

NANO TOOLS FOR LEADERS®

IMPROVE YOUR CUSTOMERS' EXPERIENCE FOR EXCEPTIONAL BUSINESS GROWTH

Nano Tools for Leaders® are fast, effective leadership tools that you can learn and start using in less than 15 minutes—with the potential to significantly impact your success as a leader and the engagement and productivity of the people you lead.

Contributor: Ian MacMillan, The Dhirubhai Ambani Professor of Innovation and Entrepreneurship; Professor of Management; Director, Sol C. Snider Entrepreneurial Research Center, The Wharton School, University of Pennsylvania

THE GOAL:

Identify and take advantage of ways in which you can dramatically improve your customers' experience to drive exceptional business growth.

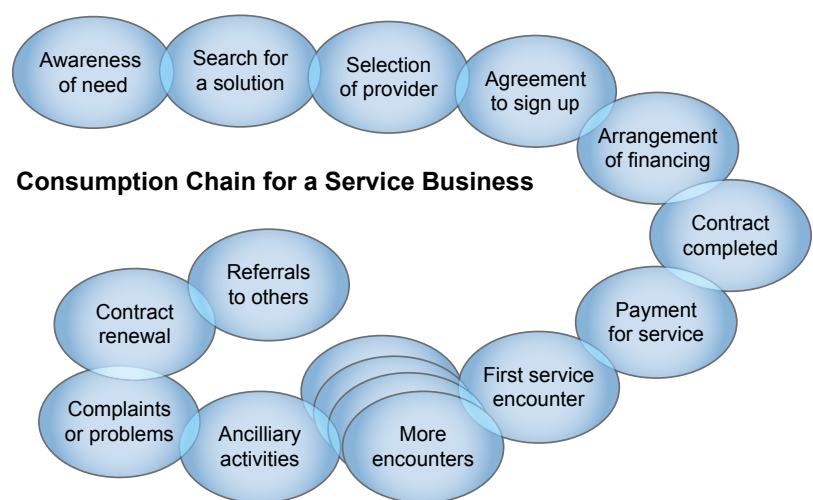
NANO TOOL:

In their book *Marketbusters*, Ian MacMillan and Rita McGrath describe five approaches for re-visioning growth strategies in order to create new revenue streams and competitive advantages while working with known customers. The first approach involves examining your customers' total experience with the goal of transforming it. MacMillan and McGrath suggest a tool which they call a consumption chain (see an example below) to identify every step in the consumer experience. Once these steps are identified, the chain can be used to "prospect" for or identify potential changes you can make in specific customer experiences—ones that will create a surge in demand and result in substantial growth opportunities.

HOW COMPANIES USE IT:

It is important to keep in mind that no strategy will be successful indefinitely. Competitors catch up, markets change, and organizations can become lazy during upswings that inevitably come to an end. Instilling constant consumption chain enhancements into your overall strategic process can help you create growth opportunities continuously.

- The entrepreneurs behind Coinstar, Inc. saw an opportunity in the consumption chain having to do with loose change. Instead of sorting and rolling loose change and then taking it to the bank, the customer uses a machine in the grocery store that sorts and counts the change, then issues a coupon that can be used to buy groceries or redeemed for cash. In effect, they **replaced an existing consumption chain** with one that offers a dramatically different experience for the customer. The impact on the consumption chain is a major enhancement in convenience (eliminating sorting, rolling, transporting, and refunding)—one that customers were willing to pay over \$276 million for in 2010.



- One of Amazon.com's many seismic consumption chain innovations was **digitizing an existing chain to combine or replace links**. The mega-retailer provides a high level of personalization and ease to Internet shopping, creating a unique "storefront" for each returning customer that is based on previous purchases. It replaces travel to a bricks-and-mortar store and random browsing with a page of suggested books, music, and other items linked to those already acquired.
- Canadian company BioSpec Global Solutions, Inc. recognized the need for rapid monitoring of microbial contamination of drinking and recreational water, and developed technology to allow for on-site testing. Previously, samples had to be collected and sent to a lab where testing took days to complete. By introducing TOGS (Time of Growth Spectrophotometer) technology, it **eliminated time delays in the links of the chain**. With over two billion water samples sent to labs around the globe for testing annually, and with concerns regarding the safety of water and food supplies growing, BioSpec has identified a significant market and created a remarkable advantage by speeding up the testing process.
- At the core of competition in the global business of maintaining elevators is early detection of potential problems. These problems represent triggers in the consumption chain—events that require an organization's services. Companies such as Otis in the U.S. and Kone in Europe invested heavily in technologies to provide early detection of events that might require a maintenance call, therefore **monopolizing a trigger event**. These companies can now either prevent the problem or arrive on-site quickly to fix it.
- See the **Additional Resources** links below for more examples and research findings.

