

**"MARKET-FOCUSED" AUSTRALIAN BUSINESSES
WILL LEARN TO "BECOME" THEIR ASIAN CUSTOMERS**

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In the outskirts of Kuala Lumpur, a Malaysian builder has just bought a load of galvanized, corrugated sheet steel for use in roofing, sold by a local distributor and made by Australia's own Broken Hill Proprietary Company. Before using the sheets, however, the builder rolls them, ironing out the wave shape until flat. This way he gets more total roofing surface from the material, saving cost. In making these sheets, of course, BHP has already incurred a significant cost by starting with *flat* sheets and "rollforming" them into their waved shape!

BHP is studying this market, observing with some amazement this scene from a day in the life of an end-user of their product. Back in Melbourne, in a team discussion among International Steel R&D, Operations and Marketing, the team ponders this scene. They note that this builder actually needs at least *some* degree of corrugation in this material in order for the roof to have adequate strength. The builder may be partly unaware of what he is losing in strength. It will likely be inadequate over time for BHP to simply try to sell this builder the same product solution that BHP has traditionally manufactured. On the other hand, simply asking this builder what he "wants" may not produce an adequate understanding of what he really needs and what BHP should try to offer him. What is really the most Valuable solution for this builder that BHP could profitably Deliver and what are the product-design, operations and selling implications for BHP?

Meanwhile, in China or India various locally owned and operated steel mills will be struggling to produce the right steel products, with high enough quality, at low enough costs to survive in an increasingly competitive market. BHP's Minerals business sells iron ore and other products to steel mills among other customers. This BHP business could also study a 'day in the life' of *their* Asian customer, to discover the most Valuable end-result Benefits BHP may be able to profitably Deliver to them.

Some steel operators are currently less sophisticated than BHP or the large Japanese makers and may know less about the smartest way to select and use iron ore in their steel-making processes. BHP, unlike your average iron ore supplier, know a great deal about how to select and use iron ore for making steel. Could BHP not only sell commodity mineral products but actually help this Asian mill significantly improve its profitability through better *use* of such mineral products? To find out, BHP cannot focus only on the internal issues of its traditional Minerals operation but also cannot rely on simply "listening to the customer;" rather BHP must "Become" this Asian customer.

Can "The Big Australian" succeed in a big way in Asia over the next decade? MD and CEO John Prescott thinks BHP will - and must - but only if it can continue rapidly building a truly "Market-Focused" global company. BHP is a big success today in its traditional businesses and markets, but Prescott and others in BHP's leadership recognize that, to sustain its historical growth and profitability, BHP must learn to compete in some

different market environments. In most of these different markets (that is, different cultures, different customers with different, not so obvious needs, different competition, different regulations, etc.) the requirements for BHP to profitably win customer's preferences will be different as well. These different requirements will demand new levels of insight and new capabilities by BHP.

Thus John Prescott knows that BHP can not reach its long term aggressive growth objectives by only trying to sell what it knows it can make based on its traditional markets. Rather, like most Australian concerns who want to tap the incredible potential of Asia, BHP must learn to achieve an imaginative understanding of the diverse real needs of these new customers. And simply "listening" to these customers will not be adequate; rather The Big Australian must learn to "Become" their Asian customers, walking a mile in the shoes of these customers, especially the "end-users" of BHP's products and services. They must learn to understand in depth what happens in a 'day in the life' of these end-users and to creatively redesign an *improved* 'day in their life,' improved in ways that BHP, in partnership with distributors and others in these markets, could profitably Deliver.

In a world of increasingly frequent and severe change, Australian business organizations must follow one of three fundamentally different paths to success in an increasingly global, diverse marketplace. We believe that the most successful ones will take the path toward "Market-Focus." They will orient all business actions around one integrating objective: superior Value-Delivery to target customers at a cost allowing acceptable returns.

Value-Delivery means Choosing, Providing and Communicating an explicit "Value Proposition," which is the combination of: end-result Benefits offered; and Price charged by the business. If the business' targeted customers perceive that this combination of Benefits and Price results in a Value superior to alternatives, then this is a superior Value Proposition, producing preference by these customers and thus revenue. It also produces acceptable profit, of course, if the cost of Delivering this Value Proposition is enough below the revenue produced.

Organizations on the path to Market-Focus *define* competitive advantage as the ability to profitably Deliver superior Value to target customers. They manage their businesses as integrated systems, not defined in terms of making and selling products but as "Value Delivery Systems" which integrate all functions around Choosing, Providing and Communicating a profitable superior Value Proposition. This deceptively simple principle elicits due lip-service from many but contrasts sharply with the other two paths which are far more often traveled.

On the "Internally-Driven" path, managers see competitive advantage in owning assets, or having functional excellence, that competition lacks. Decisions thus are based on functionally-rooted, inside-looking-out criteria that give inadequate attention and focus to understanding or delivering the end-result Benefits customers would most value. When the activities of the various functions in the business (e.g., R&D, Operations, Manufacturing, Marketing, Sales, Regulatory, etc.) are not integrated around a specific chosen Value Proposition, the functions usually pursue their own objectives and agendas which often unintentionally undermine superior Value Delivery.

