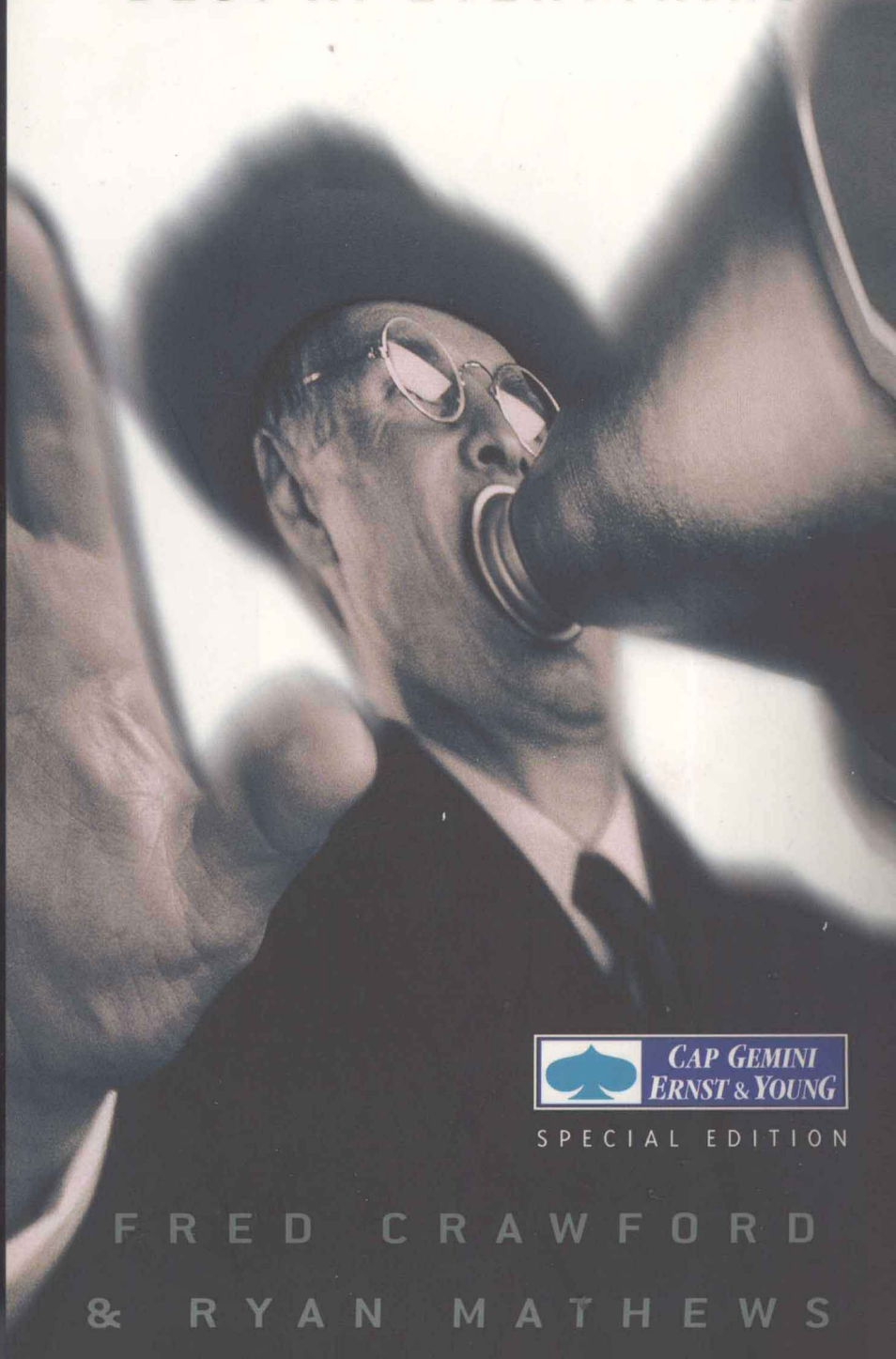


# THE MYTH *of* EXCELLENCE

WHY GREAT COMPANIES  
NEVER TRY TO BE THE  
BEST AT EVERYTHING



SPECIAL EDITION

FRED CRAWFORD  
& RYAN MATHEWS

# THE Myth OF Excellence

Why **Great** Companies  
**Never** Try to Be the Best at Everything

**Fred Crawford and  
Ryan Mathews**



Copyright © 2001 by Cap Gemini Ernst & Young U.S. LLC

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the publisher.

