

## **RELEVANCE OF CUSTOMER FOCUS TO BUSINESS SUCCESS**

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### **Abstract**

This paper examined the impact of customer focus on business success of companies. The paper highlighted the views scholars on the concepts of customer focus and business success, as well as measures of business success (profitability, market share and sales growth). The study also examined empirical findings of other studies as regards the customer focus and business success. Evidence from reports of earlier studies indicate customer focus is key to business success. This is because the review identified report of both direct and indirect contributions of customer focus to business success. Therefore, the study concludes that customer focus is a prominent antecedent to business success; and recommends that companies should consider customer focus more seriously due to its potential to boost business success.

Keywords: business success, customer focus, market share, profitability

### **Introduction**

Customers are important constituents in any organizations. In business environment where competition is fierce and customer preference is shifting, organizations come under pressure to pay attention to customers to achieve business success. Businesses have become increasingly aware that poorly managed customer relationship disconnect sales (Didia & Nwokah, 2015).

In order to achieve and sustain business success, firms have over the years, adopted strategies that adapt them to changing business trends; and for their hopes of achieving growth and profitability, firm are becoming increasingly customer-focused. Customer focus is a key driver of business success. Companies prioritize customer satisfaction in order to maintain a competitive edge in (Ogwo et al., 2013). A customer focus is essential to companies' success, as industries become highly competitive and consumers become spoilt for choice (Ogwo et al., 2013). Clear understanding of customers' needs and preferences is key to satisfying them and enhancing market share and profitability.

Customer-focused firms are more likely to achieve long-term success and sustainable growth, by providing high-quality products and excellent customer service. Firms build strong reputation and attract more customers, ultimately driving revenue growth and profitability, by understanding and meeting needs of customers. Customer focus is a quality management practice that keeps a firm in the know, of emerging business trends that require changing or updating current practices, programmes and strategies (Ikay & Aslan, 2011).

Companies earn competitive advantage only to the extent they surpass rivals in delivering value desired by consumers. The prominence of customer focus stems from the fact that customers' tastes and preference change with time. Customer-focused firms identify those changes and adapt their operation to align with them; and elicit continued patronage guarantee stability and success of firms.

However, there is paucity of comprehensive studies on how customer focus impact market share, profitability and overall business success of companies. In order to close this gap, this paper undertook in-depth literature review to unravel the positions and reports of scholars on the impact of customer focus on business success.

### **Theoretical Framework**

This study is underpinned by Resource-Based View (RBV) (Barney, 1991). RBV was adopted based on conviction that it is an adequate foundational theory for the interplay between customer focus and business success. RBV holds that companies possess bundles of assets which are semi-permanently tied to them; and that these assets constitute a primary source of competitive advantage.

Barney (1991) in the earliest treatise on RBV states that a firm's unique and inimitable capabilities and assets are its source of competitive advantage and superior performance; and explains why firms perform differently. RBV reiterates the value of resources as useful factors in the transformation of firms. RBV admonishes firms to collaborate, enhance, and organize their resources and capabilities in an ever-changing business environment in order to create and sustain competitive advantage (Barney, 1991). Basically, RBV challenge firms to explore their internal resources to implement a value creating strategy that is unique and difficult to copy (Bharadwaj, 2020).

In this study, RBV was adopted based on its position that tangible and intangible assets currently possessed are key to performance differentials and competitive advantage. Customers are key assets to firms, and firms that focus on satisfying and cultivating relationships with them are most likely to achieve and maintain improved sales volume, market share and profitability, all of which contributes to competitive advantage of firms (Barney, 1991).

### **Concept of Customer Focus**

Customer-focus is a central tenet of market orientation; and a set of beliefs that put customer's interest first, without excluding the interests of other stakeholders (Kohli & Jaworski, 1990). It is concerned with learning about customers, developing an understanding of customers, and using that understanding for marketing actions (Ofoegbu & Akanbi, 2012, as cited in Amangala & Ateke, 2018a). Thus, a firm is customer-focused if it places consumers at the centre of its activities; by collecting information on consumers' current and emerging needs, and designing products to satisfy those needs (Amangala & Ateke, 2018b)

Customer focus enhances success of organizations, by driving total quality management and instigating actions geared towards learning and meeting the value requirements of customers (Amangala & Ateke, 2018b). In a business environment where competition is fierce and customer preferences shift rapidly, companies come under pressure to adjust and manage environmental variations thoughtfully (Madhani, 2018). An area of great concern in this regard, is managing customers. This is because customers essential organizational assets.

The practice of customer focus is pivotal to organizations seeking to reach achieve sustained success. Firms with customer focus move beyond the objective of dealing with products that meet customer expectation; they actively strive to delight customers. So, customer-focus is key to

improved performance of firms. By putting customers first, firms operate more efficiently and effectively, and attain above par performance (Ateke & Didia, 2017). Nwankwo (1995, as cited in Nwokah, 2008) confirms this view by stating that firms often get into difficulties on account of not putting customers and their needs at the centre of their operation.

### **Concept of Business Success**

The major purpose of establishing a business is to make profit, achieve success and ensure continuity. So, a successful business is one that produces acceptable return on investment. Ateke and Simeon (2018) posits that business success describes the health of a firm as an outcome of management processes measured against nominated goals or compared to the health of competing firms. Business success is also viewed as ability of a firm to grow its sales, be profitable and have a reasonable control over its market in order to maximize shareholders value.

Fauzi et al. (2010, as cited in Ateke & Simeon, 2018) argue that business success is the outcome of management processes and organizational dexterity in terms of performance outcomes in relation to set goals and other considerations of relevant stakeholders. Better (2015) describes business success as the capacity of a business to attain its stated objective. Hence, a business is successful if it remain in operation over time, and generates acceptable return on investment.

