

SMART

Journal of Business Management Studies

(A Professional, Refereed, International and Indexed Journal)

Vol-13 Number- 1

January - June 2017

Rs.400

ISSN 0973-1598 (Print)

ISSN 2321-2012 (Online)

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Founder - Publisher and Chief Editor



**SCIENTIFIC MANAGEMENT AND ADVANCED RESEARCH TRUST
(SMART)**

TIRUCHIRAPPALLI (INDIA)

www.smartjournalbms.org

CONTEMPORARY CONCEPTUALIZATION OF CUSTOMER ORIENTATION IN INDIAN BANKING AND FINANCIAL SERVICES

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Abstract

Changing approaches to marketing and selling of products and services, have brought into focus customer-oriented behaviour of sales people. Especially when the product involves demonstration of higher product knowledge, combined with the ability to help customers to meet their needs. The research empirically addresses the problem of determining the behaviour, which must be manifested in salesperson's customer orientation to support functional and relational outcomes. The objective of this research is to determine specific salesperson behaviour, from a competency perspective, in the context of a service setting of banking and financial services and present a contemporary conceptualization. By integrating existing stream of studies and perception of sales people involved in selling financial products and services, the authors outline the behaviour and present a new conceptualization of customer orientation. The practical application is to help managers understand the behaviour that salespeople need, to develop sales team, facilitating customer relationships, leading to higher sales performance.

Keywords: *Customer Orientation, Sales Behaviours, Salesperson, Consultative Selling*

JEL Code: *M31, J24*

Paper Received : *April 04, 2016* **Revised :** *July 15, 2016* **Accepted :** *August 31, 2016*

1. Introduction

A shift from a transactional approach to a more consulting-oriented approach by sales person, requires a behavioural shift, from

pushing products/services to consulting their key customers. Such an approach lays greater importance on knowledge and skills which are necessary to build and maintain long-term

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relationships. Consultative salespeople add value to buyer-seller relationship, by increasing customer's dependence on the sales person and its products (**Pelham, 2006**). Customer Orientation has been recognized as the practice of marketing at the individual level, in an age of relationship selling and consultative sales. The focus of such behaviour is to help customers, to make purchase decisions and nurture relationship with customers (**Jaramillo et al., 2007**). Despite many studies which are focused around Customer Orientation, there is an incomplete understanding of specific skills and behaviour which impact it and explain the variance of sales performance at an individual level.

2. Review of Literature

Customer orientation of salespeople is central to modern sales theory. Referred to as a marketing concept at the individual level, it is the tendency of the employee to meet customer needs, in the era of relationship selling and consultative selling (**Brown et al., 2002; Guenzi et al., 2011**). **Blau's (1964)** social exchange theory provides the theoretical perspective, to understand how the negotiated exchange-based process between parties, augments the relationship for mutual benefit, which is the underlying philosophy of consultative selling. The social exchange theory attempts to further understand how the link between behaviours and outcomes can be enhanced in a sales situation, as both parties, in an attempt to maximize returns, available through co-operation in their relationship. The interaction is in expectation of being rewarded in some manner (**Cropanzano and Mitchell, 2005**). Apart from sales performance, an outcome of sales force customer orientation is better relationship with customers and customer satisfaction, resulting in enhanced buyer-seller relationship (**Williams and Attaway, 1996; Kilic and Dursun, 2008; Guenzi, Luigi & Troilo, 2011**). **Saxe and Weitz (1982)** have been pioneers in

conceptualizing the Sales Orientation and Customer Orientations Approach and defined sales person's customer orientation as the practice of marketing at the individual level by the sales person. **Saxe and Weitz (1982)** conceptualized sales person's customer orientation as the practice of the marketing concept. However, it fails to elucidate if it is a philosophy or a strategy. **Brown et al., (2002)** conceptualized salesperson's customer orientation as their tendency or predisposition to meet customer needs.

This approach focused on defining customer orientation as a representation of the salesperson's belief on their ability to satisfy customer needs and also enjoy the interaction process with customers. **Donavan, Brown, and Mowen (2004)** considered customer orientation a stable characteristic, demonstrated over time like a surface-level personality trait. The Researchers conceptualized customer orientation, as an enduring personality trait, based on the idiographic approach of personality, which is affected by the environment. **Singh and Koshy (2008)** conceptualized salesperson's customer orientation as a set of behaviours, which are aimed at understanding the customers' needs, by helping them to identify alternatives by presenting an evaluation of the alternatives and helping them to select the best solution. The emphasis was on engaging in behaviours, aimed at increasing long-term customer satisfaction, by avoiding short sighted sales tactics that sacrifice customer interest. **Homburg, Muller and Klarmann (2011)** suggested customer orientation as a set of behaviors, representing high concern for customer interests and needs, to achieve long-term customer satisfaction. This paper builds on the review of **Schwepker (2003)** and **Singh & Koshy (2012)**, which suggest that there is a need to further determine the behavioral manifestation of customer-orientation of sales people. There are limited studies in services

literature, considering customer orientation as a 'set of functional and relational behaviors' (Homburg, Muller and Klarmann (2011)). The various dimensions of customer orientation are given in Table-1.