Published by Crown Business, New York, New York.  
Member of the Crown Publishing Group.

Random House, Inc. New York, Toronto, London, Sydney, Auckland  
[www.randomhouse.com](http://www.randomhouse.com)

CROWN BUSINESS and colophon are trademarks of Random House, Inc.

Printed in the United States of America

DESIGN BY LYNNE AMFT

Library of Congress Cataloging-in-Publication Data  
Crawford, Fred.

The myth of excellence : why great companies never try to be the best at everything/  
Fred Crawford and Ryan Mathews.—1st ed.

Includes bibliographical references and index.

1. Marketing research—Case studies. 2. Consumer behavior—Case studies.
3. Shopping—Case studies. I. Mathews, Ryan. II. Title.

HF5415.2 .C76 2001

658.8'34—dc21

2001017344

ISBN 0-609-60820-7

10 9 8 7 6

*For Chris and Luke (I love you guys—sorry I've missed so many evenings) and our families—Fred, Margaret, Ron, Debbie, Ray, Ryan, John, Jeanette, Johnnie, and Michael.*

*—Fred Crawford*

*For Sierra and Gabriel, who grew into the two most amazing people it's been my pleasure to meet, mostly when I wasn't smart enough to be watching.*

*—Ryan Mathews*

## Acknowledgments

WE WOULD BOTH LIKE to thank our publishing team: agent extraordinaire Raphael Sagalyn of The Sagalyn Agency, who gave us our first, sometimes hard, lessons in publishing; John Mahaney, the spiritual leader of the Crown Publishing Group, whose editorial guidance helped shape both our thinking and final product; Jonathan Slonim, editorial assistant, for his liaison work on our behalf; and Will Weisser, Debbie Koenig, and the rest of the Crown promotional and advertising team.

Special recognition needs to be given to three individuals, each of whom placed an indelible stamp on this project. Without their efforts this book literally would not have been possible. Marcella Mosier brought a remarkable and tireless faith to this effort—even when our direction was unclear—and contributed content, provided insight, delivered against project goals, and in the process helped shape what became *Consumer Relevancy*. Priscilla Donegan contributed her insights, thoughts, and discipline; forced this manuscript into readability through tireless editing; made us act like adults; broke the ties; and donated hours to this project nobody should have given or been asked for. Finally, to Rebecca Sue River, thanks for everything—and we do mean everything.

A special mention also goes to Susan Buddenbaum, whose insights and early contributions provided the momentum for what today has become Consumer Relevancy. And thanks also to Bob Stanojev, who put us together in the first place. Other important early contributors included Bernie Thiel and Syed Hoda.

*The Myth of Excellence* simply wouldn't have been written without the cooperation and support of several individuals and companies. Feargal Quinn charmed himself to the top of this list by providing great access into his own company, providing invitations into other companies, and once again proving himself to be one of the best hosts and friends to be found anywhere in this world. We recommend that any reader finding herself or himself in Ireland stop by to visit Superquinn, and please buy something while you're there.

Thanks also go to our other Irish friends: Patrick Campbell, Donal O'Brien, and Paul O'Toole of Campbell-Bewley Group, and Derek McDonagh and Edward Stephenson of Jurys Doyle Hotel Group. Staying on the international note, special thanks to Bill Keon and the entire Pueblo family in San Juan.

Returning stateside we want to thank: Catherine Baum of Stanley Martin; Janet Kraus at Circles; Claudia Kotchka at Tremor; Craig Schnuck, his family, and the staff at Schnuck Markets; Ross Roeder and the staff at Smart & Final; Ron Pearson and his staff at Hy-Vee; John Gottfried, Ned Visser, and Andrew Arons at Gourmet Garage; Mike Himes and the other good vibrations at Record Time; Bob Carpenter and the team at Dollar General.

Five other companies assisted us in our early work, helping Consumer Relevancy take on its initial shape: Domino's Pizza, Ames, Eddie Bauer, Southwest Airlines, and Midwest Express.

Special thanks also go out to Wesley Wright, Jimmy Wright, Roger Kidd, and the rest of the team at Diversified Retail Solutions. Thanks also to Don Dufek for his efforts in initially helping shape Consumer Relevancy. The following companies and associations were kind enough to give us support, encouragement, resources, and, most important, platforms: Georgia-Pacific, Procter & Gamble, the Grocery Manufacturers of America, Kellogg, Unilever Bestfoods, C&A, British American Tobacco, and Royal Dutch Ahold.

