

Drucker on Determining What the Customer Values

Adapted from *The Five Most Important Questions You Will Ever Ask About Your Organization*; and *Managing the Nonprofit Organization*

By Peter F. Drucker

What do customers value?—what satisfies their needs, wants and aspirations—is so complicated that it can only be answered by customers themselves. And the first rule is that there are no irrational customers. Almost without exception, customers behave rationally in terms of their own realities and their own situation. Leadership should not even try to guess at the answers but should always go to customers in a systematic quest for those answers.

What does the customer value? may be the most important question. Yet it is the one least often asked. Nonprofit leaders tend to answer it for themselves. “It’s the quality of our programs. It’s the way we improve the community.” People are so convinced they are doing the right things and so committed to their cause that they come to see the institution as an end in itself. But that’s a bureaucracy.

My friend Phil Kotler, a professor at Northwestern University, points out that many organizations are very clear about the value they would like to deliver, but they often don’t understand that value from the perspective of their customers. They make assumptions based on their own interpretation. So begin with assumptions and find out what *you* believe your customers value. Then you can compare those beliefs with what customers actually are saying, find the differences, and close the gap.

At a homeless shelter, learning what its customers value led to significant change. The shelter’s existing beliefs about value added up to nutritious meals and clean beds. A series of face-to-face interviews with their homeless customers was arranged, and both board and staff members took part. They found out that, yes, the food and beds are appreciated but do little or nothing to satisfy deep aspirations not to be homeless. The customers said, “We need a place of safety from which to rebuild our lives.” The organization threw out their assumptions and their old rules. They now make it possible to stay at the shelter quite a while, rather than turning people back on the street each morning, and work with individuals to find out what a rebuilt life means to them and how they can be helped to realize their goal.

Besides asking directly, another way to sharpen your understanding of your customers’ experience is to see things through their eyes. Gustav Mahler told his orchestra members they should sit in the audience at least twice a year so they would know what the music sounded like to the listener. The best hospital administrators I know have themselves admitted once a year as a patient, so they can really see how their organization works—and where there’s need for change, for innovation.

Another point: Don't forget that you also need to understand your *potential* customers—those who really need your service, want your service, but not in the way in which it is available today. In some ways, the most important people to research are those individuals who *should* be your customers but for now are *noncustomers*.

To be successful, you will need to understand each of your constituencies' concerns, especially what they consider results in the long term. Think through what knowledge you need to gain. Then listen to customers, accept what they value as objective fact and make sure their voices are continually part of your discussions, decisions and innovations.