ACTION STEPS:

To "pull" for great performance:

1. Select a target segment (ideally basing your choice on customer behavior rather than demographics).
2. **Identify** people within your company who come into contact with members of that customer segment, and assemble them into a small task force or discussion group.
3. **Ask** the group to describe your customers' experience, from the point of initial awareness of need to the point at which a product is exhausted or a relationship ends (or moves to the next stage).
4. **Create** a hypothetical consumption chain (see the model above), using various "scenes" from a customer's experience as the links, noting what transpires to move a customer from one scene to the next.
5. **Critically assess** how well you are improving that customer's consumption experience. Are there links the customer would prefer doing without? Are there ways you could serve that segment better? Are there offerings that the customer doesn't value?
6. **Use** the consumption chain to prospect for Marketbusters. How can you build on the insights of your analysis to dramatically change something about the way the chain currently works and thereby create an advantage? What link in the chain represents the best opportunity for a change, and how can we make this link faster, better, cheaper, more convenient, or more user-friendly for the customer?

SHARE YOUR BEST PRACTICES:

Do you have a best practice for making game-changing improvements in your customers' experience? If so, please share it on our blog at Wharton's Center for Leadership and Change Management. <http://whartonleadership.wordpress.com/>

ADDITIONAL RESOURCES:

- *Marketbusters: 40 Strategic Moves that Drive Exceptional Business Growth*, Rita Gunther McGrath and Ian MacMillan (Harvard Business Press, 2005). Offers a series of actions a company can take to change the competitive game and bring markedly superior growth and profitability. Using tools, checklists, and examples, the authors present five core strategies for developing market busters, including transforming your customers' experience, transforming your firm's products and services, and exploiting shifts in your industry to maximize your advantage as opportunities emerge.
- *Discovery-Driven Growth: A Breakthrough Process to Reduce Risk and Seize Opportunity*, Rita Gunther McGrath and Ian MacMillan (Harvard Business Press, 2009). Explains how the practices and mindset that work in your core business can be lethal when your challenge is growth, and provides a tool-based system for managing strategic growth.
- "Discover Your Product's Hidden Potential," Rita Gunther McGrath and Ian MacMillan, *Harvard Business Review*, May 1996. Reveals an analytic tool that helps managers track and evaluate the dynamic fit between the needs of their customer segments and the attributes of their products. It begins with a discovery-driven process for uncovering salient product attributes — those that will swing a purchase decision. Then those attributes are mapped onto an ACE Matrix (Attribute Categorization and Evaluation), a grid that highlights the competitive imperatives for each attribute. The matrix shows what action a company must take in response to each attribute.
- "Growth Outside the Core," Chris Zook and James Allen, *Harvard Business Review*, December, 2003. Presents the results of a five-year study of corporate growth involving 1,850 companies that tracked specific growth moves and linked them back to individual company performance. It concluded that most sustained, profitable growth comes when a company pushes out the boundaries of its core business into an adjacent space. Six types of adjacencies are described.
- Ian MacMillan teaches in Wharton Executive Education's [*Advanced Management Program*](#) and [*Strategic Thinking and Management for Competitive Advantage*](#).

ABOUT NANO TOOLS:

Nano Tools for Leaders® was conceived and developed by Deb Giffen, MCC, Director of Innovative Learning Solutions at Wharton Executive Education. It is jointly sponsored by Wharton Executive Education and Wharton's Center for Leadership and Change Management, Wharton Professor of Management Michael Useem, Director. Nano Tools Academic Director, Professor Adam Grant.