Fred extends thanks to the Cap Gemini Ernst & Young family for putting up with all of the trials and tribulations of this project. To Terry Ozan, Dale Wartluft, Bob McIlhattan, Berend Brix, and Geoff Unwin, thanks very much for your support. Also, a special thanks to Stephanie Shern at Ernst & Young LLP, who got me focused on this in the first place. To Doug Dickson and Stella Goulet, thanks for all your hard work and support. To Charlie Gottdiener, who took the concept of Consumer Relevancy and helped shape it into something tangible, thanks a lot. To all of the CPRD team around the globe, thanks for all your hard work and dedication to our practice and to the concept of Consumer Relevancy. And while we said it together, to Rebecca and Marcie, an encore thanks!

To Bake, Burke, Bow, MTV, Spiro, Heath, and the crew, rock on.

And again to the home team, Chris and Luke, who make it all worthwhile.

Ryan would also like to thank the FirstMatter team: Watts Wacker, futuring's cosmic cowboy and my comrade-in-arms, for the sage publishing advice, creative counsel, patience, and friendship; Mary DeVito, whose great organizational skills, logistical expertise, and attention to large and small details both professional and personal were invaluable in the completion of this manuscript; Darrell Stewart, the special librarian with the big heart and a constant friend through several vocational incarnations; and last but not least Michael Strother, who managed to keep the hardware, software, and wetware running in sync, no small task given my admitted technological limitations.

I would also like to thank Tara, Mark, Rochelle, Liz, and the other Motor City friends and neighbors whose qualitative responses helped confirm our original quantitative findings; the Wacker family—Betsy, Cal, and Lee—who provided food, shelter, and a true home away from home; Syed Hoda, for the exciting car rides in Puerto Rico and the interest in this project as it developed; friends, especially Mark Baum, Mike Maurer, Russ Hockin, Joe Finegan, Craig MacDonald, and John Gray, each of whom made a unique contribution to both this book and all the activities surrounding its creation. Encore thanks to Priscilla, Rebecca Sue, and Marcie. And a special thanks goes out to Rick Jackson, whose intuitive understanding of the principles in this book allows him to operate the finest shoe

shine stand in Detroit's Metro Airport, for the friendship and good conversation that brightened many a morning and confirmed that what we are saying here is right.

Again for Gabe and Sierra, who have helped me in ways they may not fully understand or appreciate for decades to come. And finally, a wink and a nod to WTB and PTH, because without at least a little magic, life wouldn't be half as much fun.



## Preface

---

*"It's not what you don't know that hurts you, it's what you know that ain't so."*

—MARK TWAIN

MARK TWAIN COULDN'T HAVE been more right, especially when it comes to modern business strategy and execution. Over the past three years, we've conducted research that jolted us out of our personal smug assumptions about the nature of business. What we "knew" about business was keeping us from seeing the changing realities of commerce. Perhaps like you, we had ample reason to believe that we had a handle on the nature of business, a deep understanding of what customers wanted from the companies that served them, and a better than average insight into what makes commerce tick. We believed that when customers talked about price, they naturally meant they wanted the lowest price available. We were wrong. We also believed that—given a choice—customers would naturally always prefer the highest product quality. Again, we were wrong. And, perhaps most significant of all, we believed that all businesses should strive to be the best they can be at everything they do. Frankly, we discovered we couldn't have been more wrong about this, and we hope our experience sets off some alarm bells in your head.

What we discovered was that, across the globe and across all industries, businesses are spending billions of dollars sending poorly aimed—and in

some cases offensive—messages to their customers and leaving literally billions more on the table each day. Instead of talking to customers in a language they can understand and find meaningful, most businesses are actually demonstrating—through advertising, marketing, merchandising, product assortment and selection, transactional terms, and service levels—that they don't respect or even know whom they are doing business with. To paraphrase the G. B. Shaw aphorism about the British and the Americans, businesses and customers are increasingly separated by a common language. The words used by both are the same, but the meanings are entirely different.

