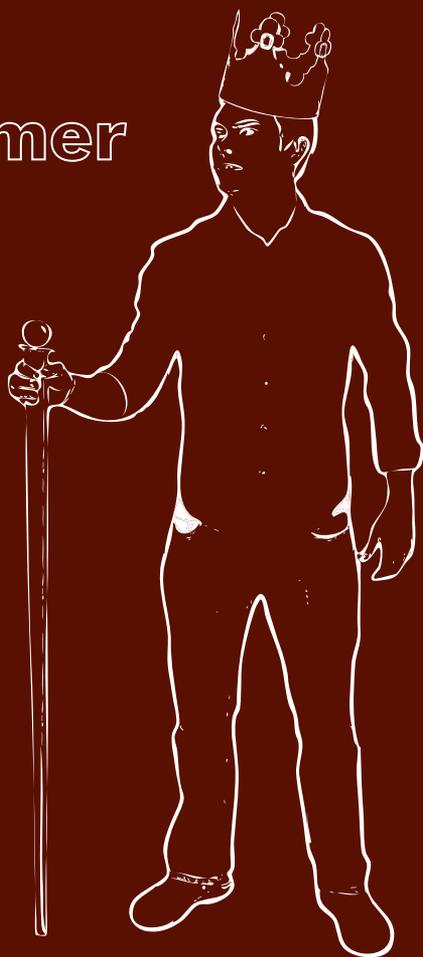


Is the Customer Really King?



“The customer is king.” “The customer is always right.” “The customer comes first.” We’ve heard these lines forever. But have we actually listened to our customers? Do we really believe in this concept of customer importance? Do we run our business by this simple concept?

Whatever you want to call this concept—“customer focus,” “customer orientation,” “market orientation”—the basic premise is the same: providing exemplary service to your customers is smart business. And you know what? This approach can make your company successful. But for that to occur, you first must know who your customers are, what they want from you and your product, and how to provide them with exceptional service along with quality products at a reasonable price. Customers are the most important visitors to your business, but they are not outsiders—they are a part of it. Regardless of whether your customer is the consumer, the retailer, or the manufacturer, superior customer service can be the thing that differentiates you from your competition. This is especially relevant to the furniture industry, which unfortunately is becoming more and more a commodity-product market.

Why is “Service” so important?

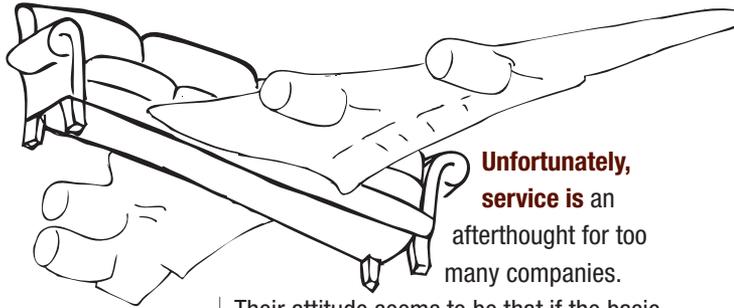
“The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself.” *Peter Drucker, leading writer and recipient of the Presidential Medal of Freedom.*

This is a legitimate question. Isn't simply building a quality product and selling it at a fair price enough “service” to provide any customer? Well, think about the competitiveness of the world furniture industry (that's right, the world really is as flat as Thomas Friedman says). Typically companies compete on the basis of costs, quality, and/or service. When it comes to price, China's low wages and few environmental regulations enable them to beat U.S. manufacturers like a proverbial drum. But no country has ever built a sustainable competitive advantage on low wages. Just look at all the furniture manufacturers—including Chinese—who are leaving China and flocking to Vietnam.

What about quality? China can compete with the U.S. on quality because they have invested in new technologies. Too many U.S. companies have become trapped in the “we've always done it this way” mentality, and either won't or can't upgrade their technologies. The Chinese are also quick and nimble. They

were quick to learn that U.S. consumers wanted good quality products, and they were quick to provide them.

