CHAPTER II

REVIEW OF LITERATURE

2.1 Introduction

Reviewing the literatures, such as books, published articles and reports relevant to the study is much importance as it would provide the reader an in-depth view about various aspects underlying present research work. As any study relevant to present research work (customer orientation in banks) is highly needed in the present context, this chapter is dedicated for this purpose.

2.2 Literature Reviews

Von Rosenstiel\textsuperscript{1} (1988), who distinguishes between “individual knowledge”, “personal willingness”, and “social allowance” as prerequisites for employees’ general behaviour, he introduces three customer orientation of service employees dimensions, entitled: (1) an employee’s customer oriented skills; (2) his or her motivation to serve customers; and (3) his or her self-perceived decision-making authority.

Lamber et al\textsuperscript{2} (1990) found that highly educated employee tends to be frustrated with repetitive work procedure which therefore reduces their focus on customers. Overall, the influence of demographic factors such as gender, job tenure and education level has been under-research and therefore not much evidence can be used to support the demographic factors and customer-orientation behaviour linkage.

Narver and Slater\textsuperscript{3} (1990) stated that customer orientation is the “organizational culture that most effectively and efficiently creates the necessary behaviours for creation of superior value for buyers and thus, superior performance for the organization.” According to their definition, inter-functional coordination and competitive advantage can easily be attained when organizations effectively consolidate customer orientation.

O’Hara et al.\textsuperscript{4} (1991) found increased level of organizational commitment among the salespeople working in industrial and advertising setting led them to embrace customer orientation in their day-to-day dealings with customers. They argued that salespeople who are committed to their


employers would be more likely to support the organization’s goals regarding the development of customer satisfaction.

Hoffman and Ingram\(^5\) (1992) argue that, for a service organization, being customer oriented is akin to practicing the “marketing concept” at the customer level. This means that such firms actively pursue employees who “engage in behaviours that lead to long-term customer satisfaction”. The managerial goal is therefore to establish an organizational culture that fosters these employee behaviours. The intended outcome of course is the development of positive customer performance perceptions and, ultimately, favourable behavioural outcomes.

Kelley\(^6\) (1992) also demonstrated that committed employees in banking institutions are more likely to support the organization as it attempts to build long-term customer relationship which is reflected in the salespeople’s willingness to engage in activities that may sacrifice a short-term reward.

In businesses where the underlying products have become commodity-like, quality of service depends heavily on the quality of its


personnel. A study by Leeds\textsuperscript{7} (1992), documented that approximately 40 percent of customers switched over to other banks because of what they considered to be poor service. He further argued that nearly three-quarters of the banking customers mentioned teller courtesy as a prime consideration in choosing a bank. The study also showed that increased use of service quality/sales and professional behaviours (such as formal greetings) improved customer satisfaction and reduced customer attrition.

According to Brown and Peterson\textsuperscript{8} (1993), individual-related factors include both demographic and dispositional variables related to individual salespeople. As customer-orientation behaviour involves individual salespeople, there are a substantial number of studies that examined the influence of demographic factors such as gender, sex, etc.

Deshpande \textit{et al.}\textsuperscript{9} (1993) defines corporate customer orientation as a set of beliefs that puts the customers’ interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable organization. In their empirical


investigation into customer orientation and customer satisfaction relationship among Japan’s firms, they also concluded that customer orientation is positively associated with customer satisfaction.

Jaworski and Kohli\textsuperscript{10} (1993) empirically substantiate the economic potential of a firm’s customer orientation. At the same time, much less research has looked into the concept of overall firm customer orientation and analyzed what customer orientation means in terms of processes, policies, and employees. Because of the intangible nature of services and their high level of customer interaction and integration, customer orientation can be expected to play a crucial role in terms of economic success for service companies.

