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As a business owner, CEO, or company president, deciding to transform your company into a solutions provider means you have acknowledged that the era of competing purely on product is over. You recognize that bundling activities, services, and products to create superior value for your targeted customers will gain you a competitive advantage. Although you still must compete in part on quality, price, delivery, lead time and new-product introductions, you recognize that it is your ability to discover the unique problems, challenges and opportunities facing your customers and offer them value-added solutions that will distinguish you from your competitors. How you become a solutions provider will determine how much distance you put between you and your competition. The first step in this transformation is to become a customer-driven company.

First, separate your customers into groups according to their unique needs. The initial cut will be based mainly on your own perceptions and experiences, combined with some initial research. Ultimately, the proper segmentation of your market relies on getting your customers to tell you what they do and do not value. Then, the real magic is to hear the unarticulated needs of each segment. The internal capability you should build to do this requires creativity. It also requires you to be objective, generalized and unbiased — to shed your preconceived beliefs and opinions about what your customers want and really listen to what they're saying.

Probe your customers deeply and objectively, almost naively, and do so often. If you understand the existing key factors of competition in each segment, then you can discover new factors of competition — the real weapon for you to use against your competition. You should also determine how differing geographies drive factors of competition and unique needs in each customer group.

Many companies pay too little attention to their competitors in a segment. As your company's leader, ask yourself: "What do they offer? How do they offer it? Are they profitable?" and similar questions. Gather actual data; do not rely on second-hand gossip. For each segment you should know the details about what your competitors do and how they do it. You can then compare their offerings to the key factors of competition and the customers' unique articulated and unarticulated needs. Having a firm grasp of what your competitors are doing and how they're

doing it will help you differentiate yourself and build a solid value proposition.

Next, you will need to capture and analyze in an orderly way the voices of your customers in each segment and use that knowledge to build high-value, differentiated solutions. Properly translating the articulated needs of your customers against the key factors of competition is critical. Again, the magic is in inventing new factors that address the needs your customers may not specifically know or speak about.

Changing the game with new solutions to old and new problems often requires changing

something about the distribution channel in each segment. Your distribution channel should be a value-adding partner. Know how your distribution channel will add value to your solutions and how it won't. Challenge paradigms. Remember that if you invest the time in understanding your competitors and your customer's businesses as well as they do, you will usually know more about your market segments than even the most established of your distribution channel partners.

In summary, once you have completed the following activities, you will be on the road to executing a solution provider strategy:

- Properly group your customers in your markets according to factors of competition, needs and value sought
- Identify important articulated and unarticulated needs that exist uniquely in any customer group and understand how geographies drive differences in factors of competition
- Understand thoroughly your competitors' activities and business models
- Understand how you will or will not use existing or new distribution channel partners in the solutions you create
- Capture all of this information in a useable format

We'll explain the keys for successfully executing such a strategy in the next issue. ■

TBM's Leveraging Lean for Growth Team includes Sam Swoyer, Mark Oakeson, Jim Scott and Bob Wenning and is led by Gary Hourselt, who can be reached at ghourselt@tbmco.com.

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