



## **A Corporate Member Program of the PDMA**

### **Notes and Reflections**

#### **IAPD Workshop # 49**

### **Understanding Customers and Markets: Putting Knowledge to Work**

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#### **Take-Aways**

1. There is little difference among processes companies are using to understand their customers. If you haven't already implemented a process, get to it! If your process is helter-skelter, work on creating a corporate process so that projects, teams, managers, functions can work together. See Cerner and Ethicon Endo-Surgery for how companies have implemented and integrated processes for understanding customers.
2. Don't just talk to customers. Get out there and observe them; invite them in to see what you're doing; follow them around in their work places to identify the work-arounds that are costing them. Cerner redesigned a work process for hospitals that, for just one example, allowed a client to stop spending 3 hours per day removing staples from paperwork that the new process no longer needed.
3. Build your process into existing processes and cultures. A paragraph that reminds people of what to do (see Cerner), or a well-designed process that fits neatly within the existing product development process, will help implementation far better than a brand-new shiny process that comes from "away". Cerner gives good examples of this, including "Cernerizing" the language; Ethicon Endo-Surgery describes how their VoC process makes a 'T' formation with the existing Stage-Gate process.
4. Your market segmentation schemes and business models represent how you have divided up the world and figured out how to make money with your existing competencies. Don't allow that paradigm to persist unchallenged. Using a great VoC process to understand your customers doesn't do you a whole lot of good if those customers don't represent growth or core maintenance businesses (see Marc Meyer, "Frameworks" and "Business Models"). Here are some examples of segmentation and business model work that our member companies shared at the workshop.

- a. Lilly is shifting its customer focus from docs to patients and “patient outcomes.” This may call for a shift of business models, away from the “blockbuster” mentality towards one that is aligned with a more holistic understanding of patient needs. Even with this new focus, Lilly needs to continue to understand the “value network” that includes, for them, the patient as well as the docs, the hospitals, the nurses, the payers (insurance companies), and the regulators.
  - b. Gen-Probe has tended to define its markets around internal platforms. They are launching a new market segmentation effort that may take them into whole new fields and help them identify partnering opportunities. Give us a report next time!
  - c. Should Cat reorganize around markets instead of products and product lines? Maybe, maybe not. But the thinking that goes into determining which markets those would be may help them discover new segments for growth.
5. If your process for understanding customers and markets is mature, you probably have a wealth of knowledge. What do you do with it? Put it in 3-ring binders and shelf it? Johnson Controls has created a process that allows them to use and re-use the knowledge and get insights that are specific to different customers. Their playful interactions have allowed them to develop services that are just right for a variety of customers. Their business model is one that allows them to be very flexible as they meet customer needs – for example, they use their competitors’ products as they cobble together solutions. (“We use more of our competitors’ products than our own in a typical solution.”)
  6. Bring your customers into your world. For Harley-Davidson, it’s not always clear whose world is whose, but even if you’re not going to create a HOG look-alike, look for opportunities to mix and mingle. See, for example, Cerner’s Vision Lab.
  7. Don’t suppose that your customers are the same, or will stay the same. 2<sup>nd</sup> Life may not be your thing, but there’s plenty of change going on, and plenty of new markets emerging. Herman Miller does future scenarios to help them figure out what the world of work will be like in the years to come. As Larry Larder puts it, “if it’s not kind of uncomfortable, you’re probably sticking with what’s old.” (He’s not talking about Herman Miller’s chairs.)

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