Schneider and Bowen\textsuperscript{11} (1993) suggest that customer-oriented culture is nurtured through regular supply of customer information about their needs so as to enable to design and deliver good products. Customer orientation as a component of market orientation has its fundamental thrust in pursuit of putting customers at the center of strategic focus


Day\textsuperscript{12} (1994) defines customer orientation as a concept which transforms marketing into a potent competitive weapon, shifting organizational values, beliefs, assumptions, and premises towards a two-way relationship between customers and the firm.

Now-a-days, customers are more value oriented in their consumption of services because they have alternative choices. Gale and Wood\textsuperscript{13} (1994) explained how customers make purchase decisions between competing providers. The author argued that customers buy on value and they do not simply buy products. Interestingly, it was observed that customers learn to think objectively about value in the form of preferred attributes, attribute performance, and consequences from using a product in a use situation. Thus, banks must be able to provide “up-close” personal service, i.e., up-close customer oriented service for customers who come with high expectations.

According to Grönroos\textsuperscript{14} (1994) relationship marketing is to identify and establish, maintain and enhance and when necessary also to terminate


relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by a mutual exchange and fulfilment of promises.

Reichheld\textsuperscript{15} (1996) suggests that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere. Additionally, satisfied customers may look for other providers because they believe they might receive better service elsewhere. However, keeping customers is also dependent on a number of other factors. These include a wider range of product choices, greater convenience, better prices, and enhanced income.

According to Ambashta\textsuperscript{16} (2000), customer service is not only a critical function but becoming key posture for the business. It is the next most business strategy. The improved customer service will definitely increase the profitability. A bank can be said as customer oriented if its various organisational activities like organisational restructuring, staffing, and coordination are geared up to fulfil customers’ needs.

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Dabholkar et al.\textsuperscript{17} (2000) identify personal attention and comfort as provided by a provider’s employees as components of service quality. However, as the service quality construct represents a customer-sided view, it is a natural consequence that none of these authors uses a company perspective when modelling the different facets of employee behaviour that impact service quality.

Sergeant and Frenkel\textsuperscript{18} (2000) stated that customer orientation behaviour of frontline employees is important to create long-term profit for service firms. In recent years, more and more companies have invested remarkable resources to enhance customer orientation behaviour of employees. The emotional or affective responses of employees are often caused by the nature of boundary spanning and it is important to study the factors that influence customer orientation behaviour of frontline employees.

As observed by Brady and Joseph\textsuperscript{19} (2001), being customer oriented helps firms to gather information about customer demand, to optimally adapt


their products, marketing strategy and services. This will influence customer perception of a company’s employee service performance, physical goods, services capes and it has indirect effect on perceived organizational quality, customer satisfaction, value attributions and positive outcome behaviours of customers.

Brown et al\textsuperscript{20} (2002) operationalize customer-oriented behaviour in terms of a tendency of employees to meet customer needs in job-related environment. Consistent with these views, we define customer-oriented behaviour as the extent to which customer-contact employees use their marketing concepts for satisfying customers’ needs. In their research, they have chosen customer orientation and service orientation as they have been the focus of recent research in the services marketing domain.

Ioanna\textsuperscript{21} (2002) further proposed that product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the market place.


Thus, bank management tends to differentiate their firm from competitors through service quality. Service quality is an imperative element impacting customers’ satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service.

Kennedy et al.\(^2\) (2002) also recommends that the development and implementation of customer orientation is an impetus for organizational positioning in the market place. This position is supported by array of studies that confirm significant associations between customer orientation of a firm and its financial and market performance. So it is believed that a customer-oriented firm puts the customers at the centre of its operation and sees the customers has its reason for being in business and as such delivers goods and services to meet their needs.

Brown et al.\(^3\) (2002) defined that customer orientation behaviour as a tendency of employees to meet their customers’ needs. Therefore, researchers have defined customer orientation behaviour as the extent to which frontline employees try to satisfy their customers’ needs. So,


customer-orientation is the degree to which an organization or its employees focus their efforts on understanding and satisfying customers.

As per Gilbert and Choi\textsuperscript{24} (2003), if a bank builds and maintains good relationships with customers it cannot be easily replaced by the competitors and therefore provides for a sustained competitive advantage. Thereby relationship marketing is about the mutually beneficial relationship that can be established between customers and the bank.

