

CUSTOMER CENTRICITY VERSUS COMPETITIVE ADVANTAGE IN A DYNAMIC BUSINESS ENVIRONMENT

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Abstract: The business environment continues to be one that is quite dynamic with the continued entry of several players into their industry of choice. The range of products available to customers continues to grow significantly. Consider the agro-input industry where every year several products are launched into the market with different attributes from the ones prior existing in these markets whilst continuing to promote the existing products. Indeed, a focus on product development has taken center stage in several organizations with a surge in research and development efforts to produce products assumed to be needed by the consumers in the target markets. This paper seeks to consider the customer centric approach and discuss the benefits of organizations considering their customer needs when delving into research and development. It will review the specific theories that underpin customer satisfaction in current business environments thus seeking to discuss the importance of a customer-focus approach to organizations that operate in dynamic environments to competitively position themselves. The paper will discuss customer centricity in comparison to a product focus approach to understanding both concepts. It will then present arguments in favor of customer centricity in relation to competitive advantage to organizations operating in a dynamic business environment. This systematic review is informed by Dissonance Theory, Value percept Theory and Importance-Performance Theory.

Keywords: Competitive advantage, Customer Centricity, Dissonance Theory, Value Percept Theory, and Market-based View Theory.

I. INTRODUCTION

Businesses continue to operate in dynamic environments. These are environments with several key players who have several product offerings focused on the same target. Indeed, the diversity of the product options in business environments continues to evolve. A case in point is the agro-input industry, which is characterized by several key players and an equal if not greater number of smaller entrants. The key players continue to carry out research and development at a large scale to respond to the environmental conditions in their markets of operations. The smaller entrants have a limited portfolio with a leaner assortment and carry out research and development at a smaller scale. Both the key players and smaller entrants, however, compete in the same environment and target the same customer with a similar assortment of products (Micheni & Muchemi, 2019)

Within other industries, for example, the Fast-Moving Consumer Goods industry, the number of items on the shelf in a retail store will tell of the efforts towards product development. When one inspects the grooming section for instance, the number of toothpaste brands available and the different variants per brand is quite diverse. It implies that the companies seek to outdo each other with different minute attributes added into each variant to differentiate it from the prior ones with

all the variants still positioned in the markets for the consumer. Consumers constantly question the consideration of what they require and whether this is addressed by the manufacturing companies (Wahl, 2023).

For organizations that started with the customer and then developed the product to respond to a specific need from a defined customer base, their journey to market dominance is guaranteed. These are companies that took into consideration the target market for the products and carried out the groundwork to ensure they understood the eminent need and then took these insights into the research and development stage to develop products that respond to these needs. Organizations that continue to deploy a customer centric approach to doing business will therefore continue to address the needs of their customers, ensuring that they remain top of mind with these consumers and hence enjoy a competitive advantage (Azizah & Ariyani, 2022).

The deployment of customer centric approaches is not limited to specific industries and indeed all industries within the globe should implement customer centricity towards their business to build their performance in their markets of placement. Customer centricity is further not limited to product development as indeed several aspects of the business cycle can incorporate the customer centric approach to ensure correct targeting of its stakeholders. Aspects of the business cycle including sales, marketing, supply chain and customer service can indeed take into consideration several concepts of customer centricity and deploy the same into their operations to ensure consideration of their customers in offering the organization's products and services (Kavulya et.al., (2018).

II. CUSTOMER CENTRICITY

According to Fader (2019), customer centricity underpins alignment of an organization's objectives with the needs and wants of customers with the aim of achieving more profits in the long run. It requires the redesign of organizational dynamics to serve new and existing customers who matter the most. It involves identifying the most valuable customers and then making efforts to target them with the aim of serving their needs. It also involves identifying new customers who would allow the achievement of business objectives and making profits for the company.

