

Introduction

Just think about how goods and services today are provided for our every need. In the 70s and 80s, who would have forecast that banks and building societies would become financial supermarkets? It would have been inconceivable to think of the vast shopping area developments on the edges of towns or that we would soon be using the television as a form of shopping media. All of these developments reflect a movement towards the needs of the consumer. Organisations in the modern business environment realise that they cannot compete on the basis of their products and prices alone. Satisfying customer needs through customer service has become a major strategy for organisations competing in the rapidly changing markets of the 90s.

For all organisations, customers are the most important people. They are the natural resource upon which the success of an organisation depends. One estimate is that it costs five times as much to attract new customers as it does to keep an existing one. The relationship between the organisation and the customer is critical for success. Here are some fundamental points about this relationship:

Focusing on customers involves providing them with what they want, when and how they want it. Customer requirements are constantly changing and it is therefore necessary to understand customer fashions and needs in order to design and deliver products which exceed customer expectations. Intelligent organisations have therefore developed a strategy of providing superior customer care to differentiate their products and services. By doing this organisations can meet their objectives, grow more quickly than their rivals and benefit from increased market share.

This case study focusses upon the customer care aspects of the MFI organisation and upon how the needs and requirements of customers are at the centre of the production process.

The MFI organisation

MFI was founded as Mullard Furniture Industries in 1964 by Noel Lister and Donald Searle. Both men had been buying and selling government surplus stock after the 2nd World War and often met at auctions. They decided to join together, based themselves in Edgware, North London, and used the maiden name of Donald Searle's wife for the company name.

The product mix in the early days included cupboards, bookshelves, camping goods, leisure products, home extensions, saunas and basic furniture. The goods were originally sold through the pages of Exchange and Mart and the national press. This was extremely successful, selling vast quantities of goods which enabled them to buy at very low prices. They quickly started to specialise in flat pack furniture, which was suitable to send through mail services. In their first year of trading, turnover (sales) was nearly half a million pounds.

In 1967 MFI opened its first store in Balham, in South East London. During the 1960s it opened up other stores in secondary High Street positions, selling the same goods as by mail order, but on a 'cash-and-carry' basis. MFI stores worked on the principle of 'no frills' selling. Customers ordered goods from a basic display and goods were delivered to a collecting point.

In 1971 MFI was listed on the Stock Exchange. However, in the early 1970s mail order began to run into difficulty. People who bought on credit were taking longer to pay and advertising had become less successful. It became clear that the days of mail order, for MFI, were over, and the organisation began to concentrate on out of town stores, flat pack goods and increasing their advertising. Another reason for the move from mail order was a consequence of British Rail's decision to 'go away' with 'delivery Boys' British Rail were MFI's main form of delivery and their service comprised of delivery van drivers who had support through an assistant.

The decision to remove all van drivers assistants made it difficult for the van driver alone to deliver our products. The size and weight of the products meant that without help products were dropped and a massive increase in damage returns was reported. This further accelerated the decision to move out of the mail order business as increases in damage levels have a direct effect on profit levels.

As the number of stores increased, MFI set up a central distribution centre in Bedford, enabling it to benefit from buying furniture in bulk and also benefit from distributing from a central location.

During the 1970s and 80s the organisation continued to prosper and it expanded by taking over other retailers specialising in kitchens and bedrooms as well as other furniture. By the end of 1981 the organisation had 116 stores and a turnover of £190m. Central distribution had switched to Northampton, one of the largest furniture distribution warehouses in Europe.

In 1982 MFI acquired the Hygena brand. Hygena has a strong association with quality furniture and enabled MFI to build up a reputation for excellence. By 1984 MFI was the established market leader in self-assembly furniture.

In 1985 MFI joined ASDA. The ASDA MFI Group became one of the largest retailing groups in the country.

During the 1980s organisations were beginning to realise the importance of developing a competitive edge through customer service. MFI had at this time 136 stores and had become the market leader in furniture.

In 1987 MFI became independent from ASDA through a £715 million management buyout, the largest on record. At this time, MFI also bought out its main supplier, Hygena, thus benefiting from advantages of manufacturer ownership. Greater control of:

In business we refer to this process as vertical integration. One year after purchasing Hygena we also purchased the Schreiber brand.