Hennig-Thurau and Thurau\textsuperscript{25} (2003) defined customer orientation of service employees as the extent to which the employee’s behaviour in personal interactions with customers meets those customer needs. They observed that customer-oriented employee has customer oriented skills, motivation to serve and authority to make decisions. Employees behave in a customer-oriented sense only if all circumstances exist. Those circumstances include pampering customers, ability to read the customer’s mind, need for personal relationship, need to deliver and lastly, to communicate. They conceptualized customer satisfaction as an element of relationship quality concept in the context of relationship marketing. Drawing from the


disconfirmation paradigm of customer satisfaction, they postulated that customers have expectations with regard to the behaviour of service employees in interaction situations and that, when these are exceeded, the level of customer satisfaction with the service provider is positively influenced.

According to Susskind et al.\textsuperscript{26}(2003), a supportive staff environment includes appropriate organisational standards for service delivery (organisational culture), supervisor support and co-worker support. Organisational standards for service delivery are shown to be a key influence upon employee behaviours because they influence positively the employees’ feelings and job performance. Other sources of support within an organisation namely, co-workers and supervisors’ support, have been found to influence positively employee’s customer orientation attitudes and found to create desirable customer perceptions of the overall service organisation.

According to Keillor et al.\textsuperscript{27}(2004), customer orientation and service orientation may play an important role in determining the quality of customers’ service evaluations. Yet, to date, research has yet to assess the


combined role of these employee specific factors. Furthermore, the mechanisms by which these orientations may influence service evaluations have not been fully explored. So any research seeks to rectify this gap, by developing and testing a model in which empirically test a comprehensive model of customers’ service evaluation, with additional investigation of the antecedent role that customer orientation and service orientation play in this process.

Shankar\(^{28}\) (2004) postulated that the excellent and managing customer relationship is the future of any business or everybody’s business. Customer focussing is not viewed as just a business strategy but should become a corporate mission. Once good service is extended to a customer, a loyal customer will work as an ambassador to the bank and facilitate growth of business.

According to Swarup\(^{29}\) (2004), it is imperative to have customer orientation as a culture in the bank for delivering quality service. The customer orientation builds long-term relationships resulting in customer satisfaction and cash flows to the bank.


Saura et al. (2005) argued that Service orientation on the part of employees is to have a positive influence upon overall quality of service delivery. This is because service oriented employees are more inclined to perform service enhancing behaviours during service encounters with customers. Indeed, previous research investigating service orientation at an individual level has shown that service orientation is related to adaptive behaviours during service encounters.

Slater and Narver (2005) argued that fostering a customer-oriented culture leads to the creation and maintenance of customer value. Furthermore, this also leads to a firm well positioned to anticipate the needs of its customers and to offer goods and services satisfying customers’ needs.

Ang and Buttle (2006) put forward a framework for auditing a customer orientation profile, which achieves definition, sensibility, measurement, and implementation. They define it as a process of putting customers at the heart of an organization that is, having the appropriate vision of customers and their needs; a phenomenon that makes the

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organization to see itself through the eyes of the customers. A customer-specific definition requires that the organization has: Clear ideas about customers and their needs and Customers’ characteristics information that must design the product market portfolio.

Dash and Mahaptra \(^{33}\) (2006) gave an insight into the parameters of customers' satisfaction and their measurement. The paper observed that the customer's requirements must be translated and quantified into measurable targets. This provided a way to monitor improvements, and deciding upon the attributes that need to be concentrated in order to improve customer's satisfaction.

According to Heidegger \(^{34}\) (2006), customer orientation, being a part of outcome quality, has become an important endpoint in outcomes research and benchmarking of services. Sometimes the quality of recovery is also integrated into outcome quality, to form a ‘patient-orientated’ outcome. When patient satisfaction is also brought into consideration the concept of satisfaction is very complicated and far from being clear. It is influenced by cultural, cognitive and affective components.


