

Supporting the Demand (Customer) Chain

Start with the End-Customers, but Make Sure You're Making It Easy for Every Stakeholder Between You and Them

By Ronni T. Marshak, EVP & Sr. Consultant/Analyst, Patricia Seybold Group

June 6, 2013

NETTING IT OUT

No matter what kinds of products or services you offer, the chances are good that you have more than one set of customers. You have end-customers—the people who use or consume the products or services you provide. You also have people who pay for those services—who may or may not be the same people who use them. You may also have many layers of customers and partners who package, deliver, sell, service, and empower your end-customers. Each of these distribution partners and/or customer types form part of a complete demand chain—with many links between your firm or department to your end-customer.

In order to design, nurture, and streamline your customer-centric ecosystem, you'll need to become clear about, and build consensus about, all the different types of customers in your demand chain. The people at each level have goals to meet and needs to satisfy.

DEMAND CHAIN = CUSTOMER CHAIN

Looking Back to the Supply Chain

Long before the focus on making it easy for customers to achieve their goals, companies understood the needs of their supply chain. Manufacturers knew how early their materials suppliers needed product forecasts to ensure that the right materials were available when they needed them; Distributors knew when manufacturing plants would be at peak performance or closed for vacation. Before the customer revolution, companies focused on making it easy for their suppliers. The goal was a win/win/win for all parties: the more streamlined and accurate the supply chain processes, the lower the costs and time lapses for all. Good supply chain forecasting relied on your organization—which is, in fact, the “customer” to the manufacturers and distributors who serve you—to be well-behaved and organized. I imagine that the purchasing department staff responsible for making sure the organization had the right materials at the right time at the right price would have *loved* to have tools from the suppliers to make it all easier. But the onus was, and, in many cases, still is, on the purchasing customer to make sure that the supply-ordering process is efficient and effective.

Direct link: <http://dx.doi.org/10.1571/psqp04-08-10cc>

The Customer Chain



© 2013 Patricia Seybold Group Inc.

Although Frito Lay makes potato chips, the company doesn't really touch the end-customer who eats the chips. In this customer chain, Frito Lay's direct customers are the distributors who ship the chips to the sales outlets. These retailers are the ones who actually sell the product to the consumers. If there are snags any-where in the customer chain (e.g., late delivery, inability to properly place the items on the shelves, or even back at the beginning where some potato chips don't get, say, enough salt), the end-customer will be unsuccessful in his desired outcome of fresh, tasty, salty goodness. And stale, tasteless, hard to find (on shelves) chips will lose customers' business and impact every link in the customer chain. Note, too, that the customer chain may include multiple customers at similar positions on the chain (e.g., the vending machine company, the supermarket, and the deli lunch counter).

The Value Chain: Supply Chain Combined with Demand Chain = Customer Chain

When you turn this all upside down and look at purchasing from the demand side, it becomes so clear that this demand chain is, indeed, part of a “customer” chain.

Your organization is typically somewhere in the middle of a value chain, with your suppliers on one side of the chain and your customers on the other. Traditionally, the opposite side of the supply chain is called the demand chain, but we encourage you to think of it as the customer chain—all the people who touch our products and services on their way to being used by the ultimate end-customer.

The Customer Chain Starts with the End- Customer

Your end-customer is the person who uses or consumes the products or services you provide. The end-customer isn't necessarily the person or company that gives you money. It is important to make things easy for all your customers, but never at the expense of the end-customer. The end-customer is the reason why you, and every link on the chain, up and down, make what you make or offer.

IDENTIFYING THE END-CUSTOMER. Here's a simple way to identify the end-customer. Think about Frito Lay. The snack company makes potato chips. But it sells its chips to distributors who care about things like how easy it is to transport the snacks. The distributors sell to grocery stores, which care about things like how well do the packages scan at the register. But if the potato chips don't taste good, no one is going to make any money! The person who eats the potato chips—literally, the consumer—is the end customer. (See Illustration 1.)

At each step in the customer chain, there are people who deal with the merchandise. Each role has things that she wants and needs to make it easy to do her job—these are her conditions of satisfaction.

Table A shows the needs and conditions of satisfaction for the people at each link in this customer chain. Note that satisfying the customer in each position doesn't necessarily always fall on the shoulders of the previous link in the chain. Sometimes you jump back a few links to the manufacturer or even earlier in the vendor's supply chain.

