

# Chapter 1

## Why We Lose

**W**e show up every day and do the things we believe are necessary to run the business, grow profits, and increase the value of the company. We create demand for products, manufacture these products, sell the products to customers, deliver service to provide a good customer experience, develop additional products and services, and measure and report the results of our efforts to interested parties. We take actions and make investments that we believe will generate acceptable profit today and grow profit in the future.

Sometimes we achieve the sales and profit goals and sometimes we do not. There are many variables and moving parts in every business that contribute to the results—some we control and others are completely out of our control. All too often, we do not have a good handle on whether the actions and investments we pursue actually work and can be repeated.

The efforts to reduce production or manufacturing costs, by their very nature, are easier to manage, measure, and repeat. We typically have control of most of these costs and they are more easily identified and

quantified. The systems used to reduce these costs and predict future cost reductions are proven and readily available thanks to Six Sigma, Lean Manufacturing, and other cost management systems.

Conversely, the actions and investments undertaken to provide customers what they value most—value propositions that contribute to their profits—are not as easy to manage, measure, or repeat. Identifying the specific components of the value proposition that contribute most to customer value and profits is difficult because it requires an in-depth knowledge of the customer’s business. The relative impact of the value proposition versus that of competitors is more difficult to quantify and measure. Your value proposition has a direct impact on customer profits and represents the best opportunity to gain and maintain a true competitive advantage. Systems to manage these actions are not proven or readily available, making success difficult to repeat. This is where we focus the attention of this book.

Why? It is because of the absence of a rigorous business management system to tackle the challenges described above. Without such a business management system, organizations lack the ability to consistently and predictably create more value for customers. This results in being outmaneuvered by competitors and losing in the marketplace. Yes, we lose more than we would like.

After reading this chapter you will be able to:

- Understand why this book matters to you and your organization
- Understand what it means to Lose with Customers
- Define the six reasons Why We Lose
- Understand how this book, its authors and its partners can help you Win

## **Six Reasons Why We Lose**

There are six reasons why companies lose.

### **Why We Lose**

1. We don’t understand the customer’s perspective.
2. There is not enough quantitative rigor.

3. Data collected never finds its way into planning or execution.
4. We rely on individual surveys versus a continuous process.
5. The organization is not aligned or involved.
6. There is no systematic playbook.

### *We Lose Because We Don't Understand the Customer's Perspective*

Before you react, let us elaborate on what we mean by losing. When our customers do not make more money doing business with us versus our competitors, we lose. If we do not know where we stand relative to our competitors in generating profits for our customers, we lose. If our organization lacks the ability to stay on top of customers' ever-changing needs and adjust our investments and actions customer-by-customer to beat competitors, we lose.

We lose potential profits from these customers and in some cases we lose the customers. If we do not maximize profit and profit growth from customers period after period, we lose out on opportunities to create more value for our stakeholders—we may lose our jobs. These are real losses with real impact on us and our business.

Why does this happen? Why do we lose? Well, we believe there are several contributing factors. However, the single greatest reason we lose is because we do not truly understand the customer's perspective of how to grow their profits. While this is a bold statement, it is not one that we make without significant proof from our experience and the experience of others with deep knowledge in this area.

First a personal story: I recall a strategic planning meeting with fellow members of the management team in a former company. We were going through the traditional process of strategic planning—identifying the key strategic growth issues and developing supporting strategies to pursue. A heated debate ensued about what customers really need, how much value they would receive if we met their needs, and how much money we could make in the process. The debate was great—we were wrestling with the key issues that would determine our success.

Each member of the team had an opinion supported by great anecdotes from customer visits and input from the sales organization. It was striking that each member of the team had a different opinion

about the relative value of the various customer needs. There appeared to be no way to reach consensus and select the most important areas of customer needs to address. So I asked the question: “Do we really know what customers value from their perspective and do we have data to help us understand quantitatively how valuable these needs are to the customer?”

After a prolonged period of deafening silence, one of the team members mumbled: “Of course we don’t.” We had come to the recognition that we clearly did not understand how we could help customers grow their businesses. What followed is, unfortunately, something that we and many others have experienced. The leader of the business, in an effort to meet the timeline to complete the strategic plan to present to corporate, stated in a decisive voice, “Let’s stop debating what customers need and get back to running the business.”

