

# ASSESSMENT OF CUSTOMER CENTRIC PRACTICES

**Dhananjay Bapat**

*Assistant Professor, Strategic Planning and Marketing, National Institute of Bank Management, Pune, India. Email: [dhananjay1304@rediffmail.com](mailto:dhananjay1304@rediffmail.com)*

---

**Abstract** *Customer orientation is a popular term used by marketers. Different studies have assessed the extent to which organizations implement customer orientation. However, fewer studies are available in the context of Indian banking. Our study intends to fill the gap by scanning the literature concerning the subject, undertaking the content analysis of mission statements for banks in India and analyzing the perception of employees towards various dimensions of customer centricity. The study captured the perception of employees working in public sector, private sector and co-operative banks. The findings suggest that higher scores were obtained for comprehensive need analysis, capturing customer understanding, customer value suggestions, and solution focus and comparative lower scores were obtained for role of frontline in customer understanding, empowerment of frontline, and incentives for profitability. The finding highlights that management needs to devise methodologies for employee engagement which can have an effect on customer orientation. It underscores the need to create cross functional teams which can break the silo mentality.*

**Keywords:** *Customer Orientation, Customer Understanding, Financial Institutions.*

---

## 1. INTRODUCTION

Customer centricity, the manifestation of the marketing concept at the individual level, has been the object of sustained interest for three decades since the contribution by Saxe and Weitz (1982). Customer orientation is a popular term used by marketers and various studies assessed the extent to which organization implement customer orientation. The relationship between customer orientation and market orientation with organizational performance is widely highlighted. Levitt (1960) proposed that the firm should not just focus on selling products but rather on fulfilling customer needs. Various factors such as customer satisfaction, customer service, customer loyalty, and quality as perceived by the customer have been studied by researchers. Today, we find that organizations are becoming more conscious to infuse customer centricity.

Customer centric marketing emphasizes understanding and satisfying the needs, wants and resources of individual customers rather than those of markets or market segments. In customer centric marketing, marketers assess each customer on an individual basis and decide how best it can serve each customer individually. One to one marketing

concentrates on the adoption or offering (Sheth, Sisodia and Sharma 2000).

The customer centric organizations will have different methodologies, vocabulary, metrics and evaluating criteria. Customer centric organization will focus on full integration of all customer facing activities by better aligning firms activities among customer value adding activities and will not only integrate sales, marketing and customer service functions but other management functions. Concepts such as market orientation (Kohli and Jaworski 1990; Narver & Slater 1990), the market driven organization (Day 1999) and Market based learning (Vorhies & Morgan 2005) were developed to enable firms to better understand individual needs, which would lead to superior performance in the market place. The research by Rust, Lemon and Zeithaml (2004) and Venkatesan and Kumar (2004) highlighted the superiority of firm's financial performance by making marketing investments customer centric.

Many industries, with the better use of technology, are now following the key account system. Various insights from the literature indicate that the true essence of the customer centricity paradigm lies not in how to sell products but rather in creating value for the customer, and in the process,

creating value for firms. Many companies such as Coca Cola, Hershey, Intel, HP and JD Edwards are creating a more specialized designation – Chief Customer Officer to acknowledge the importance of customer centricity related issues in the board room (Buss 2003).

Various drivers such as marketing productivity concerns, market diversity and new technologies are leading towards customer centric marketing. Adoption of customer centric marketing presents an ideal opportunity for marketing to integrate activities around the customer. Companies are realizing that customer centricity provides the best means to develop close and profitable relationships with their customers. However, there are challenges in implementing customer centric marketing. Various organizations are struggling to become customer centric.

## 2. CUSTOMER CENTRICITY IN BANKS

Regulatory, structural and technological factors have significantly altered the banking landscape throughout the world. Bank employees are realizing that creating and maintaining a loyal customer base is a key to their survival and success. Accordingly, banks employ multi-pronged strategy to deliver customer service to customers and improve customer satisfaction and loyalty. The strategy is to win over the internal customers.