Nakata and Zhu\textsuperscript{35} (2006) assert that customer orientation encompasses the analysis of customers’ needs, and responsiveness of organization to such needs. But they raised some salient questions concerning whether customer orientation actually translates to better performance or not. They further opined that many organizations have well-developed planning processes but the extent to which customer goals are included, implemented, and monitored is inadequate. The mission of the organization as far as the customers are concerned must be well articulated; present performance level in this regard must be ascertained. Any vacuum between the organizational desires and actual achievement must be outlined. Operational measures are seen to stimulate a more focused and integrated organizational effort, and provide a benchmark for determining whether customer orientation strategies are working as intended. Measurements can be carried out through formal and informal techniques. The formal techniques use customer-based quality performance measures to gauge true perception as well as subconscious factors which impel customer behaviour, while informal measurement evolves where there is no set standard. In this case, rule of thumb is applied.

Kansal and Singh\textsuperscript{36} (2007) studied on customers orientations towards banking services in urban areas of Punjab particularly the innovative services to the customers of some private banks viz, HDFC bank, ICICI bank and Bank of Punjab. They observed that the most of the services offered by private banks have remained unutilized by the urban customers.

Kilic and Darsun\textsuperscript{37} (2007) found that the employee’s age, work experience and gender, have a significant effect on service delivery outcomes and note that research regarding individual employee demographic differences and their influence on customer orientation is rather limited.

Mobarek\textsuperscript{38} (2007) found it difficult to compete on price and need to look at other ways to retain customers. After conducting this research, it is clearly seen that delivery channels are lacking to meet the demands of the customer by not making them aware of e-banking and using obsolete or not to up-to-date technology.


According to Prayukvong et al.\textsuperscript{39} (2007), customers’ perception of satisfaction are almost dependent on the factors of quality, facilities and services that company offers, resulting in loyal customers and favourable work of mouth exchanges. With the purpose of improving their competitive position, many companies use some form of customer satisfaction programmes for the evaluation and control their product and services.

With the current change in the functional orientation of banks, Kumar\textsuperscript{40} (2008) observed that the main driver is changing customer needs and expectations. The customers in urban India no longer want to wait in long queues and spend hours in banking transactions. This change in customer attitude has gone hand in hand with the development of ATMs, phone and net banking along with availability of service right at the customer’s doorstep.

Jayawardhena, Andrew and Ankit\textsuperscript{41} (2008) conceptualized and test the effects of service employees’ customer orientation

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and service orientation behaviours within an extended service evaluation model encompassing service quality, service encounter quality, perceived value and customer satisfaction. The context is 271 Indian retail customers. Data analysis incorporates confirmatory factor analysis and structural equation modelling. They found that: 1) customer orientation is positively related to service orientation, customers’ perceptions of service encounter quality and service quality; 2) service orientation influences customers’ perceptions of service encounter quality and service quality; 3) customers’ perceptions of service encounter quality influence customers’ perceptions of service quality and customer satisfaction; 4) customers’ perceptions of service quality influence value perceptions; 5) service quality influences customer satisfaction; and 6) customer satisfaction influences customers’ behavioural intentions. The importance of these findings for practitioners and academics, research limitations and future research avenues are subsequently discussed.

Brady and Cronin (2009) investigated the effect of being customer oriented on service performance perceptions and outcome behaviours. Specifically, the focus is on identifying the influence that being perceived as

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a customer-oriented firm has on consumer quality perceptions, customer satisfaction, and service value. The impact of being customer oriented on consumers’ outcome behaviours is also investigated. Responses from 649 consumers indicate that customer orientation is directly related to customers’ evaluations of employee service performance, physical goods, and services capes. Indirect effects on organizational quality, customer satisfaction, value attributions, and outcome behaviours are also reported. The implications of the research are discussed, as are the limitations.