Need we say more? This is an all-too-common occurrence in many B2B companies. There is a lack of understanding of the customer perspective and the value it brings. Yet we just move on and “get back to running the business” without having the fuel to run the business better—the customers’ perspective. This behavior results in decision after decision about priorities, actions, and investments built on anecdotes, opinions, and gut feelings. This begs the question: “How do we maximize profits without incorporating the customer perspective in all we do?” We believe it is impossible.

To amplify the challenge we have personally experienced, here are the views of a few additional thought leaders and professionals.

*“The profitable growth challenges of B2B companies will not be fully addressed until a true, unfiltered and quantitative understanding of customer’s needs replaces the anecdotal and qualitative information that drives decision making in many organizations today.”*

—Ralph Oliva, Executive Director of the Institute  
for the Study of Business Markets (ISBM)

*“When organizations move from over-reliance on discrete market research as the primary means to introduce customer input into the planning process, in favor of a more systematic approach to capture and*

*include the customer perspective at the center of the planning process, management decisions will become truly customer centric and yield better results.”*

—Patrick Farrey, Executive Director,  
Business Marketing Association

*“Even companies with the most effective strategic account management and sales organizations are challenged to systematically capture customer input and use it to align the entire organization to deliver winning value propositions. This continues to be an area of great opportunity to create and sustain competitive advantage in the marketplace.”*

—Bernard Quancard,  
CEO Strategic Account Management Association

*“There were multiple definitions of ‘winning’ with our customers prior to Customer Discovery. Those definitions typically evolved on a customer-by-customer basis with an underlying theme of ‘We grow and prosper only when our customers grow and prosper.’ It all sounds great until you get into the metrics and attempt to understand if in fact growing and prospering is really taking place with a customer. The metrics typically had a disproportionate amount of Owens Corning’s business metrics and not much, if any at all, customer-focused metrics. Said another way, I am not sure we had a good grasp on translating what we were doing into how it impacted the customer. We didn’t have a good understanding or visibility to what it meant to their business . . . but we typically had a great understanding of what it meant to our business, our goals and our sales plans.”*

—Chad Fenbert, Director of Sales, Owens Corning

*“We were spending so much energy trying to get the most out of the marketing investments we were making, that we really hadn’t invested the time and energy to decide if we were making the right decisions.”*

—Christian Nolte, Director of Strategic  
Marketing, Owens Corning

So we are not alone! Ensuring you include the customer perspective in the management of your business is not a “nice to have”; it is a “must have.” And you know what? There is no easy button for incorporating the customer view into the fabric of your business. It is a journey and an ongoing commitment to build capability within your organization at a pace that outflanks your competitors. Throughout the book, we will share the latest tools, practices, and techniques we have used to improve business performance by incorporating the customer’s point of view into the management of business.

### ***We Lose Because There Is Not Enough Quantitative Rigor***

Existing methods of measuring what customers’ value and the impact these things have on their profits are not quantitative or rigorous enough. It is difficult to use outside-in customer perspectives unless you have some idea of the potential for improving business performance in dollars and cents. Being able to communicate within your organization what customers want in terms of profit dollar potential tends to get more attention than a litany of qualitative concepts.

It is quite amazing how important and even risky decisions are made to invest in new markets, new products, new services, more sales people, and so on without a quantitative understanding of how these investments impact customers’ profits.

Let’s be honest, what would happen if a business case was presented to the executive team for a plant expansion with only qualitative support, such as “Our largest customer thinks this is a good idea” or “We feel comfortable it will reduce costs and improve our competitive position.” Oh, and I love this one: “The customer will walk and we’ll lose all of their business if we don’t do it.” In most cases, the proposal would be dismissed without a quantitative and more substantive estimate of the operational and financial impact on the company.

However, business cases are presented and approved to invest significant sums in revenue-generating programs or other improvements to the company’s value proposition with the equivalent qualitative support. Even if there is a quantitative assessment of the financial impact on the company, it is not accompanied by a quantitative assessment of the impact on the customers’ operations and profits.

How is it possible to develop a sound assessment of the value that will be captured by the company without first assessing the value that will be created for the customer? A quantitative measure of the value that will be created from the investment is a prerequisite to assessing the value that can be captured in the form of sales and profits. A quantitative measure of the value created for customers is not often completed. As a result, we make estimates and develop business cases that are more risky and do not deliver the expected results in the marketplace. We lose because we do not use enough quantitative rigor.