One of the key characteristics of financial products is that they tend to be commoditized. As a result, the ability of a financial institution to compete on products becomes more difficult. As a result, non-priced factors are becoming an important differentiator to achieve higher revenue and market share for financial services (Thornton and White 2001). In the backdrop of dwindling trust in financial services, customer orientation has assumed greater importance after the onslaught of global financial crisis. The topic generates keen interest in the wake of scandals in financial services including mutual fund and brokerage firms. The question, therefore, arises: Are banks customer oriented as they need to be? The factors affecting customer orientation has been investigated in financial services industry. For banks, a major determinant of client retention is a satisfaction between client and teller. Kelley (1990) investigated the role of employees and culture and observed that motivation, job satisfaction and role clarity are related to customer orientation. It is suggested that management must take proactive action for frontline employees and extend support and encouragement from their supervisors. Banks that differentiate on service and product levels along with creating conducive environment for the employees to become the winner.

The customer centric bank develops existing relationships and also builds new ones through cross sales and exceptional service. In this regard, a single integrated view, which can

reflect all the customers account relationships and extended relationships with other customers, such as family members, business partners or employers, can help the bank to assess the level of customer centricity. In a customer centric bank, opening new account, inquiries, maintenance and transaction processing revolves around the customer. Employees tend to make decisions that best serve both the customers and the bank. They have the data management tools to anticipate customer trends, analyze the performance of marketing campaigns and align the product mix to target market needs. Customer centric enables them to anticipate customer trends, analyze the performance of marketing campaigns and better align their product mix with their target market needs. Many banks have embarked on a path towards becoming highly responsive customer centric organizations. However, it will be challenging for banks to adopt customer centricity. It will be due to factors such as:

1. Decreasing customer satisfaction and dwindling customer loyalty: Customers expect fast, superior service from institutions. As the customer becomes more empowered, achieving high customer satisfaction and strong customer loyalty becomes difficult. There are multiple ways in which customer interacts with the service institute. It becomes challenging for financial service providers to offer seamless services to the customers. Reports indicate customers have increased concerns about technological products with regard to its security and user experience.
2. Increasing competition: There is realization that there is little differentiation in the products and services that is provided by different players. Although competition has increased in financial services, it has not resulted in creating unique differentiation. The situation has worsened due to competition emerging from technology based players and non-banking players offering financial services.
3. The need to reduce costs: The cost of customer acquisition and retention are escalating. There is a transition from “brick and mortar” to “clicks and sleek” institutions. Banking organizations are making a significant investment in technology with the expectation that technology will produce great results.

## 3. IMPLICATIONS FOR INDIAN BANKS

We reviewed the mission statements for major banks in India.

### 3.1. State Bank of India

My SBI, My Customer First, My SBI First in Customer Satisfaction

### 3.2. ICICI Bank

To be the Banker of first choice for our customer by delivering high quality, world class products and services

### 3.3. Axis Bank

To be the preferred financial solutions provider in customer delivery through insights, empowered employees and smart use of technology. One of the core values of Axis Bank is customer values

### 3.4. Canara Bank

To provide quality services with enhanced customer orientation, high value creation for stakeholders and to continue as a responsible corporate, social citizen by blending commercial pursuits with social banking.

### 3.5. Corporation Bank

The most preferred Bank with Global standards

### 3.6. Allahabad Bank

To put the bank on higher growth path by building strong customer base through talent management, induction of State of art Technology and through structural re-organization.

### 3.7. Oriental Bank of Commerce

To be the sound all India customers centric, efficient bank with contemporary size, technology and human values endeavoring to enrich lives across all sections of society and committed to upholding the highest standards of corporate governance.

### 3.8. Karur Vysya Bank

Delight customer continually by blending traditional with technology to deliver innovative products and services at affordable rates through a Pan India Branch Network.

### 3.9. Yes Bank

The endeavor of Yes Bank is to deliver an unprecedented Delightful Banking Experience to all its customers.

Above missions statements clearly indicate the intention of banks in putting customer at the center. Various factors such

