Introduction

Lean Consumption Meets Lean Provision

Consumption. It sounds so easy. Indeed, in advanced market economies, it's often portrayed as effortless. Consumers can get just what they want easily, even instantly. And yet, the problem is that consumption often isn't easy and consumers can't get what they desire. And this is true in every category of consumption, for all types of goods and services. In this book we will see why consumption is often hard work for the consumer and is unpaid work to boot.

Consumption Is a Problem-Solving Process

Let's start with a very simple observation. Consumption is a continuing process—a set of actions taken over an extended period—to solve a problem. It involves searching for, obtaining, installing, maintaining, repairing, upgrading, and, eventually, disposing of many goods and services. All of this obtaining, installing, maintaining, and disposing involves time, effort, and—far too often—hassle for the consumer. To make this clear, let's look at the process followed in one

simple act of consumption.

As we set out to write this book, Dan needed a new computer and went to the web to do a bit of research on competing products. He gave the matter some thought, then went back to the web, reached the preferred manufacturer's web site, and typed in all the information necessary to make the purchase and arrange a shipment date within his acceptable wait time. The manufacturer shipped the product as promised, and it arrived on the promised date. So far, so good.

But the software installed was not all of the software needed, and when additional software was installed for additional applications, the computer didn't work. This led to a visit to the manufacturer's web site and then a call to the manufacturer's help line. After a considerable wait, Dan was told that the problem was with the new software. This triggered a call to the help line of the new software provider—who blamed the hardware maker. This caused a search for a computer expert with experience with this problem and a service call to fix it. Unfortunately the expert, after much time, some money, and many false leads, was stumped. This caused a search for a second expert who finally solved the problem.

Dan's computer finally worked, but his consumption was hard work, time-consuming, and exasperating. On the next page, a list of the steps, time, and experience involved shows the complete consumption process.

Note that this simple act of consumption was actually an extended process involving 11 steps over seven days. Of these steps, four actually created value in some way, but seven were pure waste. One was fun, two were tolerable, and the rest produced anxiety and exasperation in varying degrees. (The two "help" lines were particularly exasperating.) What should have consumed no more than three hours and 30 minutes of Dan's time—still a surprisingly large amount for "effortless" web-based consumption—actually burned up 11 hours and

Steps	Dan's time	Dan's experience
Day 1		
1. Web search for information	1 hr.	Fun. "Lot's of interesting new stuff out there, and I never left home!"
2. Product selection, option selection, and order entry	30 min.	OK—"But I do begin to feel a bit like a file clerk as the novelty of web ordering wears off. Why do I need this tracking number to check on my order? Aren't they responsible for getting it to me on time?"
Day 4		
3. Receipt of product and unpack	1 hr.	OK—"Bit of tension as I try to follow all the instructions, but the computer does turn on and boots up."
4. Load additional software	1 hr.	Some frustration—"Seems like this should be easier at this point in the computer age."
5. Test complete, but hardware/ software "product" quits working	1 hr.	Extreme frustration—"It was working, but now it boots up and suddenly shuts down."
6. Visit to manufacturer web site and call to help line	1 hr.	Exasperation—"How can I spend an hour, mostly on hold, to learn that the problem is someone else's fault?"
7. Call to help line of software vendor	1 hr.	Extreme exasperation—"How can this industry survive when nothing works and no one takes responsibility?"
Day 5		
8. Search for an expert	1 hr.	Mild frustration—"How come you can't figure out in advance what anyone wanting to work on your computer systems really knows?"
9. Expert visit	2 hr.	Extreme exasperation—"I love the way my time and money become this guy's learning curve."
Day 6		
10. Search for a new expert	1 hr.	Extreme exasperation—"The web sure isn't helping me now; I'm reduced to desperate calls and e-mails to friends."
Day 7		
11. Expert visit	1 hr.	Anxiety followed by relief—"Will this 'expert' be any better?" followed by "I can finally get some work done!"

30 minutes, nearly one and a half standard working days.

But this is not the end. Dan's real objective is not to own a computer. It is to solve the problem of processing words and images, transferring them to others as necessary. The computer, its software, and the technical support required are only a means, not an end, and are only a first step.

The complete consumption process to solve Dan's problem over several years will involve not just one "buy and install loop," but also a number of repair and upgrade loops, followed by a replacement and disposal loop. The steps involved in each of these loops will be very similar: many actions (a few of them value creating) and lots of personal time (much of it exasperating). All to solve the simple problem of processing words and fashioning images for books and articles.

On one level, personal computing is a miracle. We know because we started writing books together years ago on IBM Selectric typewriters, exchanging drafts by mail and then by fax. But on a different level it's highly exasperating. The individual products involved are often very impressive—once you get them to work right and to cooperate with each other. But the overall experience is full of frustration.

If this typical experience is the current negative, let's think about the future positive. What would we really like to experience as consumers? What are the objectives of what we term lean consumption?

What Do Consumers Really Want?

