

CUSTOMER ORIENTATION IN THE ZIMBABWE STEEL MANUFACTURING SECTOR: DOES BUSINESS PERFORMANCE DEPEND ON IT OR IS IT VICE-VERSA?

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Abstract

The number of players in the steel manufacturing sector in Zimbabwe has shrunk over the years. This is partly attributable to the harsh macro-economic environment that the country has been experiencing. The sector has been trying, though unsuccessfully to shrug off the low quality imports from some Asian markets. As part of the prognosis of the challenges affecting the sector, it became apparent to consider the admissibility of customer orientation. This calls for organisations to be more focused on the customer in all the activities that they undertake. The research sought to interrogate the benefits and challenges that arise from the adoption of customer focused strategies. A mixed model research approach was used with research designs being exploratory and descriptive. A sample of 122 subjects was drawn from a population made up of customers and employees in the sector. Purposive sampling technique was used. It was concluded that companies that directed their energies towards customers were in good stead to achieve their set goals.

Keywords: Customer orientation, Customer focus, Centricity, Business Performance, Zimbabwe

INTRODUCTION

Customer centricity is a way of doing business whereby the firm pays attention to the customer by giving the customer priority in all what the company does. It also means constant engagement with the customer in order to identify and satisfy customer needs while at the same time defining quality from the customer's perspective.

References have been made as to whether customer centricity contributes to business performance in reports and surveys such as the NatSteel, Singapore Survey (2013) and the Accenture Survey (2013) of Indian steel manufacturers in which it was found out that customer centricity was a necessity for firms to enhance business performance. The Accenture Survey (2013) found out that customer centricity differentiated high performers and that there was need to deepen understanding of what buyers value while creating innovative products for the different customer groups served since customers have different needs.

A study on customer focus by Tata Steel, India (www.tata.com) revealed that it managed to build a network of over 40 distributors and giving customers what they wanted. The study also showed that Tata Steel had done more work in the market than most steel companies in terms of customer centricity by being innovative, building new routes and continually engaging the customer. A survey by Barloworld logistics revealed a shift in consumer power resulting in companies realigning their supply strategies and business models to meet increasing customer expectations (www.engineeringnews.co.za, 2014). It further state that another survey carried out by Frost and Sullivan showed that emphasis had shifted from customer service to customer centricity.

Preparatory consultations with steel manufacturers and some of their customers exhibited signs of poor customer centricity in the sector. The issues that came up during these consultations include negative perceptions of the quality of local steel, infrequent and poor communication between manufacturers and customers, increasing competition from imports leading to falling demand and market share and rising costs of production. Poor business performance as a result of increases in imports has been reported in the past four years with firms applying for exemptions on wage increases yearly.

Steel manufacturers claim that they have lost a big chunk of their market share to cheap imports from South Africa, China and India. On the other hand, customers have argued that they prefer imports because domestic steel is of poor quality. For instance, some key customers have had a few run ins with their steel suppliers over poor quality steel which had rust, scabs and some which would not bend but instead break into pieces. No matter the amount of force subjected to steel, steel must not break into pieces but should only bend. Poor quality steel has been returned to manufacturers and in other cases customers were persuaded to take the steel

at reduced prices and this has resulted in customers having negative perceptions about domestic steel such that some now prefer to import than to buy locally made steel.

Domestic steel manufacturers have transactional type of relationships with customers (reflected in the way they engage with customers). The customers engage steel manufacturers when they want stock but it is rare for the manufacturers to communicate with customers advising them on availability of stocks in their warehouses or to solicit feedback on products and service offered.

Capacity utilization has continued to decline in the steel manufacturing sector, a situation common in most sectors in Zimbabwe. A 2013 half yearly publication for the steel manufacturing industry, Steel News, reported that capacity utilization for the period January 2013 to June 2013 stood at 40%. Capacity under utilization means that manufacturers are not able to meet the needs of the market. The gap in the market is therefore left open to imports which bring in competition in terms of market share, quality and price of products.

LITERATURE REVIEW

The concept of customer centricity

Shah et al (2008) suggest that the true essence of the customer-centricity paradigm lies not in how to sell products but rather on creating value for the firm. Farley and Webster (1993) in Kumar, (2008) define customer centricity (which has also been referred to as customer focus) as the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers and employees in order to develop a long-term profitable enterprise. Levitt (1980) in Ogbonna and Ogwo (2013) pointed out that customer orientation means possession of enough understanding of one's target market so that an organization constantly creates superior value for its customers for the purpose of enhancing business performance.

Hooley et al (2008) argues that business performance is shown by the ability of organizations to provide excellent products and services and gain competitive advantage over their competitors and customers realize benefits of superior value which enhances and encourages repeat patronage and sales growth. Customer focus is an attitude and practice that places the customer and the provider in a partnership to achieve positive goals. Positive goals are achieved through understanding the customer's business, organization, strategic goals, culture and needs. On the other hand, Green et.al. (2007) refer to customer focus as the involvement of market orientation that highlights and assesses customer needs so that a firm is able to meet those needs with a high quality and in a 'feel good' manner.

Shah et al (2008) and Levit (1980) agree that customer focus is about creating superior value. It is not just enough to offer a product to satisfy an identified need. The firm must create value for itself and for its partner in the process. In this way, business performance will be enhanced through value created and derived from the product bought.

Green et al (2007) describe customer focus as highlighting and assessment of customer needs with high quality. High quality is achieved by a thorough assessment of needs. This definition is important considering that it brings out the issue of quality. Domestic steel is perceived as being of poor quality and so taking this view of customer focus will help improve the image of the domestic brand.

