

Ludmila S. Latyshova

The Russian Presidential Academy of National Economy and Public Administration
Institute of Sectoral Management, Marketing Department, Russia
E-mail: lat17@yandex.ru

Yuliya V. Syaglova

The Russian Presidential Academy of National Economy and Public Administration
Institute of Sectoral Management, Marketing Department, Russia
E-mail:y.syaglova@mail.ru

Olga K. Oyner

National Research University – Higher School of Economics
Department of Marketing and Management, Russia
E-mail:oyner@mail.ru

THE CUSTOMER – ORIENTED APPROACH: THE CONCEPT AND KEY INDICATORS OF THE CUSTOMER DRIVEN COMPANY

JEL classification: M31

Abstract

The theoretical background of the customer - oriented approach is considered. The author's understanding of this concept for nowadays is to pay much attention to indicators of customer focus, dividing them into external, such as customer satisfaction and loyalty index; and internal, which are based on the performance of staff involvement. The concept of customer focus today - is the basis of competitiveness, sustainable development of the company through effective alignment of business processes of the organization of client relations.

Key words: *customer-oriented approach, customer-centric company, customer focus, business processes, the key indicators of the customer driven company, the employee engagement*

1. INTRODUCTION

Despite the fact that the number of publications in the field is growing rapidly, there are still many issues related to both the theory and practice of

building a customer-oriented company, developing business processes of interaction with customers, assess their effectiveness.

Views on the customer-oriented approach has changed over the past two decades. However, the modern interpretation of the concept of customer focus have included additional features. It is necessary to pay attention to the most profitable customers and try to keep them. Also, there is an urgent need to change internal business processes, creating a customer-centric company structure, in which the entire organization of the activity is subject to the objectives of understanding, to attract and retain the most valuable customers.

2. LITERATURE REVIEW

The growth of interest in studying customer oriented approach took place at the very beginning of the XXIst, when client orientation had stood definitively as separate line of research out of market orientation concept.

The concept of Market Orientation (MARKOR) which begun being formed at the early 90th of the last century [Kohli and Jaworski, 1990] and which has since continued to draw, attention of both researchers and practitioners . For a good while it was perceived as the business philosophy determining the main target of company's work in the market as total (in comparison to competitors) customers satisfaction.

In the 90th researchers set out to operationalize that concept - to realize which in particular action turns the theory into substance, to design company's market orientation criteria and their measurement methods. [Kohli and Jaworski, 1990, 1993; Narver and Slater, 1990]. Having analysed research literature on marketing concept for the last 35 years as well as series of in-depth interviews with marketing and non-marketing experts, Kohli and Jaworski originally defined that the market focused organization is the one, what actions are based on market intelligence, that is the whole-corporate generation of knowledge of the market pertaining to current and future clients demand, and also on the spread of the knowledge among company divisions and on company-wide response to it. Authors emphasize that market orientation is not responsibility of marketing department only. This notion is considered by numerous respondents to Kohli and Jaworski study as most important and crucial element in realization of company's market behaviour model. Market information flows should proceed not only from marketing department but from every other division too. In their definition of focusing on the market and client Kohli and Jaworski lay stress on a process component. Out of all external stakeholders they extract notably company's clients and thus notions of the market and client orientations are identical [Kohli and Jaworski, 1990].

Narver and Slater [Narver J., Slater S. 1990] give accent to three groups of market orientation characteristics such as commitment to client, competitor

orientation and cross-functional coordination. Authors see marketing concept as specific organizational culture; norms and values which place the customer in the center of the organization and which are shared in the company. An important aspect of market orientation is creation of the value to customer what has an effect on the whole chain for creation of values. Narver and Slater accentuate as the cross-functional coordination in spreading market information in the organization and also the necessity for appraising the role of every functional division in the value creation chain. Cultural aspect of marketing concept complement the behavioural one with as yet two important criteria for the decision-making i.e. long time horizon and profitability [Narver J., Slater S.1990].

For referred authors the customer focus is a function of the following characterizing factors s.a.:

1. Worded commitment to a customer.
2. The worth of an offer to the customer is higher than the average at other competitors.
3. Knowing of customer's needs and requirements.
4. Regular check of customer's satisfaction.
5. After sale maintenance and service.

In order to measure market orientation, the markor scale is a 20-item. 5-point Likert scale, with only the ends of the scale specified. Here market orientation is composed of three components as well, namely: intelligence generation, intelligence dissemination, and responsiveness.

