A study on the customer orientation of the Sri Lankan Banking Sector

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Abstract

Organizations are studying their existing and potential customers when developing marketing strategies or programmes in order to assure that customers are satisfied comparatively better than they would be satisfied by their competitors. Therefore marketers have to be oriented with their customers to create value in the form of beneficiates or product. Narver and Slater (1990) describe customer orientation as the "seller has to understand who its potential customers are at present as well as who they may be in the future, what they want now as well as what they may want in the future, and what they perceive now as well as what they may perceive in the future as relevant satisfiers of their wants". Thus the purpose of the customer orientation is to provide a solid basis of intelligence pertaining to present and potential competitors for executive actions.

Meanwhile competition seems to be increasing in a rapid rate in every business; therefore, there is a need to understand their customers fully. The tough competitive environment is prevalent in the Sri Lankan banking sector too, since many new banks are entering into Sri Lankan banking sector; but so far no research has been conducted in Sri Lanka to examine the customers orientation of the Sri Lankan banking sector.

Therefore, the main purpose of this study is to analyze the customer orientation of the Sri Lankan banking sector and the research was limited to the Sri Lankan banking sector which consists of 22 commercial banks and 13 specialized banks. The researcher adopted quantitative methodology and used structured questionnaires for data collection. Descriptive statistics were used for data analysis. Collected data were analyzed using SPSS v.13.0 and evaluated as low, moderate, and high level influence of research variables on customer orientation in Sri Lankan banking sector such as Commitment to customers, Creating customer value, and Response to customers' needs. Results showed that Sri Lankan banks are highly customer-oriented. Hence it can be concluded that Sri Lankan banks have to apply strong customer relationship managerial practices to add value to their customers.

Key words: Customer orientation, Customer value addition, Sri Lankan banks, Marketing strategies

Introduction

Human needs have been rapidly changing in the last few decades. In parallel to the increase in needs and wants of customers, a number of people who supply goods and services have also been increasing. This resulted in tough competition among the businesses. According to Aggarwal and Singh (2004), under such competitive environment, only those who deliver superior value to their consumers on a continuous basis could survive and grow.

Customers expect value addition from their businesses. Therefore, businesses have the responsibility to ensure comparatively superior value to their customers (Aaker, 1989; Narver & Slater, 1998) as compared to their competitors. Therefore, customers play a dominant role in business since they determine the survival and success of the business by buying more or switching their purchase. In addition businesses attempt to gain competitive advantage over their rivals in the markets.

Therefore, businesses have to adopt customer orientation to create value to their customers. In Sri Lanka, competition among the banks has increased as a result of new banks entering into the Sri Lankan financial sector. Therefore, most of the banks have adopted customer orientation. But so far no research has been conducted in Sri Lanka to examine customer oriented practices of Sri Lankan banks. Hence there is a knowledge gap over the customer orientation of Sri Lankan banks and this is a problem for Sri Lankan banks in developing customer oriented practices. Hence the following research problem is advanced for investigation in this research.

"To what extent are Sri Lankan banks customers oriented?" This research is conducted in the Sri Lankan banks thus the scope of the research has been limited to the Sri Lankan banking sector. Meanwhile the degree of customer orientation has been found during the data analysis stage and these findings will be useful to the policy makers in the banking industry to improve customer oriented practices of the industry.

Research objective

From the already identified research problem, the following research objective has been derived. Hence this research is carried out with the following specific research objective.

To analyze the customer oriented practices of the Sri Lankan banks

Literature Review

Customer orientation is an essential component of the marketing concept. All pioneer researchers who introduced marketing concept' have included customer orientation as the basic element of marketing concept. Hise (1965) and Bell and Emory (1971) have emphasized on customer orientation as an important component of marketing concept. Bell and Emory (1971) described customer orientation as knowledge of the customer, which requires a thorough understanding of his needs, wants, and behaviour. Thus marketing concept is the foundation for customer orientation.

A marketer must be customer oriented to add value to their customers. Kohli and Jaworski (1990) and Narver and Slater (1990) indicated that market oriented business requires a company wide customer orientation.

Various definitions have been given to the concept of customer orientation. Narver and Slater (1990) defined customer orientation as "the sufficient understanding of one's target buyers to be able to create superior value for them continuously" (p. 21). As such, Day and Wensley (1988) stated that customer orientated marketer must understand the buyer's entire value chain. In the above two descriptions, it is clear that customer orientation means marketers' understanding about their customers. But these definitions are not enough in clarity to give an entire explanation on the process of customer orientation. Above definitions did not provide insights into what marketers must virtually do under customer orientation. Narver and Slater (1990) described about customer orientation as "seller has to understand who its potential customers are at present as well as who they may be in the future, what they want now as well as what they may want in the future, and what they perceive now as well as what they may perceive in the future as relevant satisfiers of their wants"

Thus, the customer oriented marketer has to understand needs, wants, preferences, expectations, behavior, and perception etc. of their customers. Based on this knowledge, marketers have to take actions to satisfy their customers there by adding value to them.

Furthermore, the customer oriented marketer must collect a variety of information about their customers in order to generate knowledge on their wants and expectations. Therefore, the scope of customer orientation can be further broadened. Sørensen (2009) proposed that the general purpose of customer orientation is to provide a solid basis of intelligence pertaining to current and future customers for executive actions. Hence customer orientation means generating knowledge and intelligence on their customers as a whole to create superior value for them.

Methodology

Quantitative methodology was adopted for this study. Thus, survey method was used for this study.

