

Customer Centricity

Subjects: Business

Contributor: Sergio Pardo-Jaramillo, Ignacio Osuna

Firms are increasingly organized around the client. At the same time, there is customer pressure on green and sustainable organizations. This entry joint this two stand points in a sustainable view.

Keywords: Customer-Centricity ; Sustainability ; Corporative Purpose

1. Introduction

The concept customer-centric organization or customer centricity was born in 1954 when Drucker ^[1] said, "It is the customer who determines what a business is, what it produces, and whether it will prosper". Moreover, around those years in a book titled "Quality and Competition", its author, Lawrence Abott ^[2], claimed "What people really desire are not products but satisfying experiences", highlighting the importance of a customer- rather than product-centric approach. Therefore, several marketing academics follow, until today, such as Theodore Levitt, who proposed that "the purpose of a business is the creation and maintenance of customers" ^[3]. However, only until the 1990s, the concept of a customer-centric organization or customer centricity began to develop as a force in the marketing literature using the term market orientation. For instance, Narver and Slater ^[4] show that market-oriented companies are more profitable than non-market-oriented companies, even in undifferentiated products or commodities. Therefore, during the 1990s, researchers using what we call today a customer-centric approach suggested that organizations must be focused around the markets they serve ^[5]. Sheth, Sisodia, and Sharma ^[6] approach customer centricity as the understanding and delivering value to individual customers rather than mass or target markets. This focus has been strengthened with the availability of individual-level customer data which relates customer-centric marketing actions with customer response.

The focus on the economic performance of a firm, due to a customer centric strategy, has a long tradition in marketing literature. Krasnikov and Jayachandran ^[7], using a meta-analytic approach, find that the correlation of firm's economic performance is stronger with commercial capabilities than Research and Development, or Operations capabilities. One of the possible explanations is that customer satisfaction is a well predictor of firms' cash flows, sales growth, gross margins, and shareholder return ^{[8][9]}. Moreover, the meta-analysis study performed by Fang et al. ^[10] concludes that moving from a product centric to a service centric business add to shareholder value.

Later, researchers evolving Sheth, Sisodia, and Sharma ^[6] approach, proposed to understand the concept of customer centricity as the way to serve each client as an individual and deliver what they really want, their main objective being to maximize efficiency and effectiveness at the client level ^[11]. If the organizations want to achieve this, they should build in the same direction the customer-centric organization and a corporate culture that prioritize the above ^[12]. To do so, it is important to identify a four-stage process to develop a customer-focused organizational culture ^[13]. Merging the desirable customer response at the individual level and the firm perspective of customer centricity, Fader ^[14] defines customer centricity as a strategy that aligns the needs of its most valuable customers with the company's products and services to maximize long-term financial value.

In the organization's alignment process, organizational structure should be modified to achieve such firm objectives at customer level such as customer satisfaction and economic benefits as has been shown in past research. However, according to Lee, Kozlenkova, and Palmatier ^[15], and Lee et al. ^[16], a customer-centric organizational structure increases customer satisfaction but degrades the organization's economic performance adding coordinating costs that are not present in a product-centric structure. Therefore, despite the vast evidence about the economic benefits of having a customer focus within the organization, moving the organizational structure to a customer-centric approach might have some shortcomings.

2. Customer Centricity and Sustainability

Despite the shortcoming presented above, due to recent changes in customer needs and wants, such as technological advances or greater concern about the environment ^[17]. Gaurav and Shainesh, ^[18] pointed out that it is necessary to adopt a customer-centric perspective. In fact, customers' concern about the environment goes in line with identifying sustainability as a new megatrend ^[19], and, therefore, it is critical to continue the development of the construct customer centricity from an organizational standpoint, and it is very attractive to co-relate it with sustainability.

The concept of sustainability emerged in 1987 ^[20] and is defined as that quality that guarantees the long term, securing the present without compromising the future or ensuring the present without compromising the future, and that prevents the world from collapsing suddenly and uncontrollably ^[21]. Sustainability has the connotation of privilege the "triple bottom line" responsibility: economic, environmental, and social perspectives ^{[22][23]}. Likewise, in recent years, the need to seek Shared Value has been incorporated. This concept helps organizations to define operational policies and practices that improve the competitiveness of companies, and simultaneously help to solve specific problems. That is, to seek the economic and social advancement of the communities around the same organizations ^[24].

Given customers' emerging concern about the environment and the boarder scope of the sustainability literature that adds to the economic perspective an environmental and social perspectives, the relationship between customer centricity and sustainability is desirable. In this line of thought. Sheth, Sethia, and Sriniva ^[25] introduce the concept of "Custom-Centric Sustainability" where encourages to always keep in mind the strategy of being focused on customers and at the same time having a long-term perspective ^[26] and with the involvement of managers ^[27]. It is important to note that the opinion of the stakeholders should be reflected ^[28] so that all the activities of the organizations have sustainability as the main criterion.