as customer satisfaction and loyalty has been studied in an Indian Context (Bapat 2013; Kaura, Datta and Vyas 2012; ) Most of these studies relate to capturing the insights from customers. According to BCG study (2012), a customer engagement with the bank grows in three stages: opening a savings account, satisfaction including cross selling and advocacy through word of mouth and recommendations. Different measures can be deployed to track where the bank is and thereafter, bank can figure out the goals. Various studies indicate that customers have a high level of satisfaction. However, banks are yet to convert these satisfied customers to committed and loyal customers. With the increase in deployment of electronic channels, it will be challenging for banks to retain Gen Next and Digital Customers. We find that banks are struggling to extend the reach of alternate channels beyond the basics of ATM, debit cards, credit cards and National Electronic Funds Transfer (NEFT). Mobile banking and internet banking is yet to reach a critical mass. Various strategies such as adoption by employees, usage of customer relationship management, focus on adoption during earlier days of becoming a customer empowerment and creating more demonstration can enhance the customer adoption rates. Study by the author with the leading bank indicated that around 30 percent customer consider their bank branch as the primary bank. Primary bank is referred as major bank where customer place more importance and as a result, indulges in higher transactions. Since customers have options to deal with multiple banks, primary bank plays an important role in building customer loyalty. This indicates that banks need to ensure that more and more customers treat their bank as primary bank.

## 4. DEVELOPING A MODEL FOR CUSTOMER CENTRIC ORGANIZATIONS IN BANKS

Customer centric organizations reorient their entire operating model around customers, thus leading to increase in customer satisfaction and their own profitability in the process. The alignment of model is around carefully defined and quantified customer segmentation in order to deliver the greatest value to the customers. The critical differences in product focused and customer centric organizations are shown in the following Table 1.0, based on the model provided by Booz, Allen and Hamilton.

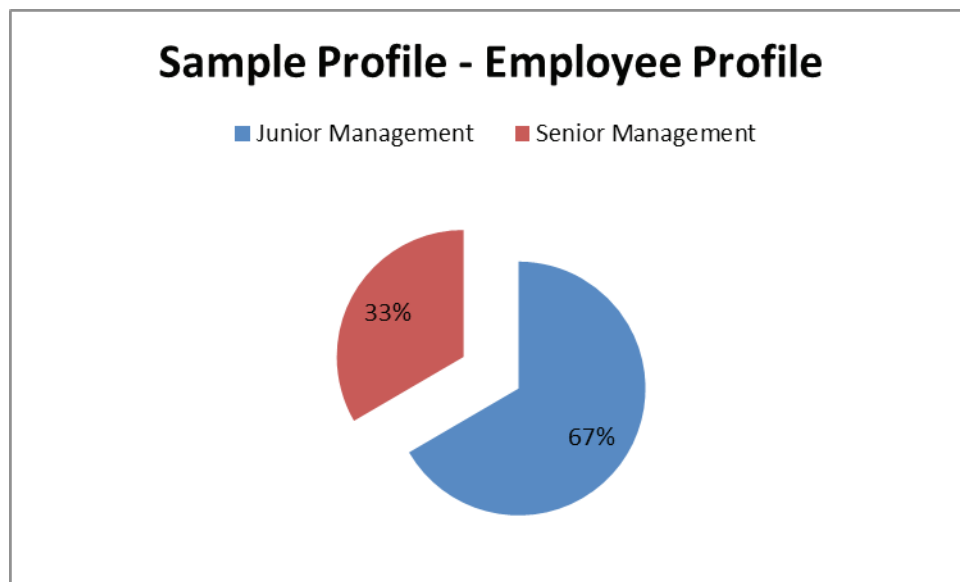
## 5. ADAPTED FROM BOOZ, ALLEN AND HAMILTON (2003)

### 5.1. Methodology

The study was undertaken to capture the employees' perceptions regarding customer centricity. Various

**Table 1: Difference between Product Centered and Customer Centric**

Characteristics	Product Centered	Customer Centric
Customer Orientation	<ul style="list-style-type: none"> <li>Discrete transactions at a point of time</li> <li>Event oriented marketing</li> </ul>	<ul style="list-style-type: none"> <li>Customer life cycle orientation</li> <li>Build customer understanding at each interaction</li> </ul>
Solution Mindset	<ul style="list-style-type: none"> <li>Narrow definition of customer value proposition</li> <li>Top Down design</li> <li>Off the shelf products</li> </ul>	<ul style="list-style-type: none"> <li>Broad design of customer value proposition</li> <li>Bottom up design</li> <li>Bundled products</li> </ul>
Active Orientation	<ul style="list-style-type: none"> <li>Perceived Outside orientation</li> <li>Push Products</li> <li>Transactional relationship</li> </ul>	<ul style="list-style-type: none"> <li>Working as insider</li> <li>Solution focus</li> <li>Advisory</li> <li>Relationship</li> </ul>
Customer Interface	<ul style="list-style-type: none"> <li>Centrally driven and limited decision making at the customer interface</li> <li>Incentive based on product economics and individual performance</li> </ul>	<ul style="list-style-type: none"> <li>Innovation and authority at the customer interface</li> <li>Incentive based on customer economics and team performance</li> </ul>
Business Processes	<ul style="list-style-type: none"> <li>One size fits all processes</li> <li>Customization adds complexity</li> </ul>	<ul style="list-style-type: none"> <li>Tailored Business Streams</li> <li>Balance between customization and complexity</li> </ul>