3. Statement of the Problem

With increasing competition, financial service providers are providing integrated financial services that aim at offering their customers, a seamless service of banking, investment and insurance products. In the absence of a customer orientated sales force, even the most supportive organization culture would not be able create a strong relationship with customer. Findings of Schwepker and Good (2012) indicated that customer-oriented selling impacts the sales performance. By adopting a strategic approach, to understand customer needs and help customers to achieve their objectives, can result in sales people securing higher returns (sales-related performance) for their organization. Hence it provides a strong rationale for managers to encourage such behaviours. To examine customer orientation from a competency perspective, this study adopts a behavioral conceptualization, which views it as a set of behaviors, aimed at satisfying customer needs in the long run and developing enduring relationship with customers. A competency can be referred to as capabilities or application of knowledge, skills, behaviours, and abilities, to achieve job performance, in a specific function or role (Boyatzis, 1982).

4. Need of the Study

The approach of customer orientation is changing and selling of complex products like financial products, would entail higher customer relationship. Hence identifying such behaviours, to facilitate sales people to implement them in the context, is important. Owing to the gap in existing research, there is a need to examine specific behaviours, associated with customer oriented selling, which have an impact on individual sales performance (Wachner, Plouffe

and Gregoire, 2009; Singh & Koshy, 2012). Also, there exists a gap in existing research, in terms of assessing behaviours, associated with customer-orientation in service setting and more specifically, in the context of consultative selling/products like financial services. Hence an attempt to identify behaviours, associated with customer orientation, which impact sales performance and relationship with customer, by identifying the perception of sales people in the industry.

5. Objective of the Study

This research attempts to empirically determine, if there is a gap between researchers and salespeople and identify behaviours that sales people need to adopt, to demonstrate higher customer orientation. It presents a contemporary conceptualization of the construct of customer orientation, in the contemporary context of Indian banking and financial services.

6. Hypothesis of the Study

Based on the objectives of the study and research questions on what are the behaviours associated with customer orientation in the context of Indian Banking and financial services, which would facilitate achievement of sales performance and relationship with customer, the following null hypothesis was tested.

NH-1: In the context of Indian banking and financial services, customer orientation is a nine item construct, as per the viewpoint of existing researchers.

7. Research Methodology

7.1 Sample Selection

Non-probability sampling technique was adopted for the study. The final sample for the study comprised of 328 frontline sales people, engaged in selling financial products, through customer interaction, from various Indian banking and financial services.

7.2 Sources of Data

The study used only primary data. Data were collected through a structured

questionnaire, administered to respondents in person. Business heads of various organizations, engaged in selling financial products and services, were approached and responses from their sales people were obtained.

7.3 Period of the Study

The study was carried over a period of fourteen months, from April, 2013 to May 2014.

7.4 Tools used for the study

The Exploratory Factor Analysis (EFA), using Principal Component Analysis (PCA) and Varimax Rotation, were the starting point of analysing the construct. Confirmatory Factor Analysis (CFA), including calculation of AVEs for discriminant validity and construct reliability, was carried out by using AMOS20 (Table-2).

8. Analysis of Salespeople Perception

8.1 Measurement Validity

Customer Orientation emerged as a single latent construct (i.e. single factor), consisting of five items, with a causal relationship. The Kaiser-Meyer-Olkin value, for this construct, at **0.786** (exceeding 0.6), indicated sampling adequacy. The MSA value, commonly referred to as loading values, ranged from **0.653 to 0.767**. Items, with factor loadings greater than 0.50, are considered meritorious. A total of five items, explained **52.735** percent of the total variability, with an Eigen value of 2.266. Convergent validity was assessed by computing the AVE scores. The CFA loading values ranged from **0.537 to 0.708**. **Table-2** outlines the results of the CFA analysis, carried out by using AMOS. CFA analysis also helped to provide empirical support for the proposed theoretical structure of the construct. The global fit indices, along with chi-square ratio (**Table-3**), was computed to provide ample evidence of model fit for the construct. The chi-square value was significant and the ratio of the chi-square value, to the degrees of freedom, was **4.402**. The CFI (Comparative Fit Index) of **0.956** exceeded the minimum (>0.90) value,

indicating that the measurement scale was suitable to describe its strength for predictions. Based on the above analysis, there is evidence that the scale developed, was reliable. The factor loadings indicates that the underlying factors impacted the observed variable (**Table-2**). In this context, it helps to understand important behaviours, perceived by sales people, required to demonstrate customer orientation, to achieve their sales performance and customer relationships.

