

If I Ran My Customer

Part 2

Profits are your reward for meeting customer needs.

The questions on the table are: Which customers? And which needs?

In my last post, I discussed the first question, which customers? Today, I'll focus on the second question, which needs?

The essential first step to determine customer needs is to focus your efforts on your core set of sustainably profitable customers. The next step is to determine their needs.

A very useful way to approach the question of customer needs is to separate three distinct perspectives: perceived needs, articulated needs, and real needs.

Perceived needs refers to what you think the customer needs. This is the basis for your product development and marketing efforts. The critical question here is: where did your perception come from?

This can best be answered historically. Try looking at your product development efforts over the past 2-3 years, and thinking about these questions:

What customer information did your product development group consider? Did it come from the customers? If so, which customers? Which individuals within these customers? Did it come from your field engineers or sales reps? If so, how did they find out? Were they certain, or was it just a surmise based on their experience?

Was your product development effort simply an extension of a preexisting initiative? If so, were the customer needs reexamined?

The next perspective concerns **articulated needs**. Again, think about what actually happened in the last few years.

Did your customers articulate their needs to you? If so, who in the customer articulated the needs? Was it a procurement manager? If so, did he or she really understand the company's operational needs, or was he or she reporting what a few "squeaky wheels" were saying? What actual evidence led them to their views?

The problem of getting a good understanding of articulated needs is an especially important issue with customer surveys. Most often, survey results are simply tabulated to get the relative frequencies of responses. This is a huge issue in many companies.

The most important questions concern who in a customer organization is giving which responses. Do the purchasing managers say the same things as the operations managers? Do the high-level customer decision makers say different things than the lower-level managers in

their own organizations? Do you get different answers from your core customers with high sustained profitability than you get from your money-losing customers? Did you survey the most important *potential* customers (who should be in your core)?

By averaging the results, you lose the best information. And in my experience, the really important information is almost impossible to dig out of most presentations.

Not only that, but the detailed *untabulated* primary data gives you a terrific roadmap into the markets to guide your subsequent sales efforts. It tells you which customers will be early adopters and which fast followers. It also lets you chart the attitudes, hopes and fears of a customer's entire buying center. This roadmap will accelerate your sales and profits, but most often it is simply lost.

The third perspective is **real customer needs**. Here, you have to ask the question that is in the title of this post, "If I ran my customer..."

To answer the question of real customer needs, you have to understand your customer even better than the customer understands his or her own company. The best way to get this knowledge is literally to spend a lot of time physically within your core customers "walking in your customers' shoes." (Several chapters of my forthcoming book, *Islands of Profit in a Sea of Red Ink*, describe how to do this.)

Here, the big issue is whether you are meeting customer wants or customer needs.

If you are meeting customer wants, you make the customer happy. But when you meet real customer needs – needs that even the customer does not yet see – you are an essential business partner. This is the ultimate in competitive differentiation, and this is how you earn high sustainable profits.

Which brings us back to my last post. If you don't identify and focus your marketing and product development efforts on your core group of sustainably profitable customers, you can't hope to develop products that meet their real needs.