### **A Brief Discussion of Outside-In and Improved Decision Making**

We use the phrase outside-in consistently throughout the book. Before going further it makes sense to provide more background to what goes through our heads when we use the phrase.

We explored this in the previous book, titled *Beyond Six Sigma, Profitable Growth through Customer Value Creation* (John Wiley & Sons, 2006). Although we explored this concept in our last book, we did not come up with the idea of outside-in. We are not really sure who did. But we give much credit to Dr. Daniel Kahneman, a professor at Princeton University, who won the the 2002 Nobel Prize in Economics for his proofs that we tend to be overconfident in our beliefs. This overconfidence bias yields decision making that can be faulty. The point of outside-in is that we need to use more outside-in information to combat our own overconfidence and eliminate a powerful yet natural bias in our decision making. If you boil this whole book down to its core, it is about finding rigorous and systemic approaches to breaking these overconfidence biases that we all have.

There are plenty of books and cases on the legitimacy of injecting outside-in customer perspectives that go well beyond our simple treatment here or in our last book. Books written by far smarter and famous people than us. We are huge fans of Richard Thaler, Chicago Booth Professor, and his work on

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decision making whether it be corporate or personal. One of his recent books, *Nudge*, is a brilliant and practical piece on getting inside the brains of people and understanding how they think and make decisions.

Barbara Bund, MIT Professor, wrote a book titled the *Outside-In Corporation* that chronicles several well-documented cases of companies prospering from the use of outside-in customer information. Her book also documents how difficult it is to establish and maintain an outside-in culture.

Rick Kash's book *The New Law of Demand and Supply* does a nice job of establishing how more and more markets are being driven from the customer back (outside-in) and not from the supplier out (inside-out).

Bill Hass and Shep Pryor, friends of ours, recently completed a book, *The Private Equity Edge*, that discusses how private equity markets can take advantage of their nimbleness and use outside-in customer knowledge to outperform the markets.

These previous works and many more serve as foundational thinking to shape the approach to collect and use outside-in customer information. In this book, we focus on our experiences on using this proven concept to provide you with more of a "so what do I do in the operation and management of my B2B company?"

### ***We Lose Because the Organization Is Not Aligned or Involved***

These companies do not have the functions of their organizations really vested in using an outside-in customer perspective to improve their decision making. The responsibility for collecting and making use of the outside-in customer information is far too silo'd within a functional area, either sales or marketing.

As a result, other critical parts of the organization do not provide input into the process and do not buy in. When the new offerings are developed and ready for launch, these groups become onlookers rather than participants. Execution is doomed from the start when this happens.



When the uninvolved groups are coerced or forced into participation, there is not a clear understanding on how they specifically contribute to delivering the value to customers.

Creating and delivering value to customers is a team sport! Getting the team on the same page seems a simple enough concept but the reality of day-to-day business is that it is not so easy to accomplish. We will talk about how to get this done.

### ***We Lose Because the Data Collected Never Finds Its Way into Planning or Execution***

This is almost a universal problem. In this case, companies may have some form of outside-in customer information but fail to use the information in their planning processes. In our years of doing this work, we have found a miniscule number of examples where customers who provided feedback would say their feedback was heard and resulted in change.

It is commonplace to have the marketing or market research organization conduct research to assess customer growth opportunities. Yet, the results of the research are not often used to shape the development of customer offerings or the growth strategy of the company. Thus, the information and valuable customer knowledge gained through the research is wasted.

Many organizations seem to be on autopilot, using the same anecdotal or historical view of customer needs to drive planning and execution. The research is reviewed and then is stored on a favorite hard drive or flash drive, yet operations, sales, marketing, customer service, R&D, and other functions do not change priorities consistent with the findings from customers. Customers continue to be dissatisfied with the relative value we bring to bear on their business versus competitors. The new learning or insight is not acted on and we lose opportunities for innovation in the way we serve customers and help them succeed, while also losing the opportunity to generate more profit for the business.