Customer centricity does, however, need to be very targeted and specific. The best way to achieve this is to categorize your customers into tiers and identify the most valuable customers. This allows an understanding of which customer group offers the company the best value and therefore ensures more effort is made towards this customer group. It, however, does not mean that the other customer groups will be ignored. In fact, this segmentation allows the organization to detail what efforts will be made towards each customer tier, and this then allows for significant efforts across the different customer groups. This also ensures that the company identifies missing segments from their pool of customers and then works to ensure that these segments make up the entirety of the customer pool within the organization (Hossain, 2023).

III. COMPETITIVE ADVANTAGE

Competitive advantage includes the position and performance advantage as compared to other players in the market. It is a factor of distribution of resources and capabilities to ensure that the company is placed at an advantage. Every company indeed details a strategy that allows it to play competitively in the market. This differentiation is critical in allowing the company to identify its position in the market and therefore serve the interests of the market within this position (Wang, 2014).

Companies are encouraged to identify their key strengths in their operational environment. This is further distinguished from other players in the market to provide an advantage. This distinguishing of one player from another based on their key strengths allows them to then focus their effort where they can win easily. These companies also need to be in the continuous process of identifying other strengths and developing them to continue to distinguish themselves from other market players. This continuous improvement ensures provision of strength to these companies and allows them to then have an advantage over their competition (Isoraite, 2018)

IV. EMPIRICAL REVIEW

In different industries, the desire of each entity is to gain competitive advantage. Several strategies continue to be deployed by the different players in different industries to gain and grow their market share, a direct result of competitive advantage. The key consideration to take is of course building customer loyalty and this is a direct result of the perceived value that each customer gains from interacting with a certain brand. For the different players in the industries, an understanding of

the customer's needs and therefore a response to these needs will have an impact on each customer's perception of the value the entity provides for them. This builds loyalty and hence a relationship between the brand and the customer where the customer takes a constant decision to engage with the brand (Wang, 2014).

Sharabi (2015) opines that the concept of customer centricity leans towards a focus on the needs of the customer and therefore delivering value to them after understanding their needs. The effect of providing this value to the customers is that they continue to be loyal to one's brand and this in turn causes the business to continue to operate profitably. When customers identify with a brand as one that provides value to them, they continue to take the decision to engage with this brand, hence brand loyalty. This increases the market share of the brand.

Micheni and Muchemi (2019) discussed the effect of customer focus on the performance of organizations where they established a direct effect of customer focus on the positive performance of organizations. Their study found that organizations have been seeking a sure strategy to gain and grow market share which is directly impacted by gaining a competitive advantage in the market. Organizations that have implemented a focus on customers have indeed gained competitive advantage as these customers continue to engage with these organizations hence growing their market share. This continues to have a positive impact on the organization's performance.

A different dimension of customer focus is customer feedback and its critical importance to improving the quality of products and services. To ensure that collection of customer feedback is effected and further the feedback collected is packaged and utilized to improve service delivery is indeed critical in building the perception to customers that each of their concerns are taken into consideration and addressed. This endears the customer to the organizations that have incorporated the feedback into their service delivery and has the effect of growing loyalty of these customers due to their appreciation of the consideration of their feedback and consequently, improved service delivery (Birch-Jensen, 2020)

Setiyaji et al., (2022) in their research concluded that customer orientation is indeed critical for organizations as it makes them understand and respond to their customers' expectations. This is done through the provision of high-quality services that indeed have the ripple effect of building customer loyalty. It is therefore crucial for organizations seeking to improve their performance to implement customer orientation and hence a positive relationship with their customers who would then remain loyal to them.

To further ensure the implementation of customer focus across the business cycle, consideration of consumer behavior is critical. This ensures that the customers are targeted within the specific platforms they use to interact with an organization's brand. With this into consideration, the perception that the brand cares significantly about them to target them on the very platforms they engage with will be eminent and this will ensure that the brand continues to engage with these customers constantly and remain top of mind with them. The effect of this will be that these brands will be first choice when the customers are making the purchase decision (Hossain, 2023).