Companies large and small are offering customers everything except what those customers really want. Every business day, thousands of businesses spend millions of dollars on focus groups, surveys, and processing call-center reports, all to limited avail. In almost every trade sector, all businesses—including market leaders—live in the shadow of unforeseen competitive threats. Just consider how many local businesses, from supermarkets and sporting-goods stores to jewelry and hardware stores, spent years confident that they knew their customers and what those customers valued. Imagine how comfortable they felt and how secure they thought their businesses were, until Wal-Mart opened up in their towns and—armed with a superior understanding of customers and what they wanted—summarily put them out of business. Or imagine how confident IBM and, yes, even Xerox were that they understood the needs of the computer user, until their market dominance was usurped by “upstarts” such as Microsoft, Dell, Gateway, and Apple. Think about how Apple itself fell prey to the same trap. The bottom line: Global business—and perhaps more important to you, your business—is inexorably, and unknowingly, marching toward a crisis point.

The bad news: Today's market leaders across all commercial sectors are in jeopardy. We are poised on the brink of a customer revolution, a revolution whose demands could not be more clearly articulated: Recognize and respect me as an individual and start doing business my way. The good news: Not only can the worst-case scenario be prevented, but also companies that pay attention to the lessons we've learned can avoid disaster and take advantage of an unprecedented growth opportunity.

It's true that the demand for new business practices is edging many businesses close to crisis, but it's also true that in a world of increasingly ubiquitous product quality, increasingly similar market offerings, standardized service levels, and relatively normalized if not standardized pricing, companies that crack the customer code and break from traditional business practices stand to gain disproportionate advantage over their competition. Our mission in *The Myth of Excellence* is both to describe the parameters of the threat to *your* business as well as map out a plan for *your* future success.

No matter how robust or poor the economy appears, and no matter how much sales and profits increase or decrease, commercial prosperity bears a frightening resemblance to a house of cards, because customers are deeply resentful and personally dissatisfied with their commercial experiences. For the first time in history, businesses are being asked to do something other than engage in commerce. Customers increasingly frustrated with the experience of their lives want reinforcement of personal—not just commercial—values. The terms of commercial engagement have changed, and changed forever; businesses that don't find ways to engage on the new terms will fail.

As a result of misunderstanding what customers really want and how best to serve those wants, even the world's most successful businesses have bought into what we have termed the myth of excellence—the false belief that a company ought to try to be good at everything it does. Misdiagnose the problem and you almost inevitably misdiagnose the solution. Because businesses focus on increasing transactional value rather than nurturing sustaining relationships, and increasing the value of a transaction rather than worrying about the values surrounding the transaction, they almost intuitively adopt strategies aimed at becoming the best at every aspect of a transaction, an approach that leads to a lack of enterprise focus, which in turns confuses and alienates customers.

We interviewed dozens of world-class business leaders, and time after time we heard how their companies offered customers the highest-quality products at the lowest prices, providing the easiest access to sales environments that were fun and characterized by the best service available. They

had spent literal fortunes customizing their products and services based on what they “heard” their customers saying, but they consistently failed to “listen” to what those same customers were really saying. When we talked to their customers, we were told a much different story.

We heard CEOs boast of how well they customized their products and services against target markets only to watch their sales slide over the next few months. We interviewed companies in the course of researching this book that went bankrupt before the final draft was completed. And over and over again, we found companies overspending against any plausible hope of a return. Their experiences form the foundation of this book. Business isn’t a Greek tragedy: Learning from the mistakes of others can help you change your fate.

For the purposes of our analysis, we have divided all commercial transactions into five elements or attributes: price, product, access, service, and experience. We identified these five attributes because they are present in every commercial transaction—business-to-consumer or business-to-business. We assigned a numerical value to each of these attributes, with 5 indicating market domination on an attribute, 4 indicating differentiation around an attribute, and 3 indicating that you’ve effectively met—but not exceeded—market competition on an attribute. We’ve termed the ability to see business through the customer’s eyes and conduct business on terms that customers find meaningful on a personal level Consumer Relevancy. And we’ve found that you can profitably conduct business on these terms. Looking at the world through the lens of Consumer Relevancy, we found that the best companies have a strategy for *dominating* (i.e., being world-class) on *one* of the five attributes of product, price, access, experience, and service, *differentiating* on a second, and being at *industry par* (i.e., average) on the remaining three. On a 1-to-5 scale, where 5 is world-class, 3 is industry par, and 1 is unacceptable, a perfect score is 5, 4, 3, 3, 3. Two additional “rules” apply: There is a “no-man’s-land” or “consumer underworld” into which no company should travel. As a result, you can’t be below industry par on any one attribute. At the same time, you shouldn’t attempt to be a 5 on more than one attribute and a 4 on more than one. If a business is below par on any attribute, it cannot be viable for very long, as con-

sumers will reject its value proposition over time. If a business is a 5 on more than one attribute and a 4 on more than one, it has created needless differentiation and is leaving money on the table.