A significant step in customer relations was taken in 1992 with the launch of the MFI customer promise. This gave the customer a no quibble, money back guarantee and additional product and delivery guarantees.

The other major development in 1992 was that MFI became a public company. Its shares were floated on the Stock Exchange at 115p a share. Importantly, this gave MFI the capital it needed to take it forward into the future without having to worry about debt.

During the mid-1990s MFI has continued to develop its EPOS (Electronic Point of Sale) system resulting in a new customer ordering system and giving the company the ability to manufacture, deliver and retail on a just-in-time basis far more effectively.

For example, if an employee makes an enquiry to personnel or writes out a requisition for stationery, they should expect to be treated with the same respect and provided with the same service as an external customer. This approach helps to encourage teamwork, develop customer care and leads towards total quality management. Total quality management allows all employees to contribute towards customer satisfaction through the process of continuous improvement.

Continuous Improvement Process Management is a system which ensures that quality service is not a one off initiative designed to temporarily improve customer service. It is a continuous programme which helps to emphasise that all employees within an organisation are part of a quality chain which is improved with better teamwork, employee care and efficient communication procedures. To do this MFI has created a customer service policy which sets out a statement of intent as to the standards to be achieved. This Service Policy reads as follows:

This statement means that MFI is setting out to establish 'the standards' within the industry against which all other firms will want to measure their performance, i.e. MFI will establish this benchmark for quality. To do this MFI finds out what level of service is required from MFI, and then makes sure that it achieves this or surpasses this standard. And, of course, this is not just a matter of setting a benchmark and then standing still. MFI realises that it needs to constantly monitor customer requirements for service and then upgrade its performance to meet new benchmarks.

The importance of training

According to one Japanese quality guru, 'total quality begins with training. Total quality ends with training.' Training is considered to be an important part of the approach to developing and improving customer service. Think of the day-to-day problems an employee might encounter. For example, how do they deal with enquiries, what happens when customers are not happy with the sales process, do they understand all of the literature, how does the Vax computer work, how are complaints handled, what sort of

information will customers require, and how can the employee help them? MFI understands that it needs quality people to provide a quality service.

At MFI every new employee is given their own Workbook, and an appointed person, following a series of guidelines, takes the new employee through a comprehensive company introduction. The aim is for the employee to develop essential knowledge and skills from their introduction which will enhance their job role. For example, they will have to:

- know customer service guidelines
- be able to direct customers towards product areas
- demonstrate and use company brochures and price lists
- be able to provide product and store information
- develop their skills to meet the job demands placed on them by both the company and its external customers

The learning experience they undergo is through a combination of theory and practical exercises and, after each training session, they have to complete an exercise in their Workbook. On a daily basis the co-ordinating manager reviews the employees' performance to reinforce the process and to ensure that the learning objectives have been met. As part of their training process, employees also have to develop their own training plan. This is supported by a series of structured training programmes which are approved by national institutions, over a period of 2-4 years.

Sustaining a customer focus

When developing a relationship with customers, an organisation has to take into account how its relationship with customers is managed. This is part of what is known as relationship marketing. This means that an organisation has to develop its activities in a way which takes into account how its activities affect its relationships with customers. For example, order times, reputation, goods exchange or refund provision, dealing with faults, customer waiting times and the overall efficiency of the organisation. For MFI it is important that it appreciates the views and experiences of customers.

As part of its customer care profile MFI goes to considerable lengths to discover customer opinion from:

- Customer Forums (Clinics)
- Service Evaluation
- Mystery Shopping
- Exit Interviews
- Suggestion scheme
- Branch specific questionnaires
- Internal attitude survey
- Internal Improvement groups and teams

Customers are invited to invest in furniture and not just buy it. In the environment of the MFI Store, lots of subtle arrangements are made to ensure customer satisfaction. For example, customers are always welcomed to the store and then deliberately left alone until they begin to show an interest.

When developing a strategy based around customer service, it is important to ensure that the process is continuous. MFI preaches the philosophy 'If it doesn't benefit the customer - we don't do it.' This approach helps to keep alive its focus upon customer service. In doing so it helps to review progress of their programmes and systems, and ensures that customer satisfaction is achieved.