References

1. Drucker, P.F. *The Practice of Management*; Harper & Row: New York, NY, USA, 1954; ISBN 0060913169.
2. Abbott, L. *Quality and Competition: An Essay in Economic Theory*; Columbia University Press: New York, NY, USA, 1955; p. 229.
3. Levitt, T. *The Marketing Imagination*; Collier Macmillan: London, UK, 1986.
4. Narver, J.C.; Slater, S.F. The Effect of a Market Orientation on Business Profitability. *J. Mark.* 1990, 54, 20–35.
5. Kohli, A.K.; Jaworski, B.J. Market Orientation: The Construct, Research Propositions, and Managerial Implications. *J. Mark.* 1990, 54, 1–18.
6. Sheth, J.N.; Sisodia, R.S.; Sharma, A. The antecedents and consequences of customer-centric marketing. *J. Acad. Mark. Sci.* 2000, 28, 55–66.
7. Krasnikov, A.; Jayachandran, S. The Relative Impact of Marketing, Research-and-Development, and Operations Capabilities on Firm Performance. *J. Mark.* 2008, 72, 1–11.
8. Morgan, N.A.; Rego, L.L. The Value of Different Customer Satisfaction and Loyalty Metrics in Predicting Business Performance. *Mark. Sci.* 2006, 25, 426–439.
9. Gruca, T.S.; Rego, L.L. Customer Satisfaction, Cash Flow, and Shareholder Value. *J. Mark.* 2005, 69, 115–130.
10. Fang, E.; Palmatier, R.W.; Steenkamp, J.-B.E.M. Effect of Service Transition Strategies on Firm Value. *J. Mark.* 2008, 72, 1–14.
11. Nobre, F.S. Core competencies of the new industrial organization. *J. Manuf. Technol. Manag.* 2011, 22, 422–443.
12. Christensen, C.M. *The Innovator's Dilemma: The Revolutionary National Bestseller that Changed the Way We Do Business*; Harper Collins: New York, NY, USA, 2003; ISBN 0060521996.
13. Gulati, R.; Oldroyd, J. The quest for customer focus. *Harv. Bus. Rev.* 2005, 83, 92–101.
14. Fader, P. *Customer Centricity: Focus on the Right Customers for Strategic Advantage*; Wharton Digital Press: Philadelphia, PA, USA, 2012.
15. Lee, J.Y.; Kozlenkova, I.V.; Palmatier, R.W. Structural marketing: Using organizational structure to achieve marketing objectives. *J. Acad. Mark. Sci.* 2015, 43, 73–99.
16. Lee, J.-Y.; Sridhar, S.; Henderson, C.M.; Palmatier, R.W. Effect of Customer-Centric Structure on Long-Term Financial Performance. *Mark. Sci.* 2015, 34, 250–268.

17. Coronado, M. Business Sustainability Game Changers. Available online: <https://blog.euromonitor.com/business-sustainability-game-changers/> (accessed on 18 May 2020).
18. Gaurav, R.; Shainesh, G. The Changing Face of Customer Centricity; Palgrave Macmillan: London, UK, 2016.
19. Lubin, D.A.; Esty, D.C. The sustainability imperative. *Harv. Bus. Rev.* 2010, 88, 42–50.
20. Brundtland, G. Our Common Future: Report of the 1987 World Commission on Environment and Development; United Nations: Oslo, Norway, 1987.
21. Enders, J.C.; Remig, M. Theories of Sustainable Development; Taylor and Francis Inc.: London, UK, 2014; ISBN 9781138796362.
22. Elkington, J. Partnerships from cannibals with forks: The triple bottom line of 21st-century business. *Environ. Qual. Manag.* 1998, 8, 37–51.
23. Newport, D.; Chesnes, T.; Lindner, A. The “environmental sustainability” problem: Ensuring that sustainability stands on three legs. *Int. J. Sustain. High. Educ.* 2003, 4, 357–363.
24. Porter, M.E.; Kramer, M.R. Creating Shared Value. *Harv. Bus. Rev.* 2011, 89, 62–77.
25. Sheth, J.N.; Sethia, N.K.; Srinivas, S. Mindful consumption: A customer-centric approach to sustainability. *J. Acad. Mark. Sci.* 2011, 39, 21–39.
26. Hoffman, A.J.; Woody, J.G. Climate Change: What's Your Business Strategy? Harvard Business Press: Boston, MA, USA, 2008; ISBN 9781422121054.
27. Ozturan, P.; Tuton, W. The Socially Responsible CMO.
28. Ferrell, O.C.; Gonzalez-Padron, T.L.; Hult, G.T.M.; Maignan, I. From market orientation to stakeholder orientation. *J. Public Policy Mark.* 2010, 29, 93–96.

Retrieved from <https://encyclopedia.pub/entry/history/show/94345>