But service is an entirely different issue. This seems to be an ingredient for success that we too often overlook. U.S. companies can do something that overseas competitors cannot: get customers what they want, at a reasonable price, when they want it. No Asian (or European) competitor can get around the fact that it takes a minimum of five to six weeks to ship products across the ocean into U.S. ports, through customs, and delivered to the consumer. And where transportation is involved, keep two things in mind. One, consumers want “it”—no matter what “it” is—right now. Two, air freight doubles, or even triples, transportation costs.



Unfortunately, service is an afterthought for too many companies.

Their attitude seems to be that if the basic business is dealt with, then everything else will naturally fall into place. But instead of “falling into place,” service should be the glue that connects all the dots, that pulls together all the business processes, and that fills the gaps and inconsistencies that invariably appear in the string of events that begin with

an order being placed and end with a product getting to the consumer.

What Customer Service is Not

Before we talk about what customer service is, let's first be clear on what it is not. Customer service is not cheap prices. This idea is the trap most of the furniture industry has fallen into. Products typically change very little from one year to the next, there may be slight variations in style, but basically a sofa is a sofa. So for years price has been used as the means to promote products. Customers have become so familiar with 50% off sales that they don't ever expect to pay "full price" for furniture. In fact, they seem to be suspicious of retail prices when they are not marked down. Granted, our industry is not alone in doing this. In 1971, only 8% of all retail sales were based on discounting. By 2002, 78% of all retail sales were a direct result of discount pricing. This strategy may promote repeat business, but it definitely will not cultivate true customer loyalty. It's like a local truck manufacturer once said, "I'm losing \$100 on each unit, but I'm making it up in volume."



Today's consumers want low prices, but not necessarily the lowest prices. Things are changing as the Baby Boomers age and the Generation Y'ers become more prominent. Jeneanne Rae, in a BusinessWeek column, predicts that "... in this new age, customer experience will decide the winners and losers in almost every industry imaginable." The good news is that shoppers are willing to pay (but not exorbitant sums) for this extra service. This is a wonderful opportunity for the furniture industry. But to take advantage of this opportunity, we have to deliver. How, then, do you deliver good customer service?

Six Questions

If you're going to give consumers the service they demand, then you must be able to answer the following "six questions":

1. Who are your customers and how well do you know them? "Spend a lot of time talking to customers face to face. You'd be amazed how many companies don't listen to their customers." *Ross Perot, former Presidential candidate, founder of Electronic Data Systems (EDS), estimated net worth of around \$4.3 billion.*

The first step toward building a competitive advantage based on service is to find out how much you know about your customers. For example, do you

know their demographic characteristics? Income level? Education level? The life cycle stage they are in? Their buying habits? How far they are willing to drive to shop for furniture? Whether they listen to radio, and if they do, what are their favorite stations? How about newspapers—do they read them, and if so, which ones? Do you have an open line of communication with them? And equally important, do they have an open line of communication with you? Do you have a web site—is it user friendly and up to date? What about your customer reps? Do they respond quickly to questions and problems? Do they know their customers?

Kathy Ireland, American supermodel, actress, author, and entrepreneur, makes it a mission to know exactly what her customers want. She uses her web site and e-mail to stay in touch with her market. One section of her site (www.kathyireland.com) is the “Community” page where customers can upload recipes, share gardening tips, and e-mail Kathy with ideas as well as tell her what they like and dislike about her products. Her success illustrates the fact that “winning companies aren’t successful by accident. . .most have sized up their target markets and zeroed in on a unique approach to meet their customers’ needs, values and expectations.”

2. Are these the “Right Customers”?

This is an extremely important question that few companies even ask, much

less answer. You can’t please all the people all the time. Instead, you have to focus on the ones who will form your customer base now and into the future. According to Jason Jennings, a best-selling author and business speaker, the new approach to customer service is to focus on completely satisfying “the right customers.” This means there are some “wrong customers.” Instead of wasting your limited time, energy, and resources on this group, the best companies focus intensely on satisfying the “right” customers. But you must first determine who your “right” and “wrong” customers are.