All of the successes and failures we have been a part of during our journey have hinged on execution. No surprise. It is such a complex road between successfully understanding what your customer really values through to executing on the insights and knowledge gained. To the

comments we made earlier, it seems like we get all excited, figure out what really matters to the customer, and then come back to the farm where you get a big dose of “Okay, that’s great but let’s get back to running the business.” Using outside-in customer information must become part of how you do work and not something extra. We’ll talk more about this in the chapters ahead.

### ***We Lose Because of Reliance on Individual Surveys versus a Continuous Process***

Surveys work better to determine how a company is doing in deploying its inside-out approach to business rather than serving as a source of outside-in data. If we intend to augment the management of our business with an outside-in customer perspective, then we must find a continuous process that can be improved as our organization learns and grows.

There is a lack of continuity in developing an understanding of customers’ needs and how they change over time. This approach hinders the organization’s ability to develop a knowledge base of the key drivers of value in the customer’s business. It also limits the ability of the organization to anticipate or predict the outcome of situations faced previously.

So, when faced with the same opportunities or challenges, we recreate solutions rather than rely on sound documented history of what has or has not worked in the past. The absence of continual learning that comes from an ongoing capture of customer needs inhibits our ability to quickly adapt to changing customer needs.

Raise your hand if you enjoy surveys. Enough said. If you don’t like them, then what makes you think that your customer does? I am personally not aware of a General Manager who will sit down and put an hour of serious thought in response to a survey. There are better ways and we’ll touch on a couple.

### ***We Lose Because There Is No Systematic Playbook***

This simply means that the company does not have a process. All companies, large and small, need some kind of method or playbook to organize the collection, analysis, and use of outside-in customer information.

Collecting this kind of information on an ad hoc basis may work for a short period but does not stand up to the test of time.

It is critical to understand the customer's perspective. Yet when organizations only understand the customer's perspective at a point in time using an ad hoc approach, it is difficult to refresh the customer perspective as things change.

Things do change. Market conditions change. Customers' needs change. Competitors' responses change. To be effective at identifying and meeting customers' most valuable needs (from the customers' perspective) better than competitors period after period, a systematic playbook is required. This is too important to manage on an ad hoc basis.

As we explore what it takes to win with customers, we focus on how outside-in customer knowledge and its use addresses the challenges companies must overcome to win—helping customers make more money, and capturing more money in return. However, experience has taught us that the unique challenges faced by the various groups within the organization must be addressed with different solutions—all based on the application of outside-in customer knowledge.

We've taken this well beyond a process, to what many now refer to as a customer management system composed of process, tools, and people. We will build on each of these elements as we go.

## **Is This Book for You?**

During the course of this book, we explore the perspectives of each of the functional areas of the organization in relation to these common problems that companies face in executing an outside-in customer approach. In our years of doing this work, we have also uncovered the unique challenges faced by various parts of the organization in their quest to win with customers.

*If you are interested in helping improve the financial performance of your company and learning more about “how to” use a proven new business management system to win with customers, this book is for you.*

Executive/management is tasked with the decision-making responsibility of selecting the growth strategies for the business, overseeing the operations, and delivering the financial results. Many executives

and their teams make awfully important decisions that determine the company's success or failure without the benefit of valuable outside-in customer knowledge to inform their decision making—introducing a higher level of risk into their decision making.

*If you are an executive who would like to feel more confident that your company's investment decisions will actually create value for your customers and your company—this book is for you.*

Sales carries the incredible burden of delivering top-line growth month after month, quarter after quarter, and year after year. As organizations pursue strategies to increase customer share of wallet, transform from product to solution sales, and capture more value from every sale, sales management and their teams are increasingly challenged by customers to prove the value of their offerings versus those of competitors. The “proof” increasingly sought by many customers can only be provided by rigorous quantitative analysis and the resulting measurable value of a specific product or service when consumed by a specific customer. The increased complexity of this type of selling effort demands a set of supporting sales tools that help clearly communicate and measure value, accelerate the selling process, and help to establish the most loyal and profitable customer relationships.