**Chart 1: Sample Profile**

factors such as comprehensive need analysis, customer understanding, frontline role in capturing customer understanding, suggestions for new products, promoting bundled products, broad design of value proposition, role as an insider, solution focus, frontline empowerment, incentive based on customer profitability, team performance and balance between customization and complexity were assessed .

Data have been collected from 330 employees from various banking groups: public sector, private sector and cooperative

banks. The executives were drawn from various sources such as branch, marketing, functional departments. Following Chart 1.0 represents the respondent profile.

As seen from the above Chart 1.0, majority of employees represent junior management category.

Employees from following banks participated in the study.

As seen in the above Table 2, 12 banks from public sector banks, 2 banks from private sector bank and 2 banks from co-operative banks were part of the study. Respondents were

Table 2: Sample Banks

Public Sector Banks/ Financial Institutions	Private Sector Banks	Cooperative Bank
Andhra Bank	Karnataka Bank	The Shamrao Vithal Co-op Bank
Allahabad Bank	Karur Vysya Bank	Thane Janta Sahakari Bank Ltd
Bank of Baroda		
Bank of India		
Corporation Bank		
Dena Bank		
Indian Bank		
Indian Overseas Bank		
Small Industries Development Bank of India		
Syndicate Bank		
UCO Bank		
Punjab National Bank		
Punjab and Sind Bank		

requested to give their opinion on various statements. These statements were measured on a likert scale, with 1 being strongly disagree and 5 being strongly agree. The statements are as follows:

1. My organization follows comprehensive financial need analysis before recommending a financial product
2. My organization is seriously concerned about capturing customer understanding at each customer interaction including alternate channels.
3. Frontline staff is seriously concerned about capturing customer understanding at each interaction.
4. For existing products and new products, suggestions from field staff are incorporated and accordingly, modifications are undertaken.
5. We actively promote bundled products instead of off the shelf products based on customer needs.
6. My organization indulges in broad design of customer value proposition.
7. Customers perceive you as an insider and therefore, very much value your suggestions and recommendations.
8. My organization very much believes in solution focus rather than pushing products at any cost.
9. Frontline staff are empowered to take appropriate decisions.
10. In our organization, there is an incentive based on customer profitability and team performance.
11. We offer tailor made products and services.

