

## **DO CUSTOMERS WANT INSTANT GRATIFICATION? LESSONS FROM OTHER INDUSTRIES**

---

**By Geoff Williams and Ben Waller**

*Customers are used to waiting 50-60 days for a customised vehicle built for them at the factory. Several manufacturers are now endeavouring to reduce this lead-time to 14 days. This prompts the question: "Do customers want a 3DayCar?"*

*This briefing note looks at other industries that have shortened lead times in the past decade, namely Personal Computers (PCs), Photographic Film Development, and Optical (spectacles). These cases show an inexorable movement towards 'instant gratification'. However, there are distinct segments of customers with differing priorities in terms of price, quality, and lead-time.*

### **Three Industries with Short Lead Times**

#### **Personal Computers**

The PC is offered in a wide specification range. Production has become simple and quick over the last decade by virtue of modularisation. *Dell* are leaders in short lead times. They offer a wide product specification range to be built to customer's individual choice and delivered in the UK in 3 days. A 3day PC has been achieved through:

- Direct sales to customers via the internet
- Full integration of supply chain information systems between the customer, computer assembler, component suppliers and transportation/distribution.

*Dell* have achieved a 40% growth per annum recently, compared with 15% growth for the total market.

#### **Photographic Development**

The industry processes a unique film for each customer. The resizing of machinery into mini-labs has enabled the development process to move from large centres to retail outlets. *Kodak* pioneered this change, but all major players now offer a 1hour service. Lead times are differentiated by price - the longer the lead-time, the lower the price for the same quality service. There is clear segmentation in lead-time requirements, particularly related to customer age.

#### **Optical**

Spectacles are produced for each individual to a prescription, in a wide range of frame and lens type and material. The computerisation of lens grinding has simplified the process and enabled "production" to be carried out at the retail site. The leading exponent of a short lead-time is *Vision Express*, who produce spectacles against individual prescription in 1 hour. However, they are not currently considered a 'winner', as their brand image has suffered from reliance on promotions and heavy discounts. Nonetheless, customers are expecting a shorter lead-time service.



*SpecSavers* with a 'cheap and cheerful' image and *Boots* with a 'trust in brand' image are considered the success stories. Both provide rapid service, but neither company emphasises short lead-time.

### **Declining Lead Times**

Lead times have fallen during the 1990s and are expected to fall further over the next decade:

<i>(lead time in days)</i>	<b>1990</b>	<b>2000</b>	<b>2010</b>
Personal Computer	14-21	3	2
Photographic Development	5	3	1
Spectacles	7-14	3-4	1-2

The success of *Dell* will lead to the growth in PCs built to individual specification in short lead times. Their success can also be attributed to 'retailing on the web'. However, small companies such as *Epic Computers* have also achieved growth with mass customisation in a 3-day lead-time via independent traders, without the use of Internet. The critical constraint on further cuts in lead times is transport between the assembly plant and the customer.

While *Vision Express* are not considered a success, the 1 hour service has had a significant effect on customer expectations. Lead times will continue to reduce, with many independent opticians now producing their spectacles on site. Segmentation of lead-time is likely, with differential pricing.

*Kodak* introduced the mini-lab in the 80's. It is now offered by a variety of companies and has a 40% market share, compared with 5% in 1990. However, there is still a wide range of services being offered, including postal services with a lead-time of 1 to 2 weeks. Average lead times have only reduced from 5 to 3 days across the 1990s. The introduction of 30-minute development processing, will promote a continuing downward trend.

In all three industries, specialist products are always quoted on longer lead times than the mainstream products.

### **The Accelerating impact of Technology**

In all three industries, advances in production and information technology have been critical in cutting lead times. Technology that de-skills and simplifies the process of production enables it to be shifted closer to the customer.

The latest communication and middleware technology facilitates short lead-times by passing information in an integrated, instantaneous fashion. It also reduces the number of players in the supply chain, cutting delay, bureaucracy and inefficiency.



## **Marketing the 3DayCar**

The lessons from these cases are:

- Recognise segmentation in the market place in terms of channels and time expectations.
- Treat customers increasingly as individuals rather than en masse. This will allow the management of demand to smooth the flow of orders on to the factory
- Differentiate pricing against varying lead times to assist in balancing production.
- Manage the brand image carefully to ensure that a short order lead-time does not affect perceived quality or status
- Research the market place regularly to determine the distribution of lead times that your customers require .

## **Ways to Cut Lead Times**

Ideas from these three industries include:

- Change the 'mind-set': do not produce unless you have a customer order
- Use sales forecasts to set operating capacity, not to determine the volume and mix of production
- Pass market demand and assembly information in 'real time' to all parties in the supply chain
- Minimise stocks at all levels of the supply chain, including the efficient use of supplier hubs
- Use late configuration as much as possible, to increase customer specification choice in a shorter lead-time, while minimising production complexity.
- Treat all orders as priority against delivery time quotations. Ensure delivery reliability as an absolute must!