*If you are a sales professional who would like to have your customer heard by your company and want to sell products and services that are truly differentiated in the market—this book is for you.*

Marketing is continually seeking ways to find the most attractive growth markets and segments, while developing strategies, brands, products, and plans to deliver the highest levels of sales and profit growth year after year. Despite myriad new efforts explored, the degree of meaningful differentiation among competing products and services continues to diminish. Many marketers are discovering the true basis for differentiation is found in measurable financial value delivered to customers, based on outside-in customer knowledge. However, few marketers have access to an approach, sufficiently skilled people, and the supporting tools to implement an outside-in approach cost-effectively. Although some marketing organizations have experienced success on a one-off basis, most struggle in gaining the support of other parts of the organization to

implement a systematic deployment of outside-in customer knowledge to create sustained differentiation that delivers sales and profit growth.

*If you are a marketer who would like to hear your organization's value proposition communicated by the sales force on a consistent basis, achieve alignment with sales on key customer needs, and develop communication that is used proficiently by the sales force in their selling efforts—this book is for you.*

Research and development (R&D)/product development is challenged with the creation of a steady stream of winning technologies and products. In most organizations, the results from R&D and product development activity resemble a cycle of boom to bust—in many cases, more bust than boom. One of the greatest challenges faced by R&D is getting the needed input to focus its efforts and shape the product development portfolio planning. At the core of this challenge is finding a reliable source of real customer problems that, when solved, result in measurable economic value for the customer and attractive profits for the company. Outside-in customer knowledge and its systematic use are critical to deliver winning products from R&D and increase the return on the company's R&D and product development investment. It is also the means by which R&D and product development can effectively communicate with customers and share progress on development projects from a perspective that will gain and maintain customer interest and excitement throughout the development cycle. This critical ingredient will help organizations deliver more profitable sales from new products sooner.

*If you are in product development or R&D and would like to improve the connection between your development efforts and the operational and financial success of your customers, short circuiting the process from idea to product development to successful launch—this book is for you.*

Process organizations such as customer service, manufacturing, and logistics use process-based approaches and systems to support customer acquisition and retention. They rely on reliable and repeatable processes to deliver consistent, high-quality outcomes. The design of many processes and systems is based on an understanding of what brings value to the customer in support of their business operations. Organizations with limited access to outside-in customer knowledge struggle to deliver service that is most valuable to customers in general, and struggle even more

to deliver truly valuable service to customers or customer segments with specific needs related to how value is created within their business. The use of outside-in customer knowledge serves as a guide to keep process organizations focused on measurable results that impact customers in ways that customers truly value.

*If you work in manufacturing and would like to increase your organization's understanding of quality and its importance and value from the customer perspective and would like to know that your efforts are directly linked to the success of your customers—this book is for you.*

*If you work in customer service and would like to bring what customers actually care about into the center of what you do each day, feeling confident that making changes to continually improve will result in greater value for customers and more profits for your business—this book is for you.*

*If you work in logistics and have a desire to increase the value that your sales organization and customers place on the effort you expend to keep service programs in order and deliver what is expected, bringing innovation to your efforts that customers need and are willing to pay for—this book is for you.*

Finance is responsible for managing the financial aspects of the business, including capitalization, cash flow, analysis, and reporting. The financial metrics and tools used today are great for measuring profitability (P&L statement), company value (balance sheet), and financial health (a range of financial ratios).

*If you are in finance and would like to assess the business's performance based on its current and future ability to impact customer profits versus competitors—then this book is for you.*

We are writing the book for each of these perspectives and more. One of the lessons we've learned is that including many functions in the journey to an outside-in approach improves the chances for success. Sure, it is important to have an executive sponsor and that strong champion and all of the rest, but real momentum occurs when a large portion of the organization sees itself through the eyes of the customer and has an organizing approach for action and measurement that becomes part of how they do work.

Throughout the course of this book, we talk about developing an outside-in customer approach from these multiple perspectives.

## **Why This Book Is Important**

We are writing this book to share the insights gained from our experiences developed during executing our own outside-in customer approaches. We speak often to professionals in many different settings and the most common interests are: How do you do this? How do you get started? What do you do? There is really no way to answer these questions during a brief conversation. Our goal with this book is to give every business professional who is interested in using more outside-in customer knowledge in the management of his or her business a place to get information.

Improving companies through using outside-in customer information has been our career passions. Keith has spent his career working directly with companies leading the transformation to an outside-in organization. He is a true practitioner with experience using much of what we outline in the book. Jerry and his team at Valkre have seen the challenge of executing outside-in from multiple perspectives, including practitioner, service provider, and technology design and implementation. Their recent experience in leading projects and enabling results has uniquely prepared them to guide others in developing this capability.