Chart 2: Descriptive Statistics

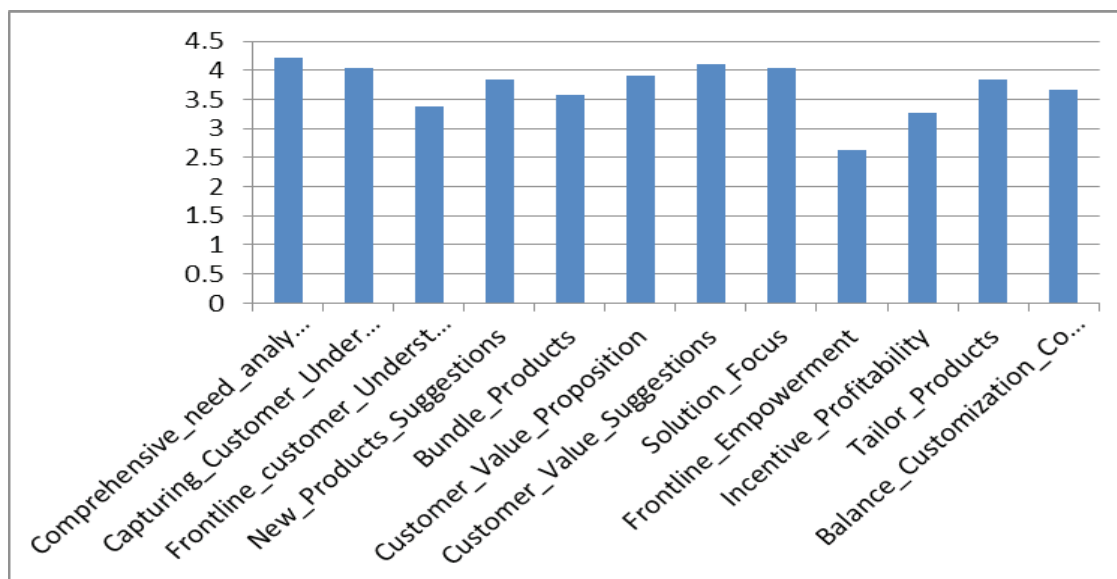


Table 3: Spearman Correlations

		Correlations											
		1	2	3	4	5	6	7	8	9	10	11	12
Spearman's rho	1	1.000	.428**	.221	.369**	.186	.453**	.090	.375**	.183	.175	.415**	.335**
			.000	.017	.000	.045	.000	.338	.000	.049	.062	.000	.000
	2	.428**	1.000	.188	.180	.122	.303**	.205	.259**	.134	.139	.154	.430**
		.000		.043	.054	.193	.001	.027	.005	.150	.138	.099	.000
	3	.221	.188*	1.000	.192	.209	.311**	.218	.239**	.234	.086	.159	.190
		.017	.043		.039	.024	.001	.019	.010	.011	.361	.088	.046
	4	.369**	.180	.192	1.000	.140	.387**	.042	.284**	.318**	.428**	.333**	.186
		.000	.054	.039		.134	.000	.655	.002	.000	.000	.000	.052
	5	.186	.122	.209	.140	1.000	.138	.090	.071	.190	.143	.033	.112
		.045	.193	.024	.134		.142	.335	.446	.041	.128	.727	.243
	6	.453**	.303**	.311**	.387**	.138	1.000	.234	.462**	.182	.190	.345**	.229
		.000	.001	.001	.000	.142		.012	.000	.052	.043	.000	.016
	7	.090	.205	.218	.042	.090	.234	1.000	.117	.069	.038	.224	.261
		.338	.027	.019	.655	.335	.012		.211	.463	.687	.016	.006
	8	.375**	.259**	.239**	.284**	.071	.462**	.117	1.000	.229	.253**	.454**	.229
		.000	.005	.010	.002	.446	.000	.211		.013	.006	.000	.016
	9	.183	.134	.234	.318**	.190	.182	.069	.229	1.000	.240	.392**	.157
		.049	.150	.011	.000	.041	.052	.463	.013		.010	.000	.101
	10	.175	.139	.086	.428**	.143	.190	.038	.253**	.240	1.000	.342**	.152
		.062	.138	.361	.000	.128	.043	.687	.006	.010		.000	.114
	11	.415**	.154	.159	.333**	.033	.345**	.224	.454**	.392**	.342**	1.000	.352**
		.000	.099	.088	.000	.727	.000	.016	.000	.000	.000		.000
	12	.335**	.430**	.190	.186	.112	.229	.261**	.229	.157	.152	.352**	1.000
		.000	.000	.046	.052	.243	.016	.006	.016	.101	.114	.000	

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

12. There is balance between customization and complexity in your organization.

## 5.2. Study Findings

The broad results are as follows. We present the descriptive statistics in following Chart 2.

As seen from above Chart 2, higher scores were obtained for comprehensive need analysis, capturing customer understanding, customer value suggestions, and solution focus and comparative lower scores were obtained from role of frontline in customer understanding, empowerment of frontline, and incentives for profitability.

The correlations are shown in the following Table 3.

As seen in the above Table 3, higher correlations were observed between comprehensive need analysis and capturing customer understanding, comprehensive need analysis and customer value proposition, comprehensive need analysis and offering tailor-made products, new product suggestions and incentive for profitability, customer value proposition and solution focus, and solution focus and offering tailor-made products. Spearman coefficients are used for relationship detector. It is clear that comprehensive need analysis has a positive relation with customer understanding and offering tailor-made products. Solution focus had a relation with customer value proposition and offering tailor-made products. Higher scores developed a positive relationship with other parameters. We conclude that customer orientation is more determined by comprehensive need analysis and solution focus.