There is a growing gap between the content of a business transaction (the value of a product or service) and the context (the values surrounding doing business). We found business after business simply missing the point and believing that value was an effective commercial substitute for values and that transactions were an acceptable alternative to the relationships customers want. In companies trying to be great at everything, this misunderstanding created substantial value leakage. In companies that weren't so great, it was the first step toward disaster. Customers are looking for deeper levels of personal recognition and a clear statement of values, but their pleas are going largely unheeded by the businesses that serve them. The *context* in which your business engages consumers (in Wal-Mart's case, the absolute trust of an honest low price) has grown in importance, eclipsing the *content* of your product or service. Most businesses have been improving their product offering since opening their doors, yet the context surrounding the transaction has been an afterthought, a necessary evil in the mindless dash for differentiation. *Human values*, not commercial value, have become the contemporary currency of commerce.

Let's briefly go back to Wal-Mart and try and put some flesh on the bones. Wal-Mart is known as the price leader, but its prices are not always lowest. It dominates (earns a 5 rating) on price because consumers trust that its "everyday low prices" philosophy will provide them with an honest price in the low-price range, a price with no hidden gimmicks, and in all product categories. Wal-Mart's honesty and true understanding of what consumers value is reflected in Wal-Mart's values and how the company treats customers. Wal-Mart differentiates itself on product (earns a 4 rating). Product quality is high but not as high as key competitor Target. And on service, access, and experience, Wal-Mart is industry par, i.e., average (earns a 3 rating) in each of these attributes.

We don't believe all businesses are the same; in fact, we don't really believe any two businesses are identical. But we do believe we've found a process and methodology that can be customized and applied to any busi-

ness from the corner barbershop to Microsoft with proportionately equal benefit. It begins by mapping out how all the stakeholders of a business really see that business; moves to an analysis of competitive factors; and, finally, allows you to create a future blueprint for your business. We'll also describe the great "white space" opportunity that lies just beyond your current grasp—the opportunity to both reduce operating costs and, more important, increase top-line sales and profits.

And, of course, there's another reason to read. Business is a two-way street, and everyone from Bill Gates to the Queen of England is somebody's customer. *The Myth of Excellence* helps bring understanding to both sides of the transaction, allowing businesses to see through the eyes of their customers—and vice versa.

## Contents

*Preface* *xiii*

CHAPTER 1  
Field Notes from the Commercial Wilderness 1

CHAPTER 2  
The New Model for Consumer Relevancy 21

CHAPTER 3  
Would I Lie to You?: The Overrated Importance of  
Lowest *Price* 41

CHAPTER 4  
I Can't Get No Satisfaction: *Service* with a Smile? 69

CHAPTER 5  
I Still Haven't Found What I'm Looking For:  
*Access*, Physical and Psychological 111

<u>CHAPTER 6</u>	
Why “Good” Is Good Enough: Choice and the Issue of <i>Product</i> Bandwidth	135
<u>CHAPTER 7</u>	
Do You Really Get Me?: The <i>Experience</i> Factor	159
<u>CHAPTER 8</u>	
Making Consumer Relevancy Work	193
<u>CHAPTER 9</u>	
Supply-Chain Realities	207
<u>CHAPTER 10</u>	
Consumer Relevancy and the Future	219
<i>Notes</i>	239
<i>Index</i>	243



## Field Notes from the Commercial Wilderness

THIS BOOK IS REALLY the diary of a journey—field notes from an expedition into the commercial wilderness, if you will. Our trek began with a survey, fairly modest in conception although broad in scope. After all, we thought we knew how consumers felt. Understanding consumer dynamics, analyzing marketplaces and market spaces, anticipating the impact of technological change on businesses and consumers, and looking into the future are all significant elements of our day-to-day business and personal lives. In retrospect, it is incredible how naive we really were—naive, but not unlike a lot of other businesspeople. Since we knew what we were looking for, we wanted the data to provide verification of our brilliant insights. Like a company polling its customers and rationalizing any negative comments, we expected the survey results to support our entrenched assumptions.

We assumed, for example, that consumers wanted the absolute lowest prices, the very best products, and lots of value-added services. We also expected them to tell us that they wanted shopping to be fun and entertaining. We were in for a shock.

Our real journey started when the data came back. We were sitting in the conference room of a restored Victorian home in Westport,