Sample Frito Lay Customer Chain Moments of Truth			
Link in Chain	Customer Role	Conditions of Satisfaction	Who Is Responsible?
End-Customers	Mom	<ul style="list-style-type: none"> • I want a snack that my whole family will enjoy • I want to know all the ingredients and nutritional value of the snacks • I want to be able to purchase quantities at a discount (e.g., a 10-bag snack pack) • I want product to be available when I want it • I want product in good condition when I get it and to stay fresh for 2 months 	<ul style="list-style-type: none"> • Frito Lay (quality control and R&D) • Frito Lay (packaging) • Frito Lay (merchandising and packaging) • Retailer (inventory control) • Distributor (stocker) and Retailer (checker and bagger)
	Dad	<ul style="list-style-type: none"> • I want to be able to pick up a snack in my office cafeteria • I want big bags for my pals on poker night 	<ul style="list-style-type: none"> • Vending Machine Company (stocker) • Frito Lay (packaging)
	Kids	<ul style="list-style-type: none"> • I want snacks that taste good • I want a snack in every lunch • I want something that kids will want to trade for 	<ul style="list-style-type: none"> • Frito Lay (R&D and quality control) • Mom • Frito Lay (packaging)

Sample Frito Lay Customer Chain Moments of Truth <i>(continued)</i>			
Link in Chain	Customer Role	Conditions of Satisfaction	Who Is Responsible?
Restaurant/ Deli/School Lunch Program	Menu Planner	<ul style="list-style-type: none"> I want to include chips as reasonably healthy part of menus I want right-sized portions for pre-packaged meals 	<ul style="list-style-type: none"> Frito Lay (R&D, quality control) Frito Lay (packaging)
	Inventory Controller	<ul style="list-style-type: none"> I want to have enough chips to include as part of meal menus/packages 	<ul style="list-style-type: none"> Distributor (inventory control)
Vending Machine Company	Stocker	<ul style="list-style-type: none"> I want guarantee of availability of product to fill vending machines I want products to be fresh 	<ul style="list-style-type: none"> Distributor (inventory control) Frito Lay (quality control) and Distributor (shipping)
Retailer	Snack Merchandiser	<ul style="list-style-type: none"> I want good signage provided by Frito Lay I want early introduction to new products I want to arrange special offers/sales on Frito Lay products I want customers to buy a lot of product 	<ul style="list-style-type: none"> Frito Lay (branding) Frito Lay (R&D and marketing) Frito Lay/Distributor (promotions, marketing) Frito Lay (R&D, quality control)
	Store Manager	<ul style="list-style-type: none"> I want to automatically reorder chips from distributor when inventory reaches specified threshold I want delivery vehicles to not block traffic/customer parking I want stockers to not block aisles I want stockers to be courteous to customers 	<ul style="list-style-type: none"> Distributor (inventory control) Distributor (truck drivers) Distributor (stockers) Distributor (stocking trainers)
	Checker	<ul style="list-style-type: none"> I want bags to scan easily at check out I want prices clearly marked on packages in case scanners don't work I want to be informed of sale prices 	<ul style="list-style-type: none"> Frito Lay (packaging) Frito Lay (packaging) and/or Store Clerks (using price guns) Retailer Merchandiser
	Bagger	<ul style="list-style-type: none"> I want bags of chips to be sturdy enough to withstand quick bagging 	<ul style="list-style-type: none"> Frito Lay (packaging)

Sample Frito Lay Customer Chain Moments of Truth <i>(continued)</i>			
Link in Chain	Customer Role	Conditions of Satisfaction	Who Is Responsible?
Distributor	Purchasing Agent	<ul style="list-style-type: none"> I want negotiated discounts with Frito Lay I want guarantee of availability of product to distribute 	<ul style="list-style-type: none"> Frito Lay (sales) Frito Lay (inventory control)
	Shipping Manager	<ul style="list-style-type: none"> I want chips packed in sturdy boxes for transport 	<ul style="list-style-type: none"> Frito Lay (shipping)
	Delivery Person/Stocker	<ul style="list-style-type: none"> I want boxes to be easy to load/unload I want individual packages to stock easily on shelves without falling down 	<ul style="list-style-type: none"> Frito Lay (shipping) Frito Lay (packaging)
Frito Lay			

© 2013 Patricia Seybold Group Inc.

Table A. A sample customer chain for consumer packaged goods, e.g., snack foods.

Sometimes it is difficult to identify the end-customer in the customer chain. For example, if you sell components that are manufactured into a product—say the LEDs that are used to light the dashboard of a car—your customer chain includes the design engineer who selects your LEDs and designs the electronics circuitry, along with the sub-contract manufacturer who assembles the dashboard lighting sub-assemblies. The end-consumer is the driver of the car who needs to be able to see the dashboard. Yet, if you don't get the design win from the design engineer, you'll never reach the end-customer.