David Strom, network and internet technologies expert, categorizes customers as “good” and “bad.” Good customers are those who use your goods and services in such a way that you end up with reasonable revenue and profit streams. Bad customers are those who make excessive demands, consume resources, and no matter what you do, they’ll never be satisfied. You should “fire” these people, because they cost you more money than they bring in. Best Buy groups their customers into “angels” and “devils.” The company uses sales records and demographic data to identify each group, and then showers attention on the customers most likely to be repeat purchasers. They do little marketing towards the chronically dissatisfied consumers (such as the ones who constantly abuse rebate offers and return policies).

No matter what you call them, you must identify and then satisfy your best customers. They will be loyal, repeat buyers who do not begrudge the fact you are making a reasonable profit. The “right” customers tell their friends, family and colleagues about your products and services, which leads to more “right” customers. Because you have always pleased them, they are not lured by competitors’ cheaper prices and big incentives. They are familiar with your service and your product line, so they won’t have to jump through hoops to compare your products with your competitors. They will think of you first and buy more and different products from you over time. In other words, right customers have already placed a great value on you, your products, and the services you provide. And if you aren’t convinced, consider this: it is estimated that 80% of Starbucks’ revenue comes from customers who visit their stores a staggering average of 18 times per month.

But this doesn’t mean you should stop looking for new customers. Furniture is durable and often expensive, so customers don’t usually replace it very often. Additionally, major life events such as the birth of a child, a child going off to college, retirement, purchase of new or vacation homes, and so forth, trigger furniture purchases. Naturally these events don’t happen every year.

“you need to give customers what they want, not what you think they want”

3. What do your customers want?

“This may seem simple, but you need to give customers what they want, not what you think they want. And, if you do this, people will keep coming back.”

John Ilhan, the founder of Crazy John’s mobile phone retail chain and the richest Australian under 40 years of age.

Since different types of customers want different things, we can’t give a specific answer to this question. But we can give a general answer that applies to a very large number of customers: they want exactly what they want, and they want it now.

Let’s be blunt—the only substantial competitive advantages the U.S. furniture industry has are proximity to the world’s largest consumer base and a tradition of innovative and novel ideas. This means successful business models in the future are likely to be based on the ideas of “mass customization” and speed of delivery. Mass customization, which sounds like a contradiction in terms, refers to customizing or personalizing a product for a specific buyer. However, the price of this customized or personalized

product has to be just about the same as a mass-produced, commodity-like product. In other words, mass customization gives customers more input, choices and solutions, which in turn gives them a more personalized, unique product at a reasonable cost.

This isn't just an “academic” discussion. Companies are already doing this. For example, England Inc., a rural furniture manufacturer in Tennessee, offers custom built-to-order furniture with very short delivery times. England also uses flexible manufacturing systems to make smaller, nimble production runs in order to produce the customized products. Nantuckit Furniture Company lets customers go to their web site to design and configure furniture exactly the way they want it produced. The customer gets personalized, high quality furniture that has a lifetime guarantee—not just the life of the furniture, but the life of the customer. This is what “mass customization” is all about—providing customized products in a timely manner at a reasonable cost.

A personalized product at almost the same price as a mass produced one. How's that for a challenge? Giving the customer options is certainly possible, but it takes coordination and cooperation all the way through the supply chain, from component and raw material suppliers to manufacturers, to retailers and to customer delivery systems. The challenge becomes even greater when

the issue of rapid delivery is introduced. Not only must this highly personalized product be priced competitively, it also must be delivered in a very short period of time after the customer places the order. Proximity to the market gives domestic furniture manufacturers a huge advantage over the overseas competition.

What we're doing is redefining the concept of customer service to include customer input and speedy delivery. Think what a competitive advantage this can be. The customer can get exactly what he or she wants, almost when he or she wants it. Low-cost competitors such as the Chinese can make 600 blue sofas—but we'll make the blue sofa with red trim and yellow cushions if that's what the customer wants. And that will probably be exactly what the consumer will demand.

4. Do you provide your customers with a “Great Experience”? “Business is not financial science, it's about trading... buying and selling. It's about creating a product or service so good that people will pay for it.” *Anita Roddick, founder of The Body Shop, a British cosmetics company producing and retailing beauty products that shaped ethical consumerism.*

Isn't a personalized product sold for a low price and delivered in a matter of days enough to satisfy just about every customer? Well, no, it's not. You have to

do more—a lot more. Today’s customers want the “great experience,” “the moment of truth,” the “wow factor.” For a furniture retailer, a moment of truth can come as soon as the customer walks into the store or accesses their web site. Or it could happen when he/she contacts the store (by phone or e-mail) with a question or problem and receives immediate attention. Or it could happen when most retailers least expect it to: when the delivery van pulls into the driveway.