According to Homburg and Pflessner [HomburgandPflessner, 2000] distinguishing features of organizational culture with market oriented companies are norms and values (which they share), behaviour of their employees as well as market orientation elements (for example stories, rituals and language, which all have some symbolical importance). To define components in market focused behaviour these authors used content analysis and field interviews. It should be noted that in later researches the structure and characteristics of MARKOR actually did not change. The further empiric studies conducted in the various fields only confirmed their universality [Day, 1994], [Gebhardt, G. F., Carpenter G.S., et al. 2006]. Subsequently customer orientation concept gained its traction in the interaction orientation model - INTOR [Ramani&Kumar, 2008].

There are four elements that authors include in INTOR model:

1. Customer concept, which considers an individual customer as the starting point of any marketing action.
2. The capacity for reaction; that is offering products or services to the client with due account for experience of last consumer behaviour and interaction

experience resulting from steady feedback on previous consumer behaviour and individual requirements.

3. Consumer engagement.
4. The management focused on client's cost - spreading of marketing resources in proportion to every client's cost.

Ramani and Kumar stress the need to consider just as foundational principles of client orientation so and supporting those principles processes and practices (for example, systems for databases and processes of attracting clients and their retention) [Oyner, Latyshova 2009]. An analysis of later studies in market orientation showed that for many works notion "market orientation" and "client orientation" are synonyms. Modern development of market orientation concept is caused by the following background i.e.:

1. The change of consumer's role and behaviour. Climbing consumer differentiation is under way in present day economy. Some people, especially big city dwellers, are becoming more educated and well-to-do. Having filled the need, they start using commodities in order to meet their higher requirements such as personal fulfillment and self regard. (Vargo, Lash, 2006). The consumer becomes more active and thus gets more opportunities to interact with the producer directly or indirectly, for example, through online communities, feedback sites, by co-creation with the producer or with the help of consumer protection organizations. Transiting to higher requirements and active role of consumer demand adequate change in marketing.

2. The development of Internet and mobile telephony. Internet enables exercising global exchange of information and network based knowledge, opens access to information on Internet surfing and on-line shopping and to a lot more of other data on consumer's behaviour . For example daily Google and Yandex process tens terabyte of information, producing knowledge related to consumer behaviour on the Internet.

3. Special services such as Yandex- metrica and Google- analytic make it possible to monitor consumer behaviour and to evaluate communication effectiveness of the site; one may watch general record of traffic to the site, conversion ratio, traffic sources for site visitors. It is also possible to carry out sufficiently deep studies in consumer interaction with the site (separate pages traffic; pages with which visits start and end; URL pages parameters; files download etc.) With the use of these services it becomes feasible to conduct an analysis of bounce rate, to detect exit points from the site, to find "breaks" in the path to the target (a path of pages which the user has to go from the entrance point to the site up to the basket).

4. The elaboration of technologies for data mining and its knowledge based analysis. With CMR technologies companies have an opportunity to accumulate great datablocks on clients, their actions, shopping preferences, socio-demographic and other characteristics. Using that data one can forecast the

behaviour of clients, make decisions that allow to persuade a client to certain actions.

These days Data Mining - the decision support systems, based on search for hidden patterns (information patterns) in data on clients - get increasingly greater application. Such data allows forecasting behaviour of clients and developing marketing solution for controlling the behaviour.

Thus altered consumers, spreading of Internet and modern technologies created the background for setting – up client oriented marketing. The age of mass marketing ends, cost efficiency of certain product can be not more considered as an objective of company's work. Product effectiveness maximization is being replaced by the maximization of consumer profitability [RustR., ZeithamlV., LemonK., 2000]. Modern company is capable of providing every client with unique value up to the data on his behaviour, individual characteristics and specific requirements.

3. MODEL/ CONCEPT

Despite hasty growth in numbers of publications on this theme, still there are a lot of unanswered questions, related to theory and praxis of client oriented companies establishment. No consistent approach to the concept of client oriented approach, its meaning and software tooling backup has yet been evaluated, what is considered as principal holdback in the way to establishment of client oriented organizations.