8.2 Hypotheses Testing

Sales people deviated from the traditional conceptualization of customer orientation and used adaptive approaches, during sales presentations, to match customer interests and avoided the use of high pressure in selling the financial product. Additionally, developing trust and customer relationship were not identified as behaviours associated with demonstrating higher customer orientation. Items, that did not record statistically higher correlations, with the dimension of customer orientation to which they were hypothesized to belong, were deleted. It is concluded that the five item construct described the behaviours that were associated with customer orientation in Indian banking and financial services, as perceived by salespeople, to contribute to their achievement of sales performance and customer relationships. Based on the results obtained, it was evident that customer orientation is viewed as a practice, which required behaviours, associated with actively listening to customers to understand the needs and offer products which would satisfy them. Based on the results displayed in **Table-2, NH-1: In the context of Indian banking and financial services, customer orientation is a nine item construct, as per the viewpoint of existing researchers**, is rejected since there was divergence in the the viewpoint of existing researchers and sales people but also because customer orientation was less than nine item construct.

9. Findings of the Study

The findings indicated that the respondents were aware of behaviours, which were necessary to achieve their outcomes, beyond sales revenues. The respondents realized the importance of understanding customer needs and offering products to match those needs, to build strong relationship with customers' as it would strengthen trust in the relationship. Based on the data analyses, five key behaviours emerged, which were required to demonstrate customer orientation by sales people:

- a. Actively listening to customers to assess needs
- b. Understanding customer needs
- c. Offering products that would satisfy customer needs
- d. Describing products accurately
- e. Helping customers to make satisfactory purchase decisions

10. Suggestions

Identifying a specific set of behaviours, from a competency perspective, helps in identifying competent employees. Organizations can assess predispositions of their new recruits, pertaining to their orientation towards customers and use them for talent acquisition. Developing them should be considered a top priority, through learning and development programmes, as against focusing only on process skills. Managers must focus on developing these behaviours, across the firm, to achieve higher relationship quality with its customers and also utilize its sales force in the marketing communication process. Such behaviours must also be rewarded, to encourage salespeople, to engage in customer centric selling activities.

11. Limitations of the Study

Self-reported attitudinal and behavioural response, on the competencies and job performance, may have been influenced by

social desirability bias of the respondent. Finally, the study was placed within a variety of organizational environment/structure and therefore, the respondents were susceptible to stimulus of their unique environments that were not controlled. The study was conducted among firms, located only in Mumbai City.

12. Conclusion

The study determined important behaviours, which sales people are required to possess or develop, to achieve their sales outcomes, including long lasting relationships with their customers. The social exchange theory provides the theoretical perspective, to understand this link between sales people's behaviours and outcomes, in terms of enduring relationship with customers. It attempted to present a contemporary perspective of implementing the marketing concept, at an individual level, to achieve performance goals. The empirical findings provided evidence of reliability of the scale to assess the customer orientation. It helped in identifying specific behaviours that organizations need to foster and reward, to achieve effectiveness of their sales organizations.

13. Scope for Further Research

The contemporary multi-dimensional construct, could be used by academics and researchers for future research, in the chosen context of banking and financial services. The study could also be conducted in other cities and compare salespeople perceptions across different cities. Futures researchers could further validate this construct, by assessing the impact of these behaviours, on objective performance data from the managers.

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Table-1: Dimensions of Customer Orientation

Dimensions	Authors
Actively listens to customers to assess needs	Saxe and Weitz (1982), Thomas, Soutar and Ryan (2001)
Understands customer needs	Saxe and Weitz (1982), Thomas, Soutar and Ryan (2001)
Offers products that will satisfy those needs	Saxe and Weitz (1982), Thomas, Soutar and Ryan (2001)
Describes products accurately	Saxe and Weitz (1982)
Adapts sales presentations to match customer interests	Saxe and Weitz (1982)
Avoids the use of high pressure in Selling	Saxe and Weitz (1982)
Helps customers to make satisfactory purchase decisions	Saxe and Weitz (1982), Thomas, Soutar and Ryan (2001)
Develops and Maintains Customer Relationship	Singh and Koshy (2012)
Develops trust of customers by being responsive	Saxe and Weitz (1982), Crosby, Evans and Cowles (1990)

Source: Secondary Data.

Table-2: Parameter Estimates, Critical Ratio Values, Average Variance extracted for Customer Orientation

Factors	Estimate	S. E.	C. R.	Eigen Value	AVE	Construct Validity
Actively listens to Customer's to assess needs	0.708	0.147	8.139			
Understands customer needs	0.682	0.142	8.007			
Offers products that will satisfy customer needs	0.623	0.152	7.645			
Describes products accurately	0.644	0.164	7.783			
Help customers to make satisfactory purchase decisions	0.537			2.266	0.412	0.78

Source: Primary Data (Calculated by using AMOS-20.)

Table-3: Global Fit Indices for Customer Orientation Constructs

Chi- square	df	Chi-Sq/df	CFI	RMSEA
22.011	5	4.402	0.956	0.102

Source: Primary Data (Calculated by using AMOS-20.)