First, we need to remember that most of us consume in order to solve problems. These may be little problems, such as finding, buying, and using the apparatus needed to enjoy music as we go through the day; or they may be big problems,

like finding, buying, and maintaining a comfortable home in which to live and work. Often we aren't as interested in the goods and services themselves—the iPod or even the house—as we are in what they can do for our lives. Therefore, it follows that our acts of consumption must actually solve the problem, from our simple music problem to our complicated shelter problem. A partial solution—a new computer that won't talk to the printer, or a health maintenance organization (HMO) that can't find an appropriate specialist in a timely manner—is no solution. We want our problems solved completely.

Second, we would like our problem solved cost-effectively, with minimum expenditure of our time and effort. As society develops and standards of living rise, the one item we never have more of is time. (To the best of our knowledge there is no research underway in any laboratory anywhere on increasing the numbers of hours in the day or days in the week.[1]) Thus the conservation of personal time and effort for more valued uses becomes an ever more important objective.[2]

Third, we would like to obtain exactly what we need to solve our problem, including all the necessary goods and services in the exact specification required. We don't want to make substitutions or go away empty-handed.

Fourth, we want to solve our problems where we need them solved. In a bygone age of personal services, items were often brought to the customer: the cleaner, the grocer, the butcher, the vegetable gardener, and the doctor all made house calls. In the more recent age of self-service, the customer has either gone to the store or ordered directly from the producer. We believe that in the emerging age of lean consumption many products will be available at multiple locations for comparable prices. That is to say, you will be able to solve your food problem by going to the "big box" warehouse, the traditional grocery store, or the small convenience store, or get home delivery with web-based

ordering. You will diagnose your health problem by going to the HMO or the stand-alone medical lab, or perform tests at home with personal capital goods. You will have the choice of buying life insurance from the agent at your dining room table or by filing the application yourself over the web.

Fifth, we want to solve our problem when we need it solved. As we will see, current provision systems typically involve strangers ordering goods and services from strangers. It's not surprising, therefore, that most consumers give the provider no warning that an order is coming. Unfortunately, typical production systems—including even the touted build-to-order systems of companies like Dell—can't provide a high level of service in this environment. And, as we will see, consumer desires are actually much more complex. It turns out that in the world of lean consumption, the notion of when means very different things to different consumers.

Finally, many of us would like to reduce the total number of problems we must solve. The obvious means is to bundle them. For example, many of us might appreciate a "solution provider" to put the vehicles we need in our driveway for a simple usage fee in order to solve our mobility problem without our ever having to think about it. Or a shelter provider to cost-effectively maintain our homes without any of our mindshare or emotion-share. How about a shopping solution so the items needed arrive at our homes when we need them, without fetching them ourselves nights and weekends? Or a single computing and communication provider so we deal only with a single party and expend no time on the solution? Moving the fundamental unit of consumption from many individual items to a few aggregated solutions is a major leap. But it is a leap that we believe is the end destination of lean consumption.

The Principles of Lean Consumption

These six simple principles of lean consumption provide a new definition of value for today's consumer, which we'll express in the voice of the customer:

- Solve my problem completely.
- Don't waste my time (minimize my total cost of consumption, which is the price I pay plus my time and hassle).
- Provide exactly what I want.
- Deliver value where I want it.
- Supply value when I want it.
- Reduce the number of decisions I must make to solve my problems.

Note that none of these principles focuses on the specific attributes or performance of products themselves: the car, the software, the insurance policy. Today the product is often not the problem. Unfortunately, many firms making goods and providing services cling to a product-centric focus. Because they oversee only one element of the total consumption process, they often overlook the consumer's total experience in finding, obtaining, installing, maintaining, upgrading, and disposing of the products needed to solve the problem. And they are seemingly oblivious to the total cost of a solution, including the consumer's time and hassle.

The Challenge for Lean Provision

Provision. Like consumption, it also sounds so easy. Surely with modern technology—especially information technology—providers can supply the value desired by consumers easily,

even effortlessly. The problem is that provision is actually very hard and few firms today do it well. Indeed, as consumers struggle with broken consumption processes, providers struggle with defective provision processes. The evidence is everywhere:

- Growing spending on product features and options that fail to attract new customers.
- Unrealistic delivery promises, which providers feel they must make to be competitive.
- High levels of out-of-stocks (due to too few goods) and remaindering (due to too many).
- Increasing spending to retain customer loyalty, even as customers become less loyal.
- Larger investments in bigger assets (big stores, big distribution centers, big computer systems), which have shrinking ability to create competitive advantage.
- Spiraling spending on help desks and other forms of customer support, now outsourced so that direct customer contact is lost.
- Chronic employee dissatisfaction in almost every activity with intensive customer interface, causing high turnover and training costs and low customer satisfaction.

No provider wants any of these outcomes, but with current provision processes most of them are unavoidable. And most providers seem to think that actually solving customer problems while providing value when and where the customer wants would cost much more. As a result they have pushed harder down the traditional path of mass consumption. They offer ever more brilliant products in splendid isolation at steadily lower prices, even as consumers signal they really want something else.

Fortunately, as we will see in the pages ahead, a few firms have learned a new way to think about consumers and providers and how they can create lean solutions together. They have discovered that just as high quality costs less, not more, we now know how to provide the value that consumers really want and at lower total cost. The simple objective of this book is to demonstrate this new approach—marrying lean provision to lean consumption—so we can all progress from mass to lean.