Keith, Jerry, and their teams have experienced firsthand success and failure. Their desire in this book is for the reader to learn from these many years of experiences with the hope that an ever-increasing number of B2B companies can become proficient at driving their businesses from the customer perspective. It is our fundamental belief that in order for companies to successfully compete in today's market they must inform their decision making with outside-in customer information. Companies that are the most nimble in understanding different ways to serve customers in the face of an ever-increasing set of innovative competitors and low-cost international producers will survive. Those companies that continue to think they can survive using the status quo of what worked yesterday will continue to struggle.

## **What Will You Learn?**

This book is primarily a how-to guide. Sure, we touch on the theory and concepts behind our approaches here and there, but the thrust of our discussions are not so much about convincing you of the theory

as much as providing examples, discussing methods, allowing you to participate in exercises, and reviewing business cases from others who have experienced success.

You gain an understanding of the four real breakthroughs in thinking and practice, as well as two additional supporting aspects of this new approach to Winning with Customers.

Like most things learned, our knowledge has also been informed by those situations that did not go as planned. Our hope is that during the course of the book you will see both the successes and disappointments and be able to chart a course within your own organization that will be more successful as a result of having shared our experiences.

Our goal with this information is not to transform your organization or even to make you an expert user. The goal is simply to provide a few practical tools that can help you get started.

We hope you learn to get past the cynicism that some people have about the potential for suppliers and customers to work together for joint business performance improvement. We have been involved in thousands of breakthrough interactions between suppliers and their customers and have yet to find more than a handful of general managers who do not understand that their respective jobs require them to manage capital on both sides (customer and supplier) to maximize return. The only question really is whether you think you can do this better without the help of your supplier or your customer. If you think you can better maximize the returns on the capital you spend by working with your customers and/or your suppliers, then this book is for you. We show you how to improve.

We hope you learn that your value proposition is a big deal and understanding it deeply is the key to your success. We hope that you learn and come to agree that being able to express to your customer why your value proposition helps your customer make more money versus competitive alternatives can set you apart from competition. We hope you learn that a little bit of math and quantitative rigor can go a long way toward dispelling myths and generating true understanding of what customers value.

We hope you learn that building an outside-in customer-driven company is about “execution” and not about studies or surveys. If you get nothing else from this book, we hope that you learn this point. All of the customer insights and knowledge in the world is for nothing if it is not transformed into plans and actions that generate benefits with some *financial* value.



## Is Now the Time?

A big question that many of you will likely ask is, “Is now the time to begin implementing a new business management system of this magnitude?” Well, this is a good question, and we have a good answer.

Here is the reality: There is never an ideal time. Some say that when the economy is going gangbusters, there is no time to slow down and implement a system such as this. Others say that when the economy slows and money and resources are tight, it is not the ideal time to implement a system such as this.

Based on our experience and the experience of the companies we have worked with, we argue that anytime is a good time. When you discover something of this magnitude that we believe represents a game changer in the way that you run your business, serve your customers, and leap ahead of your competitors, anytime is the right time to implement. However, we realize that some of you may wonder what a current user of this system may have to say about his decision. Here is a perspective:

*“There is never a better time to do this . . . it is imperative to have organizational alignment on the value of the product and service investments that we make every day. That was true in 2007 when we started and is still true today in the tough economic environment we all face.”*

—Christian Nolte, Director of Strategic Marketing,  
Owens Corning

### **Owens Corning**

Owens Corning has been a true partner and thought leader in our journey to help companies win with their customers for the last three years. Just as Owens Corning has learned from our experiences, its entrepreneurial spirit, focus, and thirst for being better have taught us a thing or two about how to turn something that looks great on a piece of paper into functional products that can be adopted by massive organizations. We cannot thank the company reps enough for putting up with us,

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not being afraid to try new things, celebrating successes, and growing from failures.

Of course, that should not be much of a surprise because Owens Corning has been a leading manufacturer since 1938. Based out of Toledo, Ohio, the company pushed the envelope before by dyeing its insulation pink. Owens Corning's PINK insulation is well recognized and enjoys a high brand preference. I guess the question is "Why is it pink?" Common answers include:

- The company wanted to make it look like cotton candy.
- It makes you feel comfortable.
- It takes advantage of the popularity of the *Pink Panther* movies of the 1970s.