Views on the concept of client oriented approach varied for the last years. So in manager polls and publications on the subject we run into great many stands. For example, the client oriented approach is:

- the character of the organization, its ability to act in certain manner;
- efforts to provide the consumer with fullest satisfaction of requirements;
- the method of running the business, based on principle of prevailing of client requirements;
- orientation to long term relations with client;
- establishment of particular communications with client;
- client policy format;
- development of service component as a competitive edge;
- specific culture of organization;
- client centered behaviour of employees contacting buyers exerting an impact on both their preparedness for purchasing and on client's satisfaction with its results [Khlebovich, 2012].

The analysis of nowadays representations for the concept of client orientation detected some more of its characteristics. Evidently because of the scarcity of company's resources it is impossible to serve all the clients absolutely neither to provide them with maximal value. So it is necessary first of all to take note of most profitable customers trying to retain them. As noted by Philip Kotler, you should take care of your clients, but not necessarily of every of them equally [Philip Kotler, 2003]. R.Blackwell, P.Miniard and G. Angel consider orientation to consumers to be a strategic decision on concentration of all company's resources to serve and satisfy clients yielding profit [Blackwell R., Miniard P., Angel G., 2007].

From the viewpoint of Peter Fader to be a client oriented organization means studying the customer value and focusing of marketing efforts immediately on real consumer segment with high added cost in order to increase the profit taking [Peter Fader, 2012].

Therewith definitions emphasize the need to make changes in inner business processes, to create in the company a client centered structure, where all management of the work is subdued to realizing objectives of understanding, attracting and retaining of most valuable clients. Client oriented approach is an organization of work whereby client requirements form the structure of company's business processes and company's resources are consolidated for creation and supply of customer's values. A big role in client centered structure is played by the workforce. By Mann, client oriented approach is the creation of right ideology, client oriented products and business processes, as well as, most important, right staff – professional, trained, motivated and targeted at the making buyers the clients for life [Mann 2012].

Shavrovskaya implies, that client oriented approach is a characteristic of the business, the company and the employee. An inner client oriented approach is company's focusing on satisfaction of requirements of inner client i.e. company's employee. The approach, otherwise, the one of personnel is the total of knowledge, skills and know-how which thanks to proper inducement, values, orientations and employees personal qualities facilitates certain behaviour establishing and maintaining relations with clients for accomplishing of company's purposes [Shavrovskaya, 2013].

Summing up, we define the concept of the customer oriented approach as company's capability to get solid business performance through the greater, in comparison to competitors, satisfaction of profitable clients requirements and company's client centered structure.

Having conceptually decided on the characteristic of client oriented company, it is important to understand which metrics should exist in such a company. Authorial understanding of client oriented approach concept allows to suggest that most significant external indicators for client oriented approach are the following.

Clients satisfaction rate and loyalty index. Satisfaction analysis covers characteristics of the company work that are after all affecting the loyalty rate and thus the retaining of clients. As client orientation is a long term strategy it is important to understand what value client yields within the whole period of cooperation with the company.

Customer lifetime value (CLV). The company aims at rising the retention rate and the length of client's life, to make an attraction more effective and to increase client's return level.

The main asset of CLV is the shift in emphasis from client's short term profitability to an assessment of long term result. Beyond that, focusing on profitability of every particular client helps to comprehend that actual and potential customers are not equal with respect to real potential of the company to meet their requirements profitably.

To secure high satisfaction and loyalty of clients the formation of client centered structure in the company is necessary. So an important feature of customer orientation is paying attention not to outer client only, but to inner one – an employee of the company - too. The personnel is a key resource upon which client oriented company rests itself.

Evaluation of the company inner client orientation is based on indicators of employees engagement, which may be considered as inner ones. Nowadays personnel engagement is attributed to main means of achievement of loyalty among company clients.

An engagement is the whole of following indicators – satisfaction of employees (employee satisfaction with principal aspects of the work in the company); loyalty (employees positive approach toward the company) and initiative support (readiness for and ability of making substantial efforts in order to ensure best financial results at the company).

Besides the engagement, one ought also to consider as inner indicator the proposed by us complex indicator for client oriented approach in business processes, created on the basis of an integral evaluation of client oriented approach metrics used in works by Kohl and Jaworski and Narver and Slater - commitments to their clients; strive to steady creation of the value; presence of systems for requirement studies and assessment of satisfaction and for inside the organization client data exchange (feedback and reaction).

