THE COMPETITIVE EDGE

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FRAME SHIFTS FOR GROWTH

In this newsletter we explore three examples of how a shift in decision frame can improve growth. Results at Moen, Seven-Eleven Japan, and eCompanyStore demonstrate the value of checking carefully the frame you are using for any strategic decision, then shifting to a better frame if appropriate.

FRAME SHIFT AT MOEN

In 1990, Bruce Carbonari had a problem. He was brought in as CEO of Moen by Moen's acquirer, American Brands. Carbonari quickly realized that Moen, a maker of good-quality faucets, had lost its way. Momentum was gone and it was running a distant second to its archrival Delta Faucet.

Since its 1947 founding, Moen had grown with a focus on the engineering and manufacturing of quality faucets and left the selling of its products to plumbing wholesalers. By the 1990's, this business model had stopped working.

Carbonari shifted Moen's decision frame from the product to the customer. Customer values and brand awareness became the focus for action. Carbonari set a new vision for Moen: use high-value products to position Moen as the brand of choice for consumers, and shift the customers' decision frame so they would view faucets as fashion accessories, not just utilitarian devices.

Both frame shifts were tough challenges, but Carbonari succeeded. Value perceived by Moen's customers was assessed with an outside-in perspective. This resulted in new product-development priorities. Additionally, the previously neglected retail channel was pursued vigorously. To shift its customers' frame, Moen conducted an effective long-term brand-building campaign based on its new products.

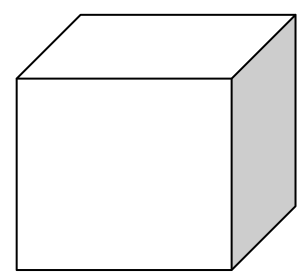
Carbonari got a potent boost from another frame shift. Jeffrey Svoboda, Moen's president, was frustrated by Moen's slow product development. CD's sent by mail were used to shuttle new-product designs back and forth between suppliers and Moen . In 1997, Svoboda shifted the product-design frame. His focus became how to use the Internet for product design. Result: designs posted on the Internet, fast feedback from suppliers, product development time cut almost in half.

Thanks to the frame shifts, Moen grew twice as fast as the industry. By 2001 the company tied for first in market share with Delta Faucet. Today the frame shifts continue to drive superior performance at Moen.

THE MOEN LESSON

Carbonari's success demonstrates an approach to improve growth: assess carefully reasons for current poor performance; identify possible shifts in perceptual frames to improve performance; shift to the best frame to improve growth and performance.

An outside perspective may be needed to apply the Moen lesson if management is blinded by internal frame traps.



A box or a perspective view of a room?
The shift from one to the other is like a frame shift.

DECISION LOCATION--SUCCESS AT SEVEN-ELEVEN JAPAN

In 1973, Toshifumi Suzuki needed to make a key decision when he became CEO of Seven-Eleven Japan. The success of the Seven-Eleven Japan's convenience stores depended on having the right mix of merchandise in each store. Choosing the right mix was a balancing act of trade-offs between local demand and company-wide cost savings through volume purchases. At the time, the prevailing assumption was that merchandise-mix decisions should be made at the corporate or regional level. The prevailing decision frame was "What is needed for effective corporate-level decisions on merchandise mix?"

Suzuki challenged the prevailing assumption. He considered carefully the following question: Which decision location is the best one from which to determine what each local market wants? He concluded that conventional wisdom was wrong. The best location for merchandising decisions must be local. Such decisions needed to be made by the managers and clerks in each store. Suzuki shifted his frame to "What is needed to make local decisions work?"

He concluded that local store managers and clerks needed (1) the right information to make good decisions and (2) the proper level of authority to insure their merchandise requirements were met.

In the 1970's there was no Internet, no PC's. Nonetheless, Suzuki made sure that store managers got the information they needed -- daily sales reports and key supplemental information such as daily weather forecasts. The sales reports showed what had sold the previous day, the same date in the previous year, and the last day the weather was similar. The reports also included what was selling in other stores.

The result: Seven-Eleven Japan became the fastest growing and most profitable retailer in Japan. The number of stores has grown from 100 in 1975 to over 16,000 today. A key reason for this success is the placement of ordering decisions within the local stores, combined with good information.

The Seven-Eleven Japan example shows how to shift to a better decision frame by challenging old assumptions.

FIRE THE CUSTOMERS

In 1998, eCompanyStore LLC was just one of 19,000 U.S. promotional products companies with revenues of just $1.4 million. Sales came from small orders for promotional items like t-shirts and caps, with some sales from building store Websites for customers. The company's owners, Walt Geer and Jay Flowers, knew they would not grow if they continued their current business practices. They shifted their decision frame from "How can we grow the current business?" to "How must we change our business to grow?"

They concluded that they needed to leverage the Internet but could not do so while distracted by current customers. Solution: fire 98% of the customers; focus just on the Web stores. That's what they did.

After a nerve-wracking start in 1999, revenues soared, reaching $20 million by 2003. The company has continued to grow and was named one of the top 50 promotional distributors in 2014.

Shifting focus to just the right customers can be the best path to growth when you can provide significant, unique value to enough of them.