The Internally-Driven organization does not learn to deeply understand their customers (and their customer's customer, who often is the more important, actual end-user, of the organization's products and services). Rather, such an organization makes the products it wants to make, then assigns marketing and sales to find a customer who wants what the organization makes. "Benefits" are invariably confused with the attributes and features of the company's products/services rather than defined as the desirable end-result scenarios for the customer which could result from doing business with the company. To discover what those desirable scenarios are, however, takes a great deal of effort and involvement across all business functions, especially when the customer is very different from the managers back home in Melbourne or Brisbane.

Some organizations, wanting to avoid the myopic Internally-Driven path, will make unrealistic commitments to do anything and everything customers suggest, following the seductive path of the "Customer Compelled" organization. Just "be close to the customer, listen and do what they say," beckons this panacea. Yet, while customers often make many good suggestions, they also make ones that are unactionable or unprofitable. Worse, asking customers what we should make and how we should sell it to them does *not* necessarily shed much light on what would constitute a genuine end-result Benefit of real value to them. They may not know what end-results they would most value and may not have the first clue how we should Deliver that end-result to them. And the diversity of requests is limited only by the diversity of customers a business serves.

Randomly following some or all customer suggestions is fundamentally different from making the strategic decisions of Market-Focus: first "Becoming" the customer, including the end-user, to understand the end-result Benefits they would most Value, then making a disciplined choice of which customers to serve and which specific combination of end-result Benefits to Deliver to them (and which to deny them), all at what Price. Only when this specific Value Proposition is chosen and all functional activities integrated around it can functional chaos and disillusionment be avoided.

When the end-user is from a very different national culture, with different values, language, beliefs, technology, etc., the problem and risks in not really understanding the customer, and setting strategy based on that understanding, are exacerbated dramatically. Neither the Internally-Driven nor Customer-Compelled mindsets, in an Australian-based organization, will have a high probability of long-term success in markets as different as those of Asia. The most successful Australians will therefore learn to "Become" their Asian customers.

Because managers usually only perceive two paths, many organizations find themselves shuttling across "Confusion Bridge," a frustrating effort to blend the two flawed approaches. On this popular bridge, managers try to either: do whatever the customer says unless it violates an Internally-Driven mandate; or, follow Internally-Driven agendas unless a customer complains. This approach lulls some managers into thinking they have found some kind of "balance," but no less than Internally-Driven or Customer-Compelled, being on Confusion Bridge misses the fundamentals of Market-Focus.

Kodak Australia has become a jewel in the crown of the Eastman Kodak Company, partly by avoiding Confusion Bridge. In a brilliantly Market-Focused strategy, Kodak Australia recognized that consumers would greatly Value being able to get their photos developed and finished within an hour. Ahead of most of the rest of the world, the Australian Kodak management aggressively supported the new technology and built an enormous success in Kodak Express, on-site one-hour processing retail operations. The Value Proposition of Kodak Express is that consumers can get 1-hour finishing *and* can rely on a higher proportion of their photos turning out just right, in comparison to using competitive 1-hour finishers. Kodak Deliver this Proposition by better controlling the finishing process; Kodak Express outlets exclusively use Kodak materials, technology and methods, quality controlled by Kodak. Australian management thus turned around Kodak's Australian business in recent years.

Can this strategy not be exported to Kodak's *Asian* business, helping the corporation of course but also not doing any harm to the Australian Kodak manufacturing operation that partially supplies the Asian markets? Australian Consumer Imaging General Manager Will Fraser is helping the Asian marketing and sales operations think through if and how this Value Proposition can be successfully adapted in Thailand, South Korea, China and other huge but underdeveloped Asian photographic markets. And this means that those operations are learning to "Become" the consumer and the retail operators in these markets, then to refine the appropriate version of this winning Value Proposition to these Asian markets and redesign the winning Value Delivery Systems that will be needed accordingly.

As banking giant ANZ gazes with increasing interest on Asia, it too will increase its chances for success by taking the Market-Focused path. Back at home, in Melbourne, this realization has big implications for Steve Jones, Senior General Manager of ANZ's Australian Retail Financial Services. Steve knows that the retail bank here in Australia must learn to "Become" their customers, including a growing number of Asians, if the retail bank is to thrive long term. ANZ here must become increasingly adept at the skills of Market-Focus, to understand the end-result Benefits that banking customers would most Value and to then commit to winning Value Propositions and the integrated, cross-functional, cross-product business systems to Provide and Communicate these Propositions. Recently ANZ started successfully Delivering a Benefit of guaranteed maximum five minute wait time in teller lines. This is no empty promise, as ANZ's Branch organization redesigned the assignment of staff responsibilities to make Providing this Benefit a reality. If the retail bank here in Australia can build these skills to a high degree, this strategic and cultural transformation can play a catalytic role for the whole ANZ organization, helping to build the Market-Focus capabilities the International Divisions will critically need to succeed in any aggressive expansion into Asia.

A Market-Focused Australian business organization looking toward Asia will seek competitive advantage, then, first by deeply understanding its market (customers, competitors, its own internal capabilities and its environment) so it can Choose a specific superior Value Proposition. It will then rigorously integrate the activities of all functions single-mindedly around profitably Providing and Communicating that Proposition better than competition.