

Jim's Profit Accelerator 41: What the Airline Lav Secret Means for Your Business

One of the best-kept secrets in the airline business is the vital role played by the bathrooms, or “lavs.” These require extensive design engineering that makes the lav (“toilet” to you and me) cost tens of thousands of dollars each. Yes, that’s not a typo, and it’s not military procurement froo-froo either.

The secret is that if a lav fails, the plane must land at a nearby airport, at an indigestible cost: lost time, extra fuel, furious passengers, missed connections, missed staging position for next flight—you get the idea. If it happens over an ocean, even worse. For these reasons, the lav is engineered not to fail. Ever.

How does this apply to you? The true cost associated with the lav isn’t the cost to design, build, install, and maintain it. While substantial, it’s a fraction of the cost of failure, which shifts to the cost of operating a full airplane reliably. This makes the lav a “power fulcrum” in the airline industry.

Power fulcrums are the spots in your operation where flawless performance is required for at least one of these three reasons:

1. Failure does massive damage to customer relationships.
2. Delay costs your customer hundreds of times the price of your product/service.
3. Excellence boosts you ahead of any competition.

In one of the companies where I consulted, specialized metal parts were designed and manufactured for particular products built by its customers. If a part was wrong or late, the damage was not the cost of the part, it was the lost shipment of the customer’s product. For one company that product was a truck that sold for \$100,000 each. Every late or wrong part stopped shipment of one truck, and ten wrong parts cost our customer \$1,000,000 a day in delayed shipments—and delayed cash—as well as damaged relations with its customers.

Our quality summit with the worldwide head of quality for this multibillion dollar manufacturer was brief: “Either you solve your quality problems or we’ll find another supplier.” We solved them with this three-step process:

1. Check every part just before it is shipped, and pull out any that failed testing.
2. Find the quality gaps in our production process and fix them.
3. Drastically cut back final Q.C. checks when our rejects fell close to zero.

This same business sold a special part to Oshkosh, one of the largest military suppliers in the world. The part was heavy steel, and it shipped over 2,000 miles to the customer. We asked why they traveled so far to buy from us, and they answered, “We’ve looked all over the country, and you’re the only ones

who can make it right and ship on time!” The critical process was designing and fabricating a jig that ensured precise dimensional control on the product. Our pricing benefitted us both.

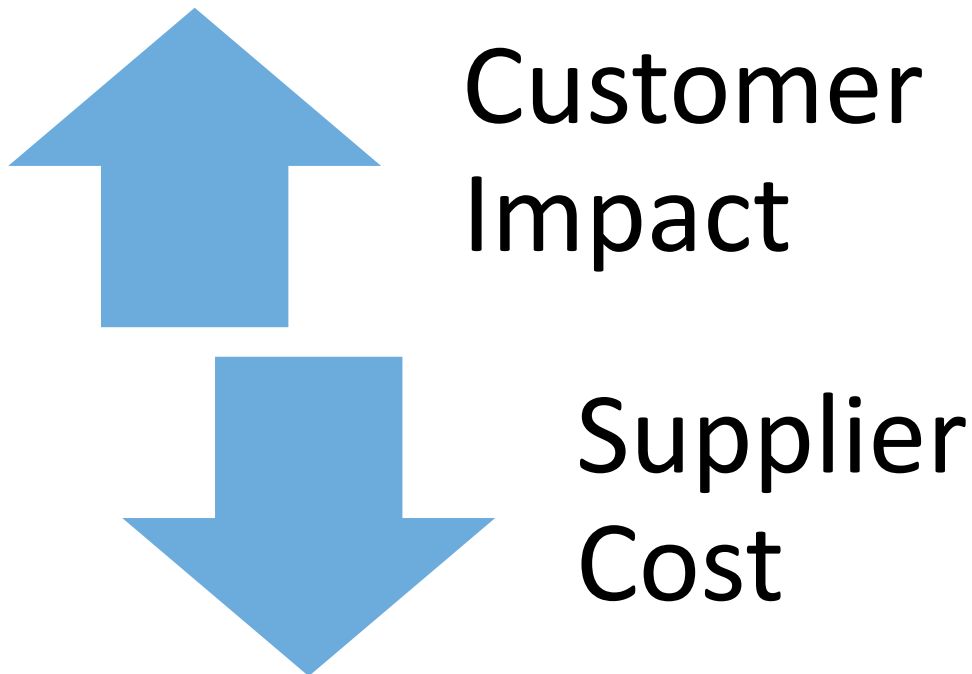
Power fulcrums multiply profit at blinding speed, either up or down. Every business has them, but frequently they aren’t discovered until a customer crisis shines a light on them.

SPEED BUMP: Find your power fulcrums by examining the impact on your customer. Ask if you need to.

At another company where I worked, paint was a critical ingredient of our products, and our technical requirements were high, for both application and appearance. The resulting costs were a challenge, until we asked a very senior executive from the paint company how we could change our cost structure. She immediately suggested shifting from 10-gallon pails to 55-gallon drums. Our cost dropped by one-third, and our increased volume and reduced delivery cost for our supplier was a huge win for both.

SPEED BUMP: Find your power fulcrums by examining the impact on your supplier.

Here’s how it looks:



ACCELERANT: Do you know where your power fulcrums are?

Call me.

*I know this because a friend of mine, former head of purchasing for one the largest airlines in the world, started his engineering career designing lavs.

For more information, visit www.grewco.com.

Jim Grew is an expert in CEO-level strategy and executive leadership whose clients refer to him as the Business Defogger and Accelerator. Jim helps leaders swiftly discover the hidden opportunities within their businesses and exploit them for dramatic results. Nearly three decades of success as a COO and CEO coupled with his experience running nine thriving businesses provide the foundation for his consulting work as president of the Grew Company. He presents regularly to industry groups, mentors business leaders, and shares insights on his blog, BizBursts.com: <http://bizbursts.com/>. He holds BA and MBA degrees from Stanford University.

©Jim Grew 2015. All Rights Reserved. *Do Business Faster™*