Business success is easily represented as efficiency, growth, profitability, liquidity, market share and leverage (Auffermann, 2010). In this vein, business success indicates that a firm is profitable, effective and efficient (Nwokah & Aeennee, 2017). Also, successful businesses deliver satisfaction to current customers and acquire new ones while, making a profit (Sherman, 2020; Charity, 2011). Business success is thus viewed in financial (return on assets, sales, profits and nonfinancial terms (employee's retention and customer satisfaction (Parhizgaria & Gilbert, 2014). Kaplan & Norton, 1992). In this study, business success is decomposed into profitability, sales growth and market share.

### **Profitability**

Profitability is a major aspect in current financial reporting by corporate bodies. The profitability of a company shows its ability to generate profit from utilization of its assets (Devi & Devi, 2014). Profit is realized when the amount of revenue gained from a business activity exceeds the cost incurred to carry out the activity (Nickels et al., 2011). Therefore, profitability measures the performance of a company in terms of profit it realizes from capital employed.

Rakasiwi (2017) explain that profitability is the amount of money a firm can create with whatever resources it has. Profitability is frequently used as measure of business success, and is a key business objectives. Profit is essential to business operation. It is a means of attracting investors; and improving customers' confidence (Kumar, 2013).

The concept of profitability and ways of improving it are extensively debated issues among managers and scholars. This is born out of the fact that the primary objective of a business is to achieve maximum profit in addition to secondary objectives such as increase in sales, assets, and market share.

### **Market Share**

Market share is the portion of a given market served by a firm. It represents the percentage of an industry or market's total sales that is earned by a particular company over a specified time period (Le Meunier-FitzHugh et al., 2019). Didia and Nwokah, (2015) define market share as the percentage of the entire available market that a firm serves.

Increase in market share allow a company to achieve greater scale with its operations and improve profitability. A company can expand its share of a market, either by lowering prices, using advertising, or introducing new or different products. In addition, it can also grow the size of its market share by appealing to other buyer groups (Le Meunier-FitzHugh & Piercy, 2017).

Change in market impact performance of companies in mature industries where there is low growth. Companies use market share to ascertain their performance. Market share is calculated by taking the company's sales over a period and dividing it by the industry sales over the same period.

Market share is a prominent performance indicator used by firms to assess the effectiveness of their revenue generating effort, including market campaigns, branding initiative and customers relationship management programmes. This is because market share show how a firms is fairing compared to competitors (Ahmed, 2019).

### **Sales Growth**

Sales growth is the increase in the volume or value of sales a company generate in current time period, compared to a previous period of time. Sales growth is an essential parameter for survival and financial growth of a company. Increase in sales growth benefits employees and company in terms of providing salary raise, acquiring new assets, and expansion of the company or the product line (Reddigari, 2019).

Investors are very interested in the sales growth of an organization's product will be increasing in the future (Shardo, 2015). Sales growth is important in ensuring the survival and profitability of a company. It may result in increased dividends for shareholders and higher stock prices (Bhuian, 2019).

Sales growth is of interest to every organization. When volume of sales is high, it indicates advantage but when volume of sales declines, it is a sign of disadvantage (Bhasin, 2018). Sales growth has to be carefully balanced, as both highs and lows often have undesirable impact. Reddigari (2019) posits that survival or failure of a company often depend on its ability raise its sales levels.

### **Customer Focus and Business Success**

Customer focus challenge firms to continually update their knowledge about needs and wants of customers. This means that customer focus is not only about listening to consumers; but also understanding their current and future needs, and devising ways to satisfy them. The survival of firms in today's business environment requires continuous innovation. A customer focus spur firms to innovate, in order to keep pace with changing requirements of consumers.

The role customer focus in facilitating innovation is pronounced. It accords firms the capacity to sense needs of consumers and understand its strengths and weaknesses. Therefore, a customer focus impact business success positively. Being customer-focused enable firms anticipate, respond to, and take advantage of environmental changes; and enhance their ability devise and execute appropriate marketing strategies that lead to superior performance (Ateke & Didia, 2017).

Customer focus is a key driver of business success. It leads to the creation of superior customer value (Sin, 2015) through continuous learning and knowledge accumulation. Customer focus also positively relates to new product success, market share, customer satisfaction and profitability (Ateke & Didia, 2017; Sin et al., 2005). Other studies link customer focus to business performance (Nwokah, 2008). In addition, customer focus enables quick response to customers' preferences, enhance a firm's ability to design and offer superior value, while making a profit and building competitive advantage (Sin et al., 2005).

Furthermore, Micheni and Wambui (2019) argue that customer focus is a total quality management tool that influence performance of firms. This suggests that firms in their effort to improve product quality, sustain customers and address customer complaints promptly, must be more customer focus. Similarly, Ledwith and O'Dwyer (2019) reports that a positive significant relationship between customer focus and business success of SMEs. This means business success of SMEs depends on their customer sensing capabilities.

### **Conclusion and Recommendation**

This study reviewed literature on the notion of customer focus and its contributions to business success. The study highlighted the views of scholars on the concepts of customer focus, its nature and antecedents; and relevance to business success in terms of profitability and market share. The study examined conceptual and empirical articles on customer focus, business success, measures of business success; and the interplay between customer focus and business success.

The evidence in literature indicates customer focus predicts several measures of business success, including innovation, creation of superior customer value, continuous learning, new product success, market share, customer satisfaction and profitability, responsiveness to customers' preferences, ability to design and offer superior value, improved product quality, among others. Thus, the study concludes that customer focus is a prominent determinant of business success and recommends that firms that seek successful business operations should make customer the pivot of their marketing programmes and policies. They must align their activities customer needs and develop a culture that attracts and retains customers.

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