Studies in the theme of client orientation in emerging markets, including Russia, are utterly few in numbers. In Russian practice the client orientation was studied rather unevenly – the most of works were aimed at its research at the level of the organization [Semenov, 2009; Rebiazina, Smirnova 2012; Rozhkov, 2012; Kazakov, 2012] or as part of value creation chain [Yuldasheva, 2013].

The analysis of external environment's specifics in developing economies allowed researchers to make suppositions of economic factors causing

the lower level of client oriented approach in emerging markets as well as to describe the special characteristics of client orientation being formed in BRIC countries.[Popov, Tretyak, 2014].

4. CONCLUSIONS

In conclusion we note that today the concept of client oriented approach needs deeper apprehension and some empiric studies in order to understand the mechanisms of interaction with clients and to identify the factors affecting their efficiency. Based on the understanding of contemporary interpretations of customer oriented process, authors came to their own understanding of customer focus that integrates the basic fundamental characteristics of the concept, which consists in the ability of the company to obtain sustainable business results through better than its competitors to meet the needs of profitable customers and customer-centric structure of the company.

REFERENCES

- Blackwell, R. (ed.) (2007). Customers behaviour. St.Pbg.: Piter.
- Day, G. (1994). The Capabilities of Market – Driven Organizations. Journal of Marketing, 58, pp.75-89.
- Fader, P. (2012). Customer Centricity: Focus on the Right Customers for Strategic Advantage. Philadelphia: Wharton University Press.
- Gebhardt, G.F., Carpenter, G.S., et al. (2006). Creating a Market Orientation: A Longitudinal, Multifirm, Grounded Analysis of Cultural Transformation. Journal of Marketing, 70, pp. 44-59.
- Homburg, C., Pflessner, C. (2000). A multiple – layer model of market – oriented organizational culture: measurements issues, performance outcomes. Journal of marketing research, 4, pp. 449-462.
- Kazakov, S.P. (2012). Market orientation as an effective approach to the organization of marketing at service sector enterprises. Marketing and marketing researches, 1, pp.42-45.
- Khlebovich, D.I. (2012). Client oriented approach – research theory and practice. Clienting and management of the customer portfolio, 3, pp.170-187.
- Kohli, A., Jaworski, B. (1990). Market Orientation: The construct, Research Propositions and Managerial Implication. Journal of Marketing, 54, pp.1-18.
- Kotler, Ph. (2003). Marketing Insights from A to Z: 80 Concepts Every Manager Needs to Know. New Jersey: John Wiley and sons.
- Narver, J., Slater, S. (1990). The effect of the Market Orientation on Business Profitability. Journal of Marketing, 56, pp. 20-35.

- Oyner, O.K., Latyshova, L.S. (2009). An impact of companies market oriented behaviour upon business efficiency. In Proceedings of the Xth International Scientific Conference for Economic and Society Development. Moscow: GU-HSE, pp. 287-296.
- Popov, N. I., Tretyak, O. A. (2014). Economic factors causing the low level of client oriented approach in countries of BRIC. Russian Journal of Management, 1, pp. 109-138.
- Rebiazina, V. A., Smirnova, M. M. (2014). Client oriented approach – results of empirical study. In Proceedings of the XIVth International Scientific Conference for Economic and Society Development. Moscow: GU- HSE, pp. 265-269.
- Rozhkov, A.G. (2012). Client orientation of the company – practical experience in research. Ural Federal University Bulletin, Economics and Management series, 4, pp. 20-31.
- Rumani, G. (ed.) (2008). Interaction orientation and firm performance. Journal of Marketing, 72, pp. 8-19.
- Rust, R. (ed.) (2000). Driving Customer Equity: How Lifetime Customer Value is Reshaping Corporate Strategy. New York: Free Press.
- Semenov, I.V., Kubakhov, P.S., Malkova, T.G. (2009). Client oriented approach – research theory and practice. Marketing and marketing research, 6, pp. 360 – 378.
- Vargo, S., Lash, R. (2006). New dominant marketing logic development. Russian Journal of Management, 2, pp. 73-106.
- Yuldasheva, O.U., Shirshova, O. I. (2013). Companies marketing orientation – methodology, research and measurements. The bulletin of Syktyvkar State University Research Center for Law and Venture investments, 3, pp. 96 – 112.

Internet resources

- Shavrovskaya, M. N. (2013). Personnel client oriented approach – the forming and estimation. Author's summary of PhD in Economics dissertation, <http://refdt.ru/docs/780/index-664900.html>, [accessed 28.04.2015].