According to Bhat and Mayya (2023), consideration of various aspects that would appeal to the customer should be taken. For instance, in the hospitality industry, entities should amplify their location, prices and extracurricular activities to appeal to their customers and ensure they are the top choice when these customers are seeking recreational facilities. Indeed, implementing a customer focused approach requires an understanding of what appeals to these customers and then communicating the offer using this element of appeal to them.

V. THEORIES UNDERPINNING THE STUDY

The Dissonance Theory was developed by Cardozo (1965). The basis of the theory suggests that customers who had a certain expectation met would then experience positive confirmations that allowed them to continue to seek the meeting of these expectations. Brands that experience the continued use of their products by customers due to the continued meeting of their expectations by these products would have therefore understood the dissonance concept. They would continue to seek the satisfaction of these customers either by delivery of services or products or by structuring their business cycle in ways that resonated with these customers. This would ideally ensure the development of a relationship between these businesses and the customers, giving them a competitive advantage.

The Value Percept Theory was originally formulated by Locke (1967). The basis of this theory lies in organizational psychology and states that a person will interact with a certain experience based on the value they perceive to receive from

the said experience. In terms of customer focus, then businesses will do well to implement products and services based on customer needs to then provide value to these customers that will ensure their continued interaction with the brand. With the perception that the brand offers them value, the customers will continue to seek out the products within the brand therefore building a relationship which provides competitive advantage to the brand (Brar, 2019)

The Market-based View Theory determines that a company's performance is a factor in industry placement and external market factors. It is developed from Porter's five forces model developed by Michael E. Porter in 1979. This model assesses a company's competitive strength and its position by inspecting the sources of competitive pressure in an industry. These are then determined as five forces that will impact the competitiveness of an organization. These five forces include the threat of new entrants into a market, the purchasing power of buyers, the power of suppliers, threats from substitutes and the competitive rivalry of a company (Wang, 2014).

VI. DISCUSSION

Customer Centric organizations aim to respond to customer pain points with their focus being to respond to customer needs. Product focused companies aim to sell the trendiest products without consideration for the customer needs. Customer centricity focuses on building relationships to ensure business continuity while product focus depends on the attributes and functionality of products for business performance. Product focused companies aim to create the best products regardless of customer experience while customer focused companies consider the best customer experience first (Wahl, 2023).

For an organization to thrive in a dynamic business environment, consideration of its customers is paramount. Businesses that focus on building relationships with customers continue to report positive business performance. Indeed, these businesses also report significant innovation due to listening to their customers' feedback and in their quest to respond to their pain points, these businesses continue to develop products as customers' needs and pain points also evolve (Birch-Jensen, 2020). Therefore, for businesses to continue to thrive in the marketplace, a requirement is to have constant engagement with the market that is made up of customers as the key stakeholder. With continued engagement with this stakeholder the business will indeed continue to report positive returns as well as a vibrant business ecosystem that will allow it to grow its market share and hence enjoy competitive advantage (User pilot, 2022).

VII. CONCLUSION

The business environment has continued to show dynamism over time. Companies need to have a competitive advantage that will allow them to perform positively in these environments. For companies to thrive in these settings, there is a need to have a focus on their key stakeholders; being customers. A focus on its customers ensures that an entity continues to engage with them and in turn continues to garner insights into what is paramount for them which then informs the decisions these companies take for product development or service delivery to meet the needs of this clientele (Setiyaji et al., 2022).

Being constantly in touch with its customers ensures that the company in question understands the specific needs these customers have and can therefore deploy the same information in its business cycle to have a feedback loop that allows the collection of information and implementation of the same allowing the company to meet the customer needs. This loop is continuous and provides for the company to be at the forefront of any feedback from the customer which is then speedily implemented into its business cycle (Wahl, 2023).

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