Lenka, Suar, and Mohapatra (2009) in a case study of Orissa state analysed service quality of Indian commercial banks fosters customer loyalty. The paper found that better human, technical and tangible aspects of service quality of the bank branches increase customer satisfaction. Human aspects of service quality were found to influence customer satisfaction more than the technical and tangible aspects.

Mishra (2009) tried to explore the factors that lead to customer satisfaction in retail banking in India. The data from 100 survey respondents were collected from one branch of one of the prominent retail banks in the

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city of Hyderabad. The study identified that customer satisfaction, a transaction-specific attribute is dependent on several factors which concur with extensive academic literature.

Uppal\textsuperscript{45} (2009) stated that there has been a great surge in efficient customer services provided by public, private and foreign banks in India. In his study comparing the customer services of banks by sector, he found that there is a significant difference among three bank groups with regard to the time customers have to spend to transact the business.

Khattak and Rehman\textsuperscript{46} (2010) analyzed the customer's satisfaction and awareness level towards the Islamic Banking Industry of Pakistan. It has investigated the relationship between different demographic variables and the satisfaction and awareness of customers. A sample of 156 respondents from different cities of Pakistan was selected. For the analysis, the Kruskal-Wallis one-way ANOVA was adopted to check the relationship among demographic variables and satisfaction and awareness. The respondents expressed their satisfaction to some of the services and expressed


dissatisfaction with few. The customers indicated that they are aware of different products but do not adopt these products.

Kavosh et al\textsuperscript{47} (2011) identified four fundamental values for relationship marketing in customer orientation. First the activities regarding relationship marketing do not focus upon a specialized department. This means there must be a marketing orientation of the whole company. Second, relationship marketing emphasizes on long term collaboration, so companies should view their suppliers and customers as partners, where the goal is to create mutual value. The relationship must be meaningful for all those involved, with the purpose of retaining long-term relationships with parties. Third, all parties should accept responsibilities. Relationship must also be interactive that means customer can initiate improvements or innovation of the product. Fourth, customers should be considered as individuals, Suppliers’ task is also to create value for the customers.

2.3 Chapter Summary

From the review of literatures pertaining to customer orientation, it is understood that customer orientation is the “organizational culture that most effectively and efficiently creates the necessary behaviours for creation of

superior value for buyers and thus, superior performance for the organization.” That is, customer-oriented culture is nurtured through regular supply of customer information about their needs so as to be able to design and deliver good products. It is further understood from reviews that customer orientation behaviour is a tendency of employees to meet their customers’ needs and researchers have defined customer orientation behaviour as the extent to which frontline employees try to satisfy their customers’ needs. Moreover, customer orientation as a component of market orientation has its fundamental thrust in pursuit of putting customers at the centre of strategic focus. So, the present study links the customer orientation and customer satisfaction.

It is also identified from the reviews that customer-orientation behaviour involves individual sales people and there are a substantial number of studies that examined the influence of demographic factors such as gender, sex, etc. So, present study attempts to analyze the linkage between customer orientation behaviour and socio-economic characteristics of the respondents.

As customer-oriented behaviour in terms of a tendency of employees meet customer needs in job-related environment, customer-orientation is defined as the extent to which customer-contact employees use their marketing concepts for satisfying customers’ needs. Moreover, customer orientation and service orientation may play an important role in
determining the quality of customers’ service evaluations. Yet, to date, research has yet to assess the combined role of these employee specific factors. So this research work seeks to rectify this gap by investigating role of service orientation play in this process of customer orientation in satisfying customer needs.

It is concluded that achieving customers’ satisfaction requires service organization to beat competition by ensuring that their customers are satisfied on a continuous basis. This means that they keep coming back because of the partnership created between the service provider and the customer. Successful service organizations measure on a continuous basis customers’ level of satisfaction based on the last service encounter. Thus it is important for service organisation to ensure customer orientation for them to attain consistent high levels of customer satisfaction in a dynamic competitive environment. Therefore, the study is undertaken to give implications over customer orientation as well as over service orientation and employee orientation and their impact on overall satisfaction among the customers of banks (PACB) under study.