Lean Thinking (formerly known as Lean Manufacturing) has been successfully applied to product manufacturing systems to lower costs and improve quality for more than 20 years. It has also been applied to distribution companies, and recently across more than just the "manufacturing" side of the business. As has been discussed in other papers, marketing/sales can be viewed as a process to "manufacture" customers, where the desired output is loyal, profitable, repeat customers. This Customer Manufacturing process is surprisingly analogous to traditional manufacturing processes.

A simple definition of Lean Thinking is a mindset that insures the relentless elimination of waste throughout the process. What do we mean by waste? Waste is defined as any activity that is not necessary to add value from the customer's point of view. Lean Thinking, therefore, includes the evaluation of all processes, the elimination of processes which do not add value for the customer, and the modification of all remaining processes, so that each and every step in those processes add value for the customer.

The obvious benefit of the elimination of waste in any system is that waste adds costs without adding any value. Adding costs that don’t add value translates into higher prices or lower profits. If you try to charge higher prices than a “lean” competitor, your customer will buy from the competitor, as they are able to get the same value for less money. If you reduce your price to match your “lean” competitor, your profits will be lower by the amount of waste in the system. Neither of these situations is good for your business.

As a concept, Lean Thinking seems straightforward and easy to implement; but, in reality, it is seldom practiced. Processes and activities-within-processes creep in to simplify the needs, wants, and demands of internal people, without regard for whether or not this actually helps (or, worse, hinders) the customer.

It became popular in the late 1980s and 1990s to “rename” those internal people as internal “customers” in an attempt to justify these “suspect” activities as serving the “customer.” However, this way of thinking makes it too easy to hide waste in a system.

We believe that the adage: "You’d better be serving the customer or someone who is serving the customer" is wrongheaded. In truth, you’d better be serving the customer, period! If you cannot directly connect your activities and processes to adding value for the customer, then your activities and processes had better be mandated by a government regulation or it is likely that they are candidates for elimination. Simply assuming that, by serving someone you “hope” is serving the customer (or you call an internal customer) does not justify your efforts and often leads to waste.

Unlike with the Constraint Analysis discussion provided in “Using The Theory of Constraints to Increase Sales” the application of Lean Thinking to Customer Manufacturing (marketing/sales) is virtually identical to its application in product manufacturing or any other functional discipline.

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1 For example, see the following white papers available from Customer Manufacturing Group: "Transforming Marketing/Sales Into A System To Manufacture Customer", and "Haven't Found The Secret To Increasing Sales?"

2 For a more in-depth discussion of Lean Thinking, beyond what is covered in this chapter, the reader is referred to Lean Thinking by James P. Womack and Daniel T. Jones (New York: Simon & Schuster, 1996).
Think Like A Customer

The key to the application of Lean Thinking to Customer Manufacturing is to remember Rosabeth Moss Kanter’s adage to “think like a customer”\(^3\) and avoid the often-substituted option of believing (hoping) the customer thinks like you. The effective design of your actual System to Manufacture Customers — therefore requires that the detailed process include only those activities which are necessary to add value from the customer’s perspective.

Before you quickly assume that all of your activities are necessary to add value for the customer, start by considering your sales process alone. Is it designed to help your customers buy from you in the way (How) they want to buy, or is it set up to simplify your ability to “sell?” Regardless of the answer that comes quickly to mind right now, ask yourself this question again after reading the discussion in “Are You Creating Customers or Just Selling?” about the application of Lean Thinking and customer-focused perspective to your sales process design. Once you have a marketing/sales process designed to match your customer’s buying process, as discussed in that white paper, you can move to the next level of “Lean” and look at the application of the Lean concept of Kanban to the sales process.

Kanban

Kanban is the Japanese practice that loosely translates as pull-versus-push by means of a signal-card (a Kanban). In a Lean Manufacturing system, the next work-cell in the process “pulls” from the immediately upstream work-cell when it is ready. (The Kanban, or “signal-card,” was the visual signal used in the original Japanese production lines to operate this “pull” process.) This is in contrast to the old (non-Lean) method of pushing work-in-process downstream as it is complete, thus creating potentially massive work-in-process inventory.

How does Kanban apply to the marketing/sales process? In numerous ways. Let’s look at one in particular. The probability is that your lead generation is a batch mode process. That is, you create leads in batches and pass them on in batches to the sales organization as you create them. The sales people then work on these leads when they can, which thus leads to one of two conditions: excess leads that are not followed up in a timely fashion (as defined by the customer) or lack of leads (or leads of practical quality) for the sales people to follow-up.

Which condition are you in? How do you know? Will it change “tomorrow?” In a non-Kanban managed system, there is no way to achieve any type of equilibrium in this process because it isn’t measured effectively. Do you need more leads now, tomorrow, next week? Or do you need fewer? A Lean Analysis of your marketing/sales process is likely to uncover numerous opportunities to apply Kanban to your (and your customers’) benefit.

One-Piece Flow

A related Lean technique is the concept of one-piece flow and it applies to the marketing/sales process just as much as to the product manufacturing process. One-piece flow describes the desire to take discrete items in a process and move them, as if they were in a continuous flow. The idea is to drive the moved item to its smallest “piece” (the so-called “one-piece”) and to flow it, as if it were in a stream, rather than moving it in batches.

