

Customer Value & Six Sigma: Keys to Sustainable Competitive Advantage

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MVS

MARKET VALUE SOLUTIONS

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Introduction

Recent advances in the measurement and management of customer value now make it a powerful tool for identifying and prioritizing Six Sigma projects. No longer do black belts have to rely solely on costs to justify the selection of Six Sigma projects. Now the real power and potential of Six Sigma can be turned to its strategic purpose – create and sustain value differences that will translate into greater market share and enhanced profitability.

It is our experience that few organizations understand how to incorporate the voice of the customer, no matter what its dialect, into how they do business. Companies struggle to use any market research they may do to guide their competitive planning, with the result that most planning processes lack any real link to the customer and, instead, reflect the agendas and beliefs of internal managers. This is equally true for many Six Sigma projects. Again, our experience suggests that many black belts talk about the importance of the voice of the customer, but few actually know what information to collect and even fewer know how to use it.

This book has two objectives. The first is to provide the reader with an approach for using the voice of the customer to identify Six Sigma projects and to guide their conduct. The second objective is to show the reader how to obtain the correct voice of the customer – customer value.

There are two sections to Six Sigma Meets Customer Value. The first section focuses on how to use customer value information to identify Six Sigma projects. Chapter 1 goes into detail regarding the superiority of customer value over customer satisfaction as a director of Six Sigma projects. This chapter challenges the conventional wisdom regarding customer satisfaction and offers, in its stead, a much more powerful and robust strategic measure – customer value.

Two important value tools, the Competitive Value Model and the Competitive Value Matrix, are the subjects of Chapter 2. The value model is the information platform that provides a highly detailed understanding of how targeted markets define value. The Competitive Value Matrix is the radar screen that identifies the organization's competitive value proposition. Six Sigma is the tool that enables the organization to widen the value advantage it already enjoys, or to close the value disadvantage it currently suffers.

Chapter 3 provides a step-by-step approach for using customer value to identify specific processes within critical value streams for Six Sigma initiatives. This approach is akin to having the customer not only tell you which processes should be the focus of the organization's Six Sigma efforts, but also to actually walk up to them and point at them! It is a powerful approach for permitting the customer to tell business managers how to leverage their value advantage or how to improve a value disadvantage. If managers can't use this approach they are truly deaf to the voice of the customer.

The second section of **Customer Value & Six Sigma** focuses on how to acquire the information discussed in section 1. Whether the reader actually does the research or buys it from a third party, this section will make the reader either a better researcher or a better buyer of research.

Chapter 4 talks about focus. Here the reader is introduced to an important tool, the product/market matrix. The product/market matrix aligns two sources of revenue generation: the products and services an organization sells and the customers who buy them. This is a crucial first step in making customer value information meaningful and actionable.

Asking the right questions is the subject of Chapter 5. Ask the wrong questions and you get the wrong answers. It is important to do the necessary homework in order to insure that the right people are being asked the right questions about the right products. Off-the-shelf research products cannot do this.

Developing the questionnaire is discussed in Chapter 6. Again, whether the reader is a doer or buyer of customer value research, understanding how questionnaires work and are created is important.

Chapter 7 talks about data collection – where, how, and how much.

Chapter 8 focuses on pre-modeling issues. What do you do with the data prior to your value analysis? How do you address issues of multicollinearity, data independence,

reliability and validity? These are issues that most market research firms cannot and will not address. However, they are critically important to the quality of the information.

Chapter 9 discusses key value analysis tools in depth. Again, the focus is on the Competitive Value Model and the Competitive Value Matrix. The mechanics of their construction and use is detailed.

Chapter 10 addresses the subject of monitoring the organization's competitive value proposition. Six Sigma relies heavily on metrics to make sure that it is accomplishing what it intends to accomplish. Monitoring the organization's competitive value proposition is very important. Developing a low cost metric to do this monitoring becomes a key step which is often ignored.