Visualize this scenario: the truck arrives towards the end of the day. For the consumer, this is a special moment. They are bringing something new into their home that will become a part of the family, their history, and will say something about the person who bought it and the people who live there. But this “great experience” can easily become a “moment of misery,” or a “moment of mediocrity.” The guys on the truck just want to go home. For them, this is just another piece of heavy furniture that has to be moved. So they haul in the new purchase complaining about heavy it is, how narrow the hallway is, how tired they are, how their boss is a jerk, and so forth. These guys could care less if the consumer is happy with his/her purchase, if the item is put in exactly the right spot, and whether they leave a mess for the homeowner to clean up.

Don’t underestimate the importance of great delivery service. Ray Allegrezza, Editor in Chief of *Furniture Today*, says

this about delivery, “You may sell the best furniture at the best value. You may have the best store, the best promotions and the best sales team, but if you drop the ball when delivering the furniture to the customer, you’ve sent every other good thing about the transaction up in flames.”

But let’s move past delivery to additional things you have to do right. To quote Tony Alessandra, “If your company is going to be a leader in your market, you are going to have to really practice things like customer intimacy, customer interaction, ‘customer loyalty,’ and perhaps more important—‘customer partnership’.” Every single time the customer has contact with your company and/or representatives, there is an opportunity to surpass his/her expectations. When you surpass these expectations and create a unique service package for the customer throughout the entire shopping process and afterwards, it can create a positive buzz that spreads almost as rapidly as negative buzz.

What we are really talking about here is respect—respect for your customer and, very frankly, respect for yourself. Respect includes being listened to—not ignored. Customer satisfaction has two components 1) the product, or the technical element of service, and 2) the process, or the human element of service—how customers feel they’ve been treated (whether or not they’ve been respected). To succeed on the second component, these are some of the

customers' needs you have to meet:

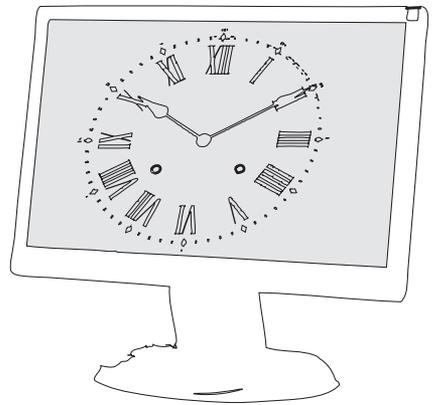
- to be taken seriously
- competent, efficient service
- anticipation of needs
- explanations of terms
- basic courtesies
- not to be passed around
- to be listened to
- dedicated attention
- knowledgeable help
- friendliness
- to be kept informed
- follow-through
- honesty
- feedback
- professional service
- empathy
- respect

Additionally, specific customers expect different levels of service. Some will need help with room planning, interior design, and/or product education. This assistance can be provided either in the stores or through your web site. Interactive room planning and design are becoming more prevalent throughout the industry. Salespeople need to have the necessary knowledge to answer questions about the products on the showroom floor without having to go “look up the answer.” Your sales staff also must recognize which customers need lots of attention and which ones will be annoyed by someone hovering over them. Great salespeople can determine this from cues that the customer provides, and then tailor their pitch accordingly. Finally, and this is something else the great salespersons are successful in doing, follow-up on a

sale is crucial. A phone call or card to see if they are satisfied with the product, service and experience is a great way to make a lasting impression on a customer. Who knows, this might be just the thing to create that “great experience.”

5. Are you wasting your customers' time? “...when customers complain, business owners and managers ought to get excited about it. The complaining customer represents a huge opportunity for more business.” *Zig Ziglar, American author, salesperson, and motivational speaker.*

Today's world is filled with time-saving devices. Yet time is the commodity in shortest supply. Don't you get aggravated



when your doctor keeps you waiting for hours because they've overscheduled? How about when you take time off from work and wait at home for a repair or delivery person that is supposed to arrive at a specific time.... and they don't? Do your customers have the same experience with you? We need them in order to stay

in business, yet all too often customers are at our mercy where a delivery, warranty resolution, or repair work is needed. If they are so valuable, why do we make them meet our schedule?