The real story is that when Owens Corning first tested All Fiber (AF) fiberglass wool insulation at the Newark, Ohio, plant, it used red dye to distinguish the product from previous white insulation. The red dye made the AF wool look pink. The new PINK insulation was tested against its predecessor with installers. However, when the new AF fiberglass insulation was put on the market, the dye was no longer used. Installers did not like it and began asking for the PINK insulation. It was then that PINK was born. They did it, and it's been a marketing sensation . . . Building materials manufacturers would die for that kind of brand recognition. On May 12, 1987, Owens Corning made legal history as the first company to trademark a single color, in this case, PINK.

Although Owens Corning is known for its PINK Insulation, it is a highly diversified manufacturer of building and composite materials. It has been a Fortune 500 company for more than 50 years, currently employs 15,000 people, does business in 30 countries, and earns about \$5 billion in sales each year.

That is not to say that some of those years have not been difficult. In 2000, Owens Corning had to declare bankruptcy because of growing asbestos liability claims. And most recently, as we all know personally, the bottom fell out in the

new residential housing market that is critical to the growth of any building materials manufacturer. Combining these challenges with increased activity from low-cost manufacturers and increasingly diverse and complex channels to market, Owens Corning was and is in a tremendously competitive environment. Owens Corning's customers are big-box retailers, national distributors, original equipment manufacturers, and independent contractors and dealers.

At the beginning of 2007, a critical objective was issued to the organization that all employees must be accountable for the value they create for their customers. While addressing the organization, the point was made with a simple quote:

“The fundamental reason corporations exist is to create value for its customers.”

Everyone knew that Owens Corning has been creating customer value for a long time . . . It's been in business since 1938. But Owens Corning recognized the opportunity to win in the marketplace by measuring customer value and making the organization accountable for this . . . That's how improvement is made. In February 2007, we met with Christian Nolte, then the director of strategic marketing, to discuss how to turn the objective into something the organization could touch. Christian is the true definition of a Change Agent. He understood what was being requested and, with our help, began getting his organization prepared to operate from an outside-in perspective. We will never forget that first meeting with Sheree Bargabos, president of the roofing division, and being asked, “Who are you and what are you doing here?” Christian successfully gained buy-in from leadership that we needed to try something new, and we did. We interviewed more than 120 customers in about six weeks (yes, we are still recovering) and came back to the organization with a customer voice that could not be denied. To Owens Corning's credit, it listened, understood, and acted . . . obtaining a 600 percent ROI within the first year.

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Since then, we have had the pleasure of growing and winning alongside Owens Corning. Chad Fenbert, director of building material sales, took the reins from Christian and drove the process into the sales organization. Bob Harlan, Director of Business Insights, built on Christian's and Chad's work and drove the process into the broader organization. Dave Longmuir now leads the organization from both an adoption and growth standpoint. In addition to these executives, we have been supported by strong leadership from Sheree Bargabos, Jim Drew, and other executives who now cannot imagine "not doing this." Not to be outdone, the sales organization has to be commended for learning and executing, led by early adopters such as Roger Warren and Steve Persinger. Owens Corning is a large part of the story and we will share as much as we can throughout the book without jeopardizing the advantage they have built over their competition in the past few years. You get a chance to hear the stories and lessons learned from these thought leaders throughout the book.

## Summary

We recognize that a discussion on "losing" is not the most positive way to begin this book. However, we hope that by exploring the six reasons why companies lose, you can better appreciate the magnitude of the problem we and others have been working to solve for many years. The fuel that propels us forward year after year, setback after setback is the enormous size of the challenge and the immeasurable amount of financial value lost by B2B companies, their customers, and communities throughout the world.

Our belief is that the loss of value is directly related to the six issues we raised in this chapter that clearly articulate Why We Lose:

- We do not understand the customer's perspective.
- There is no systematic playbook.

- There is not enough quantitative rigor.
- The organization is not aligned or involved.
- Data collected never finds its way into planning or execution.
- There is reliance on individual surveys versus a continuous process.

Without a clear understanding of the problems companies face in their efforts to Win with Customers, we and you cannot adequately address the issues and move beyond them to a solution that works. Now we can move forward together and focus our attention on the results of our efforts—winning.

