experience emotional dissatisfaction and luggage becomes a top factor on your next trip.

**Exciting needs:** those needs that a customer has yet to discover for himself. These are the unspoken needs. Often difficult to discover, they are almost beyond the customer's expectation. If a company is the first to identify and deliver an exciting need, then it has an innovative product. Customer satisfaction levels soar. The dissatisfaction resulting from non-fulfillment of such needs is negligible.

When your favorite airline provides you with a power source to plug in your laptop during the flight, you would be ecstatic. Such factors wow customers and bring them back. Moreover, it leads to strong word-of-mouth.

Kano's model is dynamic given the fact that what is an exciting need today becomes an expected need tomorrow. Implying, once introduced, competition imitates it sooner or later. *Customers then begin to expect this as a standard feature and the exciting need becomes an expected need.*

These needs drive innovation. A company can benefit greatly by discovering and delivering exciting requirements ahead of competition. World-class companies understand all three types of customer requirements to continually innovate to be ahead of competition.

### **Gemba...when truth surfaces!**

Uncovering and translating exciting needs is the secret of success of many leading companies, especially the Japanese. This is achieved through **gemba**, or visits to the customer. During these visits one studies the product usage situation, problems encountered and improvement opportunities. In simple terms, gemba means the place where truth is known!

The Japanese believed that gemba, or going to the customers and observing their activities and behavior helps uncover needs, which they were unaware (hidden/unspoken needs) of. Information gathered during a gemba visit should be well recorded. Data is organized into a log sheet as follows:

- Details of the customer, the product situation explored, date and the people involved.

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- Visual representation of the product usage process
- Capturing the customer problem or opportunity statement
- Translating the problem as a customer benefit
- Identifying new product features

The above details have to be recorded for every problem/opportunity identified during the gemba.

While gathering information during gemba visits, it is important to visually capture the usage pattern when the customer is using the products. Snapshots, diagrams and flowcharts could be extremely beneficial for future brainstorming. During the usage process, the gemba team has to look out for problems expressed and unexpressed. For instance, statements made by the customers like “ If only I could do this...” could help in concept optimization. At the end of the gemba when problems are identified and recorded, the customer is asked to rank them in order of their importance.

Upon gathering these vital statistics, the gemba team begins to brainstorm for concept optimization. Data gathered during customer encounters can be successfully used to turn problems into benefits during concept optimization. *Customer requirements must be translated into actionable plans to deliver products that satisfy and deliver value to the customer.*

Quality Function Deployment (QFD) could prove helpful in this task. QFD is a comprehensive system that assures quality and customer satisfaction in new products/services.

The quest to find the next, big and innovative product/service idea is an undoubtedly challenging task for any company. Economic pressures from competition, rapidly changing technology and customer demands further complicate the concept and new product development process. Arriving at the right concept for new products is critical given the ever-diminishing financial, time and human resources that companies have. Customer Encounters...Making the Big Difference! - Part I defined three types of customer needs and how critical it is for companies to understand these needs.

Upon understanding customer needs, a company must prioritize and translate them into actionable concepts. The concept of Quality Function Deployment (QFD) can be effectively used to translate key customer needs into product features and deploy them into design, manufacturing, distribution and services.

### **Maximizing positive quality!**

Conventional Quality Management Systems (QMSs) aim to minimize negative quality (like poor services, inconsistency in products and services). Such systems ensure that ‘nothing is wrong’. However, this is insufficient when all the players are good. Having eliminated negative quality, companies must strive to maximize the positive by adding value for customers. This is where QFD comes to the rescue with its focus on

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maximizing positive quality. Positive quality is reflected clearly in customer referrals, compliments and return business.

QFD enables a company to seek out both spoken and unspoken needs of customers and translate them into actionable concepts. This is critical as companies are constrained by time, financial, human and other resources. Hence, it is necessary to focus the best efforts of all employees on what matters most to customers. Most important, these 'best efforts' have to be aligned and coherent. Implying every employee builds on and fortifies the efforts of others to deliver what matters most to a customer.

### **A comprehensive quality system!**

This is quite contrary to conventional quality systems where a lot of time is spent resolving and minimizing customer complaints. Dr. Yoji Akao, along with the late Dr. Shigeru Mizuno and other Japanese quality experts developed the tools and techniques of QFD. They defined QFD as "a method to develop a design quality aimed at satisfying the customer by translating customer demands into design targets and major quality assurance points to be used throughout the production stage".

Besides, it enables customers to prioritize their needs and compare a company's performance with its competitors.

The true purpose of QFD can be explained thus: Satisfying customers (*Quality*) by translating their needs into a design and assuring that all units (*Function*) work together to systematically break down required activities (in line with customer requirements) into finer details. These, in turn, can be quantified and controlled (*Deployment*). Moreover, the activities of employees are developed such that they focus their efforts on the vital few aspects that create value without constraints.

QFD has evolved over time to deliver better value to customers. Four levels of deployment have been identified. By moving from one level to the next, companies can ensure that on-going as well as new products are not just in tune with changing customer needs, but also remain ahead of emerging trends.

1. Gather customer requirements, translate into concept ideas and communicate the same to manufacturing
2. Ensure new market and technology driven design
3. Try to develop novel products
4. Assure customers of ancillary services

Customer encounters play a crucial role in understanding unarticulated needs or problems with an existing product. A product concept can be considered strong if it passes *the "3-D" test*:

- 1. Desirable:** Customers require it (in terms of benefits)
- 2. Different:** The product/ service is unique (in terms of features)
- 3. Deliverable:** The product/ service is available at the right time, place and price



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Following this, the concepts are also rated based on purchase intent, uniqueness, value, need fulfillment and these ratings are compared to a database of information from previous concept testing process.

Rubbermaid Inc., is a leading player in the home storage products markets in the US. It found that it was losing markets to weaker overseas suppliers. So the company initiated QFD in its new concept development process.

Rubbermaid undertook extensive gemba visits to customers. The information gathered during gemba was recorded in a special Customer Encounter log. The gemba team covered customer encounters in minute detail by noting points of particular interest to the customer like hobbies. Such points would explain customer behavior and their unspoken needs. Customer encounters of this nature enabled the company to develop ten new product ideas after quantitative testing within a period of two years. The company's new products were instant market hits. Moreover, it resulted in enormous time saving due to minimized repetitions of poor concepts. The company says it has stopped the traditional process of going back to the drawing board and starting afresh when new concepts failed in the market. QFD eliminated this completely.

Analyses prove that to defend a strong market position, a company requires three times more marketing and product strength than that of competitors. *So, be prudent right at the start, pull out all the stops to deliver maximum value to your customers...use QFD as a concept testing and screening tool to avoid failure!*