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LEAN THOUGHTS

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Saishunkan Cosmetics Customer Care Trumps a Factory

Our good friend Kevin Meyer who runs the www.superfactory.com website recently embarked on a visit to Japan to tour some interesting companies. The following debrief is almost as good as being there ... hopefully you pick up some ideas !!

While still trying to absorb everything we saw yesterday at [Toyota Kyushu](#), today the Gemba [Japan Kaikaku Experience](#) took the train down to Kumamoto to visit [Saishunkan](#), a manufacturer and marketer of high end specialty cosmetics. We're a bunch of manufacturing guys, but after listening to their story we decided to skip the factory and spend the next several hours learning about... their office area. Yes, their office area and overall business model was actually more interesting than the factory. Toyota recently visited and was so impressed that they dedicated eight pages of their company newsletter to Saishunkan... the office area, not the factory. Keep on reading to learn why.

As we drive up we're greeted by an older woman wearing a gardener's apron. She had been working with a group of gardeners and came up to us when we arrived. It turns out she's the chairwoman of the company, and since retiring a couple years ago and turning the reins over to her son, she has dedicated her time to working in the gardens, in the cafeteria kitchen, and in her words, "any job to help the employees." That should give you an initial sense of what this company is about.

Saishunkan was started in 1932 as a manufacturer of specialty cosmetics. In 1979 it went bankrupt after being unable to pay a mounting debt. In 1982 the chairwoman took over, vowed to repay the debt that had been forgiven, and began to rebuild the company. The next year the company achieved \$1 million in sales. By 1988 it achieved \$100 million.

The primary marketing strategy was phone sales, and the company was very aggressive. By 1989 Saishunkan had become infamous for its sales calls and complaints for bad service were skyrocketing. Incentive plans created the aggressive sales methods. In 1993 the chairwoman decided something needed to be done or the company would founder, therefore she asked that all returns be consolidated in one area.

It was a mountain, worth over \$700,000. A portion of that mountain is now inside a large glass case in the lobby, as a reminder to everyone where the company had gone wrong. She decided to chart a new course, and eliminated all outbound sales calls for three months as well as all sales incentives. Then she wrote a letter to everyone that had been a customer, whether they had complained or not, and detailed how the company was going to change for the better. Customers responded that they loved the products, but the people were what created the complaints. Reviewing these complaints in detail put the voice of the customer in the middle of the business. That would form the new philosophy of the company. 50% of the employees left, unable to adapt to the changes.

Saishunkan now records \$270 million in sales with 1,000 employees, all from this one location. Profits are "at the high end of the medical device and cosmetics industry." Private, no debt. All of the employees are full time, with no contracts or temporaries, which thereby carries special status in Japan. The company continues to produce just seven cosmetic products, basically collagen-based wrinkle creams, and has no plans to increase the product line as it would decrease focus. They are in the top three of market share for each product, with prices at the mid-range of high-end Japanese cosmetics, ranging from \$50 to \$500 for 8 ounces. The prices have not changed in over 30 years, there are no volume discounts, the "price is the brand."

Saishunkan's entire sales strategy is based around creating repeat customers. They will refuse to sell a product unless you have first received and tried a sample kit. They know that 25% of people that try a sample will order the product, 65% of them will buy again, and 95% of those repeat buyers will continue to purchase the product. Therefore everything is geared around getting potential customers to try samples, and this is done almost exclusively via highly-targeted TV advertising. They now process 1,300 requests for samples, per day.

LEAN CONSORTIUM MEMBERS:

- ACE Bakery
- Alumicor
- CGL
- CTS Canada
- EATON Cutler Hammer
- KRAFT
- LA-Z-BOY- Residential
- MESSIER-DOWTY
- MORRISON LAMOTHE
- ORENDA
- NESTLE WATERS CANADA



Where "Lean Thoughts" Become Reality



The entire company is geared toward creating the best possible customer experience. Because of this they have no stores, no partners, do not export (sorry!), and try to perform every function internally. There is zero inventory, and any order received by 2:30pm will be manufactured and ship the same day. They want complete control from the time the product is manufactured to when it reaches the hands of the customer.

This is where the office area, or more appropriately the nerve center, comes in. The president states that his company vision is to "ensure his employees eat a good meal every day." Therefore as you walk into the headquarters building you first walk through the cafeteria. You walk down a curved ramp, walls covered with posters of improvement projects, to the lower level. Behold, "the room."

It was this room that caused us to skip the factory part of the building. This is one huge contiguous space, very high ceilings, with hundreds of people working inside... and no walls or cubicles. Hundreds of call center "communicators", sections for HR and sales and supplier representatives, R&D labs around the periphery, and large plasma screens hanging everywhere showing metrics updated each second. The floor and ceiling are covered with sound-dampening material, a wall of windows overlooks the countryside down the hill.

And right smack in the middle of the floor is a large conference table. The president sits at one end with his three directors and several of the section managers along the sides. The organization is so flat that that is the entire management team for 1,000 people. Having no walls may seem difficult for many of us used to some privacy, but the company claims that people that leave eventually request to come back because they can't deal with barriers. Keep in mind this is a \$270 million company. There are two tiny enclosed conference rooms for personnel discussions, but everything else is out in the open.

Every piece of furniture is on wheels, and the room is constantly being reconfigured as new improved methods are developed. There are designated improvement areas and tables dedicated just to writing letters to customers. By the way, every customer letter must be handwritten; nothing typed will go to a customer. The peripheral walls are covered with white board material, which is covered with improvement ideas.