The telephone can be a tremendous waste of time. Most customers don't like speaking to a machine. They don't want to have to listen to 10 different options on a pre-recorded hotline. And they do NOT like being put on hold. Isn't it odd when you get the pre-recorded voice telling you how important your call is...while you're on hold? If my call is so important, then why can't the company have a real live human speak with me? Apparently these feelings are widespread. A study by Accenture found that 78% of the respondents identified being kept on hold as one of their biggest complaints. Sure, technology that automates customer service and limits the need for "real live (also known as 'expensive') people" is easily available and affordable. But there has to be a happy medium between saving money for the company, handling a large volume of requests, and providing a satisfactory experience. If you aren't careful, you just may save yourself out of business.

6. Do you work on internet time?

"There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."
Sam Walton, founder of Wal-Mart.

We hear a lot about how fast life is today. The term "internet time" is often used as a metaphor for the blazing speed of today's world. But "internet time" is more than just a metaphor—it is real. And if you and your business aren't functioning at this pace, then you have a serious problem.

Much of the furniture industry works at the same pace as the U.S. Postal Service. "Snail mail" is a very derogatory term that applies to mail sent via the post office. It takes days and days, and sometimes more days, for a letter to go across town. E-mail, on the other hand, takes seconds to go around the world. When we tell a customer to wait 4-6 weeks for that new sofa to be delivered, we are working at snail mail pace. Your customer, in all likelihood, is not.

More and more people in the furniture industry are recognizing the need to work at internet time. This is one reason many furniture manufacturers, both large and small, are adopting lean manufacturing, radio frequency identification (RFID) systems and Six Sigma techniques. These new approaches increase efficiencies, improve quality, and reduce warehousing costs. But perhaps even more importantly, they help provide the short turnaround times that overseas competitors can't match. A number of companies understand this. Haverly's, for example, has a new warehouse delivery network built around three large distribution centers and four home

delivery cross-dock operations. This arrangement allows them to offer next day home delivery on in-stock items on orders placed by 1:00 p.m. Probably the “pre-eminent” example is Rooms To Go. This company is organized around the concept of convenience. They will deliver a complete room in a matter of days. And it’s not just large companies moving to internet time. Remember the earlier discussion of England in Tennessee and Nantukit Furniture?

But let's ratchet up the speed issue a notch further. Why can't the customer go the retailer's web site and identify a piece of furniture he or she would like to know more about? The customer then

can make an appointment to go to the store to assess the piece. The retailer, who doesn't have to carry the piece in stock, calls the manufacturer who, by way of the regional distribution network, can deliver to the store in, say, 6 hours. The customer arrives, and either buys or doesn't buy the item. If a sale is made, the retailer provides prompt courteous delivery (that day, the next day, or at whatever time is best for the customer). If a sale isn't made, the item is goes back to the regional warehouse. The retailer has impressed a customer with outstanding service, and the manufacturer has impressed the retailer with—of course—outstanding service. Another way to say this is “win...win...win.”

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We Can Compete

There is a growing consensus that, yes, the domestic furniture industry can successfully compete with low wage countries. We can do this by providing the best service available to our targeted customers. But we have to redefine our notion of service. In today's world, service means providing an outstanding customer experience consisting of a quality product tailored for the specific tastes and needs of that specific customer, one that can be purchased at a reasonable price and delivered when the customer wants it. Many furniture manufacturers are doing this by providing more choices for their customers, resulting in a more customized, unique product. New ways of manufacturing make the customization of products more economically feasible. Communication and computer technologies can improve warehousing and distribution to improve product delivery times. But even a great product, at a fair price, delivered in a hurry, can't guarantee satisfied customers. This guarantee comes from treating customers with respect and exceeding their expectations. Columnist Bill Osburn sums it up with, "Too many people in the furniture industry are obsessed with the competition. It's time to get obsessed with the customer!"