Not-for-profits also have customer chains. Take, for example, the American Cancer Society. Here, it isn't about money changing hands, but rather the customer chain of service. The end-customer in this scenario is the cancer patient, next are the family members → care-givers (doctors, nurses, etc.) → neighborhood volunteers → regional program coordinators → American Cancer Society employees → American Cancer Society donors (many of whom are also volunteers, surviving patients, or friends and family members of patients).

Avoid “Next Customer in the Chain” Myopia

We are not advocating ignoring the needs and scenarios of the customers you serve and interact with directly. You absolutely need to ensure that you are helping them achieve their goals and are being partners in their success. But remember that *their* success depends on ensuring that their direct-customers are successful all the way up the chain to the end-customer.

Thus, it is important to always identify the end-customers of your products and/or services, even if you have no interactions with them. If you don't think all the way through the customer chain, you can't be confident that what you are providing will satisfy the ultimate purpose for which it will be used.

SUPPORTING THE CUSTOMER CHAIN

Identify Scenarios for All Customers in the Chain

Remember that people do business with you to achieve a desired outcome that may have nothing to do with your product or service. Always keep your eye on the end customer, but understand the role each link in the customer chain has in making the customer successful. How can you help them? How can you work in partnership with them?

It's important to understand the scenarios that your customers are counting on you to help them with. What are they trying to accomplish? What role do you play in their success? Should you be looking further up or down the customer chain to change products/processes/policies/experiences to satisfy and delight your end-customers?

When you explore your customers' scenarios, you get a good glimpse into *their* customers' scenarios all the way up to the end-customers. But you should do more than just learn about your customer chain scenarios by focusing in on the direct link above you.

Build Consensus about End-Customers' Scenarios

When you identify and explore customer scenarios, you and your customers work together to surface both the outcomes the customers want to achieve as well as the priorities in how they want to achieve their goals and how they measure success.

The customer chain (from first supplier—e.g., the farmers who plant the best potatoes—to the last link before the end-customer—e.g., the vending machine stockers who make sure the potato chips are available and fresh) all have individual goals and needs that need to be addressed to ensure that the end-customer—the person enjoying the great taste of a salty, crispy treat—is satisfied.

We strongly recommend that you work together with your customers (and, if possible, *their* customers) to identify end-customer scenarios and the role each link in the chain plays in making sure “the potato chips taste good.” Make sure your partners (such as distributors, retailers, restaurants, etc.), as well as your suppliers understand the complete picture. By helping them make every link on the customer chain above them successful, you become a trusted partner and will be the provider who wins their loyalty and their repeat business.

ABOUT THE AUTHOR



RONNI T. MARSHAK, as a Senior Consultant with over 20 years of industry experience, is the Patricia Seybold Group's leading expert in working with start-up and emerging high-tech companies helping them to formulate corporate and product positioning strategies and to identify current and emerging competitive landscapes. She provides feedback to companies on the design and functionality of their products and recommends as well as prioritizes improvements and enhancements for them to implement.

Marshak and Patricia Seybold were the early co-developers of the Group's Customer Scenario® Mapping Consulting methodology. Marshak leads Customer Scenario® Mapping sessions to help clients formulate and develop customer-centric best practices.

Marshak's current research is focused on collaboration. She has authored white papers helping companies introduce new products and technologies to market. Her work has also been published in *Fortune*, *Network World*, and *Computerworld*. Marshak is frequently quoted in the press.



Patricia Seybold Group

Trusted Advisors to Customer-Centric Executives

If you're a visionary customer-focused executive, the [Patricia Seybold Group](#) should be your first choice for ongoing strategic advice, business and technology guidance, customer experience best practices, and help with customer-centric initiatives.

Founded in 1978 and based in Boston, we provide consulting, research and advisory services, peer groups, and interactive workshops. We help clients to design and continuously improve their customer-focused business strategies and processes using our proven consulting methodology, [Customer Scenario® Design](#).

The CEO and founder, Patricia Seybold, is the New York Times best-selling author of *Customers.com* and *The Customer Revolution*. Patty's latest book, *Outside Innovation*, is [available now](#).

Patricia Seybold Group
P.O. Box 783
Needham, MA 02494
Phone: (617) 742-5200
Fax: (617) 742-1028
Email: feedback@customers.com
Web: <http://www.customers.com>



Subscribe to our
Free Research