Although over 8,000 calls are processed every day, the room is surprisingly quiet. The lack of walls is intentional to create rapid communication. A "pit boss" stands on a raised pedestal near the middle, watching the various screens and the "communicators" working the phones. If a problem is detected, she can instantly marshal a team of communicator, HR, sales, or R&D. If a call is critical enough she will pipe it over the PA so everyone can get involved. Communicators can go to R&D so the engineers can work directly with the customer on solutions or improvement ideas, immediately. If there is news that needs to be communicated, she hits a large drum. An example was a recent earthquake, which had the potential to delay the shipment of orders, and the company wanted to ensure customers were notified.

The customer experience drives everything. When a call is received it will be answered in less than two rings. The computer screen will show the origin of the call, customer data if the number is linked to an existing customer, the weather report from the origin to help with conversation. Visual indicators are used instead of data, such as a changing "face" depending on the age of the customer, multiple roses depending on how much the customer has ordered in the past, etc. The "communicator" is expected to create a conversation and to learn more about the customer.

Communication is logged... manually. This is intentional as they have discovered that electronic forms cause subconscious "sanitizing." For example, if the customer said "I don't like how the bottle top opens" three times, it would probably be recorded only once on a fill-in form, but three times on a manual form. That frequency is key data. The communication log forms are scanned into the system (digital pens are being deployed now). 8,000 communication log forms per day. And every one of them is reviewed by a manager, director, or the president. Then 400 of them are turned into suggestions for improvement with action plans created. Every day.

How the heck do they do that? With cross-functional teams that are created for periods of a few months, then disbanded and reshuffled into new teams. This is because, even with no walls, they still feel there are barriers between people. They want everyone to be working together. The goal of the team is not to complete the action plan for the suggestions, but to create improved unity.

Interviewing is based almost solely on character and values, with experience and degree being very low on the list. All new employees must work in the kitchen to learn about service. All new engineers or non-"communicators" must first work as a communicator in the call center, for a year. Even with that they still have a long line of potential employees wanting positions.

Every employee is reviewed by multiple managers to ensure a balanced perspective. A new hire has no goals, and is judged 100% on character. After the first year the person is judged 80% on character and 20% on achieving goals that the employee sets. The percentage continues to shift until directors are judged 80% on goals. By then they assume that the character of the person has been proven. Involuntary turnover has been zero... for ten years.

The customer experience is king. Saishunkan helps employees simulate being customers who are deaf, disabled, or otherwise not the typical customer. They have never had a lawsuit from a customer or any other party, and they attribute that to customer care.

Here's one idea you might want to try: if a customer complains, knowingly or not, a manager will call the customer back within ten minutes. Ten minutes. They have determined that ten minutes is a critical time, as after that the complaint is moved into the customer's long-term memory. Show you're concerned about it before then, by a manager especially, and you can arrest that transfer.

The employees are also treated right, and rewarded. Each year the company takes every employee, all 1,000 of them plus representatives from suppliers, to Las Vegas. From Japan! They travel in groups over a period of two months, and the chairwoman plays host, arranging excursions and dinners. The company puts them in very nice hotels, the Wynn this year, so the employees can experience and learn from the best customer service. The company also cares about the community and the environment. The roofs of all buildings on its one-year-old hilltop campus, and many of the external walls, are covered with photovoltaic cells, which create between 25% and 75% of the company's power requirements. 98% of their waste is recycled. They create the largest Christmas light display on Kyushu, attracting hundreds of thousands of visitors, and their factory employs a large number of special needs people. They operate a daycare for their employees and initially it was free. However they found that employees refused to complain about a free service, and the company wanted complaints in order to improve. Therefore they started charging \$10 a month, the employees then felt they could complain about issues with the daycare, and the company was able to improve the daycare.

Saishunkan has decided that they want to employ a maximum of 1,200 people as that is probably the largest number for their unique culture... and their massive "room." Since they are already at over 1,000 they know they are approaching "the big decision." If they are already just doing simple marketing, have never changed the price, and insist on maintaining the best customer service, then how do they throttle back demand? A problem many of us wish we had!

Once again, an extremely unique company. A large open office area with a thousand employees may scare many of you, but the improvement in communication - both speed and effectiveness - is incredible.

2008 Consortium Event Schedule



Tour Workshop Conference

January	February	March	April	May	June
<p>T</p> <p>Wednesday 16 Eaton Electrical, contact Joe Fisher, JoeRFisher@eaton.com</p>	<p>T</p> <p>Wednesday 13, ACE Bakery, contact Cindy Grolleman, cgrolleman@acebakery.com</p>	<p>T</p> <p>Wednesday 19, Nestle Waters, contact Mariela Castano mcastano@perriergroup.com</p>	<p>C</p> <p>Consortium Shareshowcase</p> <p>Saturday 05 Eaton Milton, Contact Cindy Grolleman cgrolleman@acebakery.com or Joe Fisher JoeRFisher@eaton.com</p>	<p>T</p> <p>Wednesday 14, Alumicor, contact Barry Wood barry@Alumicor.com</p>	<p>T</p> <p>Wednesday 18, Morrison LaMothe, contact Tony Vita tvita@morrisonlamthe.com</p>
July	August	September	October	November	December
		<p>T</p> <p>Wednesday 24, Kraft Foods, contact Hanif Jivraj hjivraj@Kraft.com</p> <p>C</p> <p>Executive Forum Tuesday & Wednesday 23rd & 24th Contact Richard to register rkunst@kumstartofsolutions.com</p> <p>C</p> <p>22nd Transportation Thursday 24th http://www.transportconference.net/emaplan.html</p>	<p>T</p> <p>Wednesday 16, CTS Corp., contact Navneet Mann, navneet.mann@ctscorp.com</p>	<p>T</p> <p>Wednesday 12, Messier-Dowty, contact Mike Smith Mike.Smith@Messier-dowty.on.ca</p>	<p>T</p> <p>Wednesday 10, Orenda, contact Brenda McIntosh brendamcintosh@orenda.com</p>