



Lean Consumption

As I suspect you know, I see every value-creating organization as a big collection of processes: A product development process involving many steps that must be performed properly in the proper sequence at the proper time to bring products to market. A smoothly flowing production process -- which should be one of the results of the product development process, but often isn't. A purchasing process to determine which items to obtain from which suppliers under what terms. A fulfillment process for getting the right item to the right customer at the right time.

Everything we do in our work lives should be creating value in some process. Or why are we doing it? And much mental energy in the lean community is devoted to thinking of ways to eliminate process steps that don't create value.

This is great, but it's still not the whole story. For years Dan Jones and I have been carefully recording our experiences as consumers. We have known intuitively that consumption is also a process, one designed to solve life's problems. For example, most of us have a personal computing problem that we solve by searching for a personal computer, ordering it, installing it, integrating it with our other electronic equipment and software, maintaining it, repairing it, upgrading it, and then recycling it. This is just another way to describe a consumption process with seven big steps: search, obtain, install, integrate, maintain, repair, recycle. And each big step consists of lots of little steps.

The problem is that the typical consumption process doesn't work very well. We often can't find what we want, when we want, where we want. And the process of installing, integrating, maintaining, repairing, and recycling is often frustrating and time consuming as we deal with strangers who seem to have no interest in our difficulties. The root cause is that the provision process created by those supplying us doesn't match up with our consumption process. And this creates great opportunities for lean thinkers in every organization.

To help our thinking, Dan and I have just written an article titled "Lean Consumption" in the March 2005 Harvard Business Review (HBR). (You can get a copy of the article at the LEI web site. It's a preview of the ideas that Dan and I describe in our new book to be published this fall.)

We propose some simple principles for lean consumption that every organization providing services or goods should consider:

- Solve the customer's problem completely, by insuring that everything works the first time. No customer wants to call a help line, so turn your help lines into kaizen opportunities to identify and eliminate the root cause of customer calls.
- Don't waste the consumer's time. For example, challenge the need for queues of any sort. You will discover that queues always waste both the customer's time and the provider's money.
- Provide exactly what the customer wants. The level of out-of-stocks of the right items and overstocks of the wrong items is remarkably high in almost every aspect of business.

These consumer frustrations are almost completely avoidable with lean replenishment systems utilizing pull principles.

- Provide value where the customer wants. Most providers secretly want the customer to come to them. For example, the best pricing is available in a Wal-Mart style big-box retail format that customers must drive miles to access. Yet most customers want just the opposite, with attractively priced goods conveniently available nearby. The application of lean principles can provide most value where it is wanted at lower cost.
- Provide value when the customer wants. Most current-day sales and production systems encourage customers to place orders at the last moment with no warning. This makes level loading of production systems impossible. Yet most of us actually plan ahead, particularly for big-ticket items like computers, cars, and white goods. Some simple lean principles can turn strangers into partners who plan ahead with their providers, dramatically reducing costs for customers and providers.
- Reduce the number of problems customers need to solve. Most of us would like to deal with only a few providers to solve our big problems – computing and communication, mobility, healthcare, financial management, shelter, personal logistics (better known as “shopping”.) Yet with the web we have been going in the opposite direction from industry. Firms following Toyota’s lead are asking a much smaller number of suppliers to solve much larger problems, even as consumers are asking ever larger numbers of strangers to solve tiny problems on a one-off basis, wasting time and creating frustration. Lean principles show a way to do much better.

Dan and I realize that the very term “lean consumption” sounds strange. But we hope you will rotate it around in your head. We think that lean consumption in combination with lean provision is the next big leap for the Lean Community.

Best regards,

Jim

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Based in Brookline, Mass., USA, the Lean Enterprise Institute is a nonprofit training, publishing, and research organization founded by James Womack, Ph.D., in August 1997. It has developed simple but powerful tools for implementing a set of ideas known as lean production and lean thinking, based initially on the Toyota Production System and now extended to an entire Lean Business System. For more information visit the LEI News page at <http://www.lean.org/WhoWeAre/LEINews.cfm>.