

# Six Sigma and the Voice of the Customer – Which Customer and What Should You Listen To?

R. Eric Reidenbach

Pick up any article or book, or attend any conference on six sigma, or talk with any Black belt or Master Black Belt, and you will hear the six sigma gospel about the importance of the voice of the customer. And, if six sigma is applied with a strategic perspective, by which I mean an objective of enhancing the organization's competitive value proposition and market performance, the voice of the customer is indeed the necessary starting point. If however, the focus of the six sigma deployment is cost reduction, the voice of the customer appears to get a mere lip service. The voice of the customer that typically resonates in a cost focused initiative is the voice of an internal customer pointing out where excess costs can be found.

## ***Six Sigma and Strategy***

Let's start with an important point about six sigma deployment. That is, it makes no sense to divorce your six sigma focus and initiatives from the organization's strategy. Accordingly, if your strategy is to be the low cost supplier, then it makes sense to focus on those areas of your business where costs are out of line and can be reduced. Here the internal voice of the customer is worth listening to.

However, if your strategy is one of value creation and market leadership, then it makes much more sense to be able to provide a way for the customer to direct your six sigma efforts. After all, who better knows what value is than your customer? In an interview with *Six Sigma*, James Zimmerman from Kepner-Tregoe ("Avoiding the Seven Deadly Sins", July 7, 2005) points out the need for consistency between six sigma and organizational strategy. Failure to establish this linkage "... can mean operationally implementing something that is strategically silly."

The question is *which customer's voice* do you listen to? Most organizations serve multiple sets of customers. For example, financial service institutions serve segments such as singles, newly marrieds, full nest I (couples with a child), full nest II (more kids), empty nesters, or sole survivors – groups of customers based on lifestyles. Heavy equipment manufacturers may serve miners, farmers, building construction companies, forestry companies, and truck companies, again, to name but a few. The point is, each of these segments has a voice, and it is up to the organization to *choose* which voice that it will listen to.

This communication process is somewhat more complicated than simply picking a segment or two. The voice of the customer, what he or she is saying, will vary depending upon which product line or service they are using. Using our financial services institution example, the voice of the customer will vary-- even when we limit our focus to newly marrieds -- when we qualify the segment by product usage such as credit cards or

home mortgages. Clearly, what’s important to a newly married person regarding credit cards will not be the same things that are important to newly marrieds considering a home mortgage. The voice and the language both change. Similarly, if we are talking to a farmer, his or her needs will vary depending upon whether we are talking about a manure spreader or a tractor.

The point is that the voice of the customer is what we call “product/market specific.” And the choice of which product/markets an organization chooses to serve is part of its strategy, whether it knows it or not.

### ***The Product/Market Matrix***

To best understand the choices that confront an organization regarding the product/markets it serves, it is necessary to construct a product/market matrix such as the one shown in Figure 1.

Figure 1  
A Generalized Product/Market Matrix

<b>Market</b> <b>Product</b>	<b>Market A</b>	<b>Market B</b>	<b>Market C</b>	<b>Market D</b>				<b>Total</b>
<b>Product A</b>								
<b>Product B</b>								
<b>Product C</b>								
<b>Total</b>								

The product/market matrix aligns the two factors that drive revenue within any profit seeking organization, customers (markets) and the products and services that they buy. Product lines are arrayed on the vertical axis of the matrix. These are groups of products that are similar to each other, as defined by the customer. They are, for the most part substitutable within the same product line but not between product lines. For example, you can use different sized tractors to do a particular job, but you can not use a manure spreader to do what a tractor does.

Segments are, of course, groups of like customers that have similar needs. Moreover, if the organization is focusing on value, these segments will have either different value criteria or different weights for the criteria.

Focusing on market segments and product lines is intuitively understanding for most marketers. However, there is an equally compelling argument for focusing on the intersection of market segments and product lines. Both market segments and product lines minimize the variance between segments and product lines respectively. This leaves only the within variance as a source of distortion thus providing a more focused and clearer understanding of the voice of the customer.

Each cell in the matrix represents a strategic opportunity for the organization. Some of these opportunities will be better than others. The task at hand is to identify which of these product/markets the organization will choose to serve and, in so doing, identify which will begin to define its six sigma initiatives.

### ***Now, Which Customers?***

The question, “which product/markets,” is answered by identifying specific strategic criteria and then applying an evaluation of these criteria uniformly across all product/markets within the matrix. You can use any criteria that make sense. Some of the more common criteria include:

- Market size
- Market growth rate
- Competitive intensity
- Margins within the product/market
- Market share
- Downstream product/service revenues

First, eliminate all non-viable cells. Eliminate those markets for which the acquisition of a product or service makes little sense. For example, selling home mortgages to sole survivors is probably not a viable opportunity. Once the non-viable cells have been eliminated, evaluate the remaining cells in terms of the strategic criteria you have identified. The best opportunities will be those cells that have the best scores on the various criteria that you have chosen. This may mean, out of a 4 x 5 matrix (20 potential opportunities), that the best opportunities have been whittled down to 4 or 5 or 6.

Does that mean that you will no longer serve the other product/markets? No. But it does mean that you will not actively invest in them and, instead, focus on those product/markets that provide the best strategic opportunities for your organization. And, one of the investments that you will **not** be making in product/markets that you have **not** chosen is the deployment of a six sigma initiative. Six sigma projects will be selected only within those product/markets that you choose to serve. This is where the alignment of six sigma and strategy actually takes place.

Once the product/markets that you choose to compete in are identified, you have also identified which voice of the customer that you are going to listen to, and which voice of the customer will drive your six sigma projects.

### ***Now, What Should You Listen To?***

The conventional six sigma wisdom says that the customer metric to use is customer satisfaction. This “wisdom” is wrong on two very important counts.

- Satisfaction has no linkage to market performance. More and more organizations are forsaking customer satisfaction as the metric of choice as they begin to understand that happy customers are not necessarily profitable or loyal customers. In fact, companies such as AT&T and Cadillac learned that while their customer satisfaction scores were increasing their market share was actually decreasing!
- Satisfaction does not account for the interaction between quality and price. This is an important point because too often organizations think that to increase market share they simply have to reduce price. The reality of the situation is that they may not have a pricing problem at all but, rather, a value problem. Customers are not willing to pay the asking price for the quality (benefits) that they will receive. The interplay between quality and price is value, and value has been shown to be one of the best predictors of market share. Customer satisfaction does not typically deal with this interaction.

For strategic applications of six sigma, getting the right voice of the customer is critically important. The first step in so doing is to ensure that your six sigma initiatives are consistent with your strategy. This will ensure that you are listening to the voice of the **right** customer. Know **what** to listen for from that customer is equally important. And for that, the metric of **customer value** is increasingly the metric of choice. This metric is being more widely adopted because of its linkage to market performance and its ability to provide a better understand of the dynamics of customer behavior. For those reasons, customer value is the most powerful metric for identifying and directing six sigma projects and initiatives.