Sample Selection

According to the Central Bank of Sri Lanka (2009), there are 22 licensed commercial banks (LCBs) and 13 licensed specialized banks (LSBs) (Central Bank of Sri Lanka, 2009). All entities in these two categories were considered for this study and were identified as banks. Hence, the researcher distributed a questionnaire to the whole population.

Data Collection Methods and Instruments

Structured questionnaires were used to collect data. These questionnaires consist of two parts. They are customer oriented practices and profile of organization. Likert scale of 1-5 which ranges from "Strongly Disagree" to "Strongly Agree" was applied in the part I of the questionnaire to identify responses on customer orientation. Furthermore, each institution was considered as the unit of analysis. Therefore, one questionnaire was given to the marketing manager in each institution.

Data Analysis and Evaluation

Descriptive analysis was used for data analysis. Hence under descriptive analysis, mean and standard deviation were derived. Statistical package of SPSS 13.0 has been used for this purpose. Furthermore, criteria shown in table 1 were adopted to evaluate mean values. This was established to determine the degree of customer orientation.

Table 1 Evaluation Criteria for Mean Values

Range	Degree
$1 < X_1 =< 2.33$	Low level
$2.34 < X_1 =< 3.66$	Moderate level
$3.67 < X_1 =< 5$	High level

Source: Developed for this study

Data Analysis, Findings and Discussion

Reliability of the Instrument

When establishing the reality for an abstract concept, the researcher has the responsibility of determining the degree to which indicators represent the given construct (Godard, Ehlinger & Grenier, 2001). He must also ensure that the measures are error free. For this the researcher has established the reliability of the instrument.

Reliability is the measure of getting similar results over time. Zikmund (2003) has defined reliability as "the degree to which measures are free from error and therefore yield consistent results" (p. 300). In the research methodology literature, several methods, such as test-retest, parallel forms, split halves and internal consistency, are suggested for establishing reliability (Cooper & Schindler, 2007; Godard, Ehlinger, & Grenier, 2001). Researcher adopted internal consistency to determine reliability. Thus, Cronbach's Alpha coefficient was used to measure internal consistency. Cronbach's Alpha coefficient varies between 0 and 1 and the cut off point is 0.6 (Godard, Ehlinger, & Grenier, 2001). Table 2 presents the Cronbach's Alpha coefficient for the variables of customer orientation.

Table 2: Cronbach's Alpha coefficient for the variables of customer orientation

Variables	Cronbach's Alpha Coefficient
Commitment to customers	0.760
Creating customer value	0.857
Response to customers' needs	0.843

Source-Survey Data

Since Cronbach's Alpha coefficient for all variables are above 0.6, all items are considered to be reliable.

Table 3: Mean and Standard Deviation for the Variables of Customer Orientation

Variables	Mean	Std. Dev
Customer Orientation	3.82	.56
Commitment to customers	3.94	.45
Creating customer value	3.46	.60
Response to customer needs	4.03	.52

Source-Survey Data

As presented in Table 3, the construct of customer orientation has taken a mean value of 3.82 and this represents that customer orientation of Sri Lankan banks fall in the higher level category of higher level. Thus, Sri Lankan banks are highly customer oriented. Hence it can be inferred that Sri Lankan banks understand their customers and give comparatively better value to their customers than their competitors (Day & Wensley, 1988; Kohli & Jaworski, 1990). Where, the variable of commitment to customers and response to customer needs contribute towards a higher degree of customer orientation in Sri Lankan banks while variable of creating customer value moderately contributes to the customer orientation of the banks.

Meanwhile, the variable of customer orientation, commitment to customers has taken a mean value of 3.94 and this also falls under higher level category and it shows that Sri Lankan banks are commited to customers at a higher and satisfactory level. Thus, encouraging customer comments and complaints, after-sales consultation, and strong customer commitment in each and every front are applied at a higher and satisfactory level at Sri Lankan banking Institutions.

The variable of creating customer value has taken a mean value of 3.46 and this falls under a moderate level category and it shows that Sri Lankan banks are creating customer value in products/services at a moderate level due to obstacles in the market place. Thus discussion on looking at ways always create customer value in products/services, measuring customer satisfaction on a regular basis, and the managers' understanding on how everyone in business can contribute to creating customer value are practiced at a moderate level in Sri Lankan banks.

Meanwhile as in table 3, response to customer needs has taken a mean value of 4.03 and this indicates that response to customer needs falls in the category of a higher level. Thus, the priority of the banks is to identify and help to meet the needs of the customers, banks' measurement of their quality based on their

customers' satisfaction with products/services, and developing strategies for competitive advantage is based on understating of customer needs are practiced at a moderate level in Sri Lankan banks.

Thus a higher degree of commitment to customers and response to customer needs and a moderate level of creating customer value collectively contributes towards a higher degree of customer orientation.

Conclusions

Findings have shown that Sri Lankan banks have adopted customer oriented practices at a higher level. Thus Sri Lankan banks want regular evaluation of their customers' needs, wants and their each and every encounter with the bank for keeping their existing customers happy and to attract new and potential customers via that. Hence, most of the Sri Lankan Banks are unable to define their products and service according to customers' expectation for maintaining their profit and competitive position in the market place and the regulations of the Central Bank of Sri Lanka. Being customer oriented will give competitive advantage to banks, meanwhile it is necessary for banks to analyze as to whether their customer oriented practices ensure customer satisfaction. More customer orientation at the expense of customer satisfaction will lead to a situation where customers' needs will not be served. Such marketing activities will purely target at overcoming the competitors (Sørensen , 2009). Therefore marketers have to adopt more customer orientation and this will ensure customer satisfaction and retention. It will result in the business survival and growth. Ultimately it will give competitive advantage over their competitors.

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