## 6. MANAGERIAL IMPLICATIONS

This research represents an important step towards assessing customer orientation from employees' perspective in banking context. Many previous studies underscore the role of employees in infusing customer orientation. This study conceptualizes customer orientation from the point of employees in the Indian Banking Context. The study found customer orientation with regard to independent variables. Based on perception of about 330 bank employees, the present study indicates that while higher scores were obtained for variables such as comprehensive need analysis, capturing customer understanding, customer value suggestions, and solution focus, comparative lower scores were obtained for role of frontline in customer understanding, empowerment of frontline, and incentives for profitability. The finding highlights that management needs to devise methodologies for employee engagement which can have effect on customer orientation. It underscores the need to create cross functional teams which can break the silo mentality. By providing enhanced empowerment to employees, it can result in customer orientation. It is suggested that training inputs need to focus on creating employee engagement with a focus on customer orientation.

This study establishes the importance of customer orientation for banks in India in order to obtain a sustainable competitive advantage. This provides relevant and interesting insights into the understanding of the impact of customer orientation. It has specific implication for bank managers. Further research can help establish the specific factors of customer orientation which is relevant for defined banking groups such as private sector, public sector, foreign banks etc.

## REFERENCES

- Bapat, D. (2013). The relationship of brand association and loyalty: an empirical study for retail banking in India. *Global Conference On Business & Finance Proceedings*, 8(1), 417-423.
- Buss, D. (2003). These execs know who is always right. Retrieved from <http://www.collegejournal.com>
- Day, G.S. (2000). Managing market relationships. *Academy of Marketing Science Journal*, 28(1), 24-30.
- Kaura, V., Datta, S., & Vyas, V. (2012). Impact of service quality on satisfaction and loyalty: Case of two public sector banks. *Vilakshan: The XIMB Journal Of Management*, 9(2), 65-76.
- Kelly, S.W. (1990). Customer orientation of bank employees and culture. *International Journal of Bank Marketing*, 8(6), 25.
- Kohli, A.K., & Bernard, J.J. (1990). Market orientation: The construct, research propositions. *Journal of Marketing*, 54(2), 1.
- Levitt, T. (1960). Marketing myopia. *Harvard Business Review*, 38, 26-55, 173-81.
- Narver, J.C., & Stanley, F.S. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, 54(4), 20.
- Tripathi, S., & Poddar, B. (2011). Being five star in productivity: Roadmap for excellence in Indian banking. BCG Report.
- Tripathi, S., Poddar, B., Garg, A., Bokil, A., & Malhotra, G. (2012). From 5 star to 7 star in productivity. BCG Report.
- Rust, R.T., Lemon, K.N., & Zeithaml, V.Z. (2004). Return on marketing: Using customer equity to focus marketing strategy. *Journal of Marketing*, 68(1), 109-27.
- Sheth, J.N., Sisodia, R.S., & Sharma, A. (2000). The antecedents and consequences of customer-centric marketing. *Academy of Marketing Science Journal*, 28(1), 55-56.
- Sheth, J.N., Sisodia, R.S., & Sharma, A. (2000). The antecedents and consequences of customer centric marketing. *Academy of Marketing Science Journal*, Winter 2000, 28(1), 55-66.
- Thornton, J., & White, L. (2001). Customer orientation and usage of financial distribution channel. *The Journal of Financial Services Marketing*, 15(3), 168-85.
- Tripathy, S., Poddar, B., Garg, A., Bokil, A., & Malhotra, G. (2012). Productivity in Indian Banking: 2012. BCG Report.
- Venkatesan, R., & Kumar, V. (2004). A customer lifetime value framework for customer selection and resource allocation strategy. *Journal of Marketing*, 68(4), 106-25.
- Vorhies, D.W., & Neil, A.M. (2005). Benchmarking marketing capabilities for sustainable competitive advantage. *Journal of Marketing*, 69(1), 80-94.
- Yavas, U., & Babakus, E. (2010). Relationship between organizational support, customer orientation and weak outcomes. *International Journal of Bank Marketing*, 28(3), 222-238.
- Retrieved from <http://www.booz.com/media/file/141263.pdf> cited on 30/01/2013
- Saxe, R., & Barton, A.W. (1982). The SOCO scale: A measure of the customer orientation of salespeople. *Journal of Marketing Research*, 19, 343-51.