If you watch a bottle in a well-run bottling plant, it moves almost continuously. But if you watch manufactured items in non-“lean” plants, they move in batches that exist solely because of the belief that batches are more efficient. Individual items spend a long time sitting around, waiting to be processed; then, when the batch is complete, the batch moves. This is batch movement rather than one-piece flow. It has been demonstrated rather conclusively that one-piece flow is a more effective process than batch movement, which involves move/wait/move cycles.

Toyota was and is a leading proponent of Lean Thinking in their manufacturing processes (and elsewhere too). While U.S. manufacturers have stubbornly stuck to the belief that batch processing is more efficient and that “efficient batch size” is the holy grail, Toyota has worked relentlessly to make the efficient batch size as close to a one-piece flow as possible.

This relentless dedication has moved Toyota from an also-ran Japanese car company to a leading and highly profitable world-class automobile manufacturer. While other companies struggle to find Toyota’s secret to success, it is out there for all to see. Toyota is a zealot at all aspects of Lean Thinking, including one-piece flow.

Two marketing/sales examples of a batch process involve market research and trade shows. Most companies do their market research in a batch mode. That is, they decide they need research, then they either commission it or have their in-house research department do the project themselves. This is a classic example of batch flow. Just crank up the research machine and go find out what we need to know.

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To be fair, there are times when this approach is appropriate and can be considered a Kanban approach to market research. That is, the downstream activities have a need for specific knowledge, so they "pull" on the research department to provide the requisite research. This is certainly valid, but should not constitute the majority of research activity.

The reality is that most companies have a continuing need for market intelligence. This information should be collected whenever and wherever available by anyone with access. This "one-piece" flow of data and information should be funneled to the research department, which can use it, as it becomes available, to make informed decisions to help the company succeed in the market. This research can then be made available on a continual basis, as required by decision makers.

Another example of one-piece flow is trade show leads. During and prior to the 1980s, the modus operandi at trade shows was to collect leads, batch them and bring them back to headquarters where they would be worked as a batch. This might include lead qualification, but often didn’t because the incremental resources weren’t available to process and qualify the leads. More often, literature was sent (overloading the fulfillment group temporarily) and then the leads were sent to the field for the hoped-for follow-up. When leads were received in a batch, the field sales person would have a tendency to review them, sort for the good ones and scrap the rest.

In the late 1980s, this batch process was improved by many companies by Fed-Ex’ing leads back to the office daily. This reduced the level of overload on the fulfillment group. However, the leads were still usually batched for lead qualification or distribution.

In the 1990s, many, if not most, trade shows adopted an electronic lead system so that booth visitors could be electronically captured rather having to be recorded on paper. This eliminated the need for the entry of leads into a database. (A good example of removing a step which did not add value for the customer and which, in fact, probably injected data entry errors.) Today, most companies e-mail their lead batches nightly to headquarters for processing. Why not take it one step "leaner" and transmit these electronic leads as they are received on the show floor? This migration to one-piece flow will improve the effectiveness of the fulfillment group. It may not help the lead qualification.
group since there is little that you can do to further qualify a tradeshow lead until the prospect returns, but the ability to see lead flow in real-time can help the company better staff its trade show booth and better plan for the qualification process to come.

Linking Marketing and Product Development

The other important macro-process within Customer Manufacturing is the linkage between marketing and product development to create a truly multi-functional Product Development process. Whether you use a phase-review, a stage-gate approach, or some other method, you can create a truly effective Product Development function by including marketing in this process. However, to make it as efficient and effective as possible, Lean Thinking needs to be applied to make sure that the activities within the process add value from the customer's point of view.

A key element in Lean Thinking is the idea of flexible work teams (work cells) as opposed to functional work teams. To keep the process flowing requires the ability to move resources where they are needed, as flexibly as possible. Without this flexibility, companies revert to batch processing so that they don't have to change equipment or set-ups as often. A truly effective Lean Manufacturing process requires the ability to reconstruct work-cells as required to deal with the flow as it happens.

Dealing with these demand changes and the ability to "flex" a work-cell is a requirement of effective Lean Manufacturing. This is equally true in the linkage between marketing and Product Development. Cross-functional work teams must be mandatory for the process to work. The ability to create truly lean and flexible cross-functional teams makes the process work even better. For more details on this important process linkage between marketing and Product Development, see “Integrating Marketing with New Product/Service Development.”

The Power of Lean Thinking

Of all of the management principles we suggest you “steal” from manufacturing to apply to marketing/sales, Lean Thinking is the most "immature." Its impact is just being felt by many manufacturing organizations because of its often counter-intuitive thought process.

That being said, Toyota has been effectively using Lean Thinking for 60 years and credits it with both the huge transformation they have made in their company and the great strides they have made in re-inventing the automobile business. Applying Lean Thinking to marketing/sales can give you the same powerful advantage.

More Information

If you would like more information about how to apply a process to improve your marketing/sales function, simply contact us and we'd be happy to help you get started. From sweeping marketing/sales management process strategies to specific branding or product launch services, Customer Manufacturing Group can help.

If you'd like to learn more about Customer Manufacturing Group, or for a complimentary subscription to Customer Manufacturing Updates, give us a call at (800) 947-0140, fax us at (408) 727-3949, visit our website at www.customermanufacturing.com, or e-mail us at info@customermfg.com.

We have offices in major cities in the United States, and our experts travel extensively throughout the world. If you'd like to schedule a meeting when we're in your area, just let us know.

* These white papers are available at www.customermfg.com and then in the Publications section, or by contacting us.