Customer focus entails putting the customer first and this can only be achieved by customer engagement. Customer engagement is therefore the essence of customer centricity. It is through engagement that needs, especially salient and latent ones, are identified and filled satisfactorily. There should be constant communication between the organization and its customers in order to satisfy customer needs. Customer centricity is not just about *how* suppliers deliver their offerings to customers. It is more about *what* offering is delivered. The *what* aspect of the offering should offer benefits or solutions sought in the product and organizations can only know those benefits through customer engagement.

Customer focus frameworks

Don Peppers and Martha Rogers are experts in customer centricity with over 40 years experience in the field. Their model which is also called The Journey to Customer Centricity shows how an organization moves from product focus to customer focus. The journey takes the organization from insight, strategy, business design, capabilities development through to deployment.

Insight includes customer data strategy, segmenting customers and predicting their behaviors. From insight, the organization moves on to strategy. Here the corporate strategy and strategy for the individual strategic business units is mapped out so that there is clear direction on what is to be done. Strategy guides the process so that it is not undertaken in a haphazard manner. Feasibility studies are also done here to ascertain the practicality of the model for a given organization. Business design focuses on how the organization will manage issues to do with customer experience, its sales force, distribution channels as well as loyalty programs. Capabilities development is about how well prepared the organization is to undertake the customer centricity journey. The organization must make sure that it has the necessary resources, human and material, in order to succeed. Deficiencies are identified at this stage and

amendments are instituted. This may mean minor changes or even a complete overhaul of the whole system and organizations must be prepared for such eventualities.

Deployment then follows and this includes training and empowerment of personnel in order to put plans into action. This is the implementation stage when all systems go and the organization has to align itself with the customer focus journey that it has to travel. It must however be noted that the *journey* to customer centricity is an ever ending one. Customer needs are constantly changing and so the organization should be always on the lookout for customer insights and have customer databases which are up to date. Organizations don't move from insight to strategy, business design, capabilities development and deployment and say we have now reached the end of our journey and they sit back and relax. Customer centricity is a continuous process.

Product centricity is again pitted against customer centricity. While product centricity tries to reach as many numbers as can possibly be reached with one offering, customer centricity tries to satisfy as many needs as possible of a single customer. Product centricity results in huge marketing costs by trying to attract customers but customer centricity has less marketing costs since the products produced have a ready market. Customer centricity brings in segmentation whereby an organisation tries to satisfy the needs of a homogeneous group and not those of the heterogeneous market.

By travelling the customer journey, an organization which increases the level of customer centricity increases satisfaction of customer needs and ultimately its share of the customer's wallet. Business is enhanced because the customer will patronize the organization more often and will buy more. Cross and up selling becomes easier because the needs of the market are known. On the other hand, product centricity will result in an increase in market share by reaching many customers but this does not guarantee that the customers will remain loyal to that organization. The model emphasises that customer centricity leads to profitability due to customer satisfaction.

Challenges in creating customer focused organizations

Organizational silos exist because of lack of internal marketing. Cochrain (2009) says organizational silos make departments within the same organization unwilling to share customer data to the detriment of the organization and the achievement of goals. In addition, Schalk (2008) says that organizational characteristics such as high formality and centralization are barriers that obstruct the flow of information within departments. Both Schalk (2008) and Cochrain (2009) agree that there should be free flow of information between and within departments if customer focus is to be achieved. These arguments stem from Levitt (1960) who

said that specialization and departmentalization are barriers to communication and information dissemination. To have a clear understanding of customers, departments should share whatever information that they may have regarding customers in order to be able to give them products that will solve their problems and satisfy them.

Cochrain (2009) says customer centricism requires funding. For example, identification of customer needs and responsiveness to the market requires a huge budget. Implementation of CRM as a customer centricity model comes at a cost. For example an organization has to consider the implementation costs involved and these include hardware, software licensing, personnel training, customization, support and maintenance among others. However, Booz and Company (2010) say that customer orientation does not have to start with huge technical investments because technology facilitates customer focus but does not drive it. Steel manufacturers do not necessarily have to spend a lot of money in order to engage customers. If steel manufacturers make customer focus a culture then customer focus can be achieved at less cost.

Ernst and Young (2012) say that customer centricism is hampered by organizational silos which discourage sharing data on customers within departments of the same organization. This tendency does not help organizations in their efforts to be responsive to customer needs as internal marketing will be lacking. Schein (2009) reveals that while culture is complex, multi faceted and not static, members of a culture can never fully explain or describe all its aspects and this means that there are forever subcultures within organizations. It is important for steel manufacturers to adopt a culture of customer centricity so that it becomes part and parcel of their operations. Since culture is dynamic, steel manufacturers should drop those aspects that hamper customer engagement and adopt the ones that support it.

METHODOLOGY

The paper sought to evaluate customer centricity and how it affected business performance. Pragmatism was the adopted research philosophy. It works hand in hand with the mixed model approach. Focus is on the research problem using several methods. Descriptive and exploratory designs were used.

The target population comprised of employees, management and business customers. The research made use of a sample of 122 subjects, where a purposive sampling method was employed to select the respondents. Questionnaires were the primary data collection instrument.

ANALYSIS & DISCUSSION OF FINDINGS

Benefits of being customer focused

Employees were asked whether they agreed or disagreed that customer engagements were beneficial to their firms. 81% of respondents agreed and 19% disagreed that customer engagements were beneficial. Table 1 below summarizes reasons that favor customer engagements.

TABLE 1: Why firms have benefited from engagements

	Frequency	Percent	Valid Percent	Cumulative %
	18	37.5	37.5	37.5
Valid	improved relations	9	18.8	18.8
	improved sales	14	29.2	29.2
	no stock piling	7	14.6	14.6
	Total	48	100.0	100.0

The majority of steel manufacturers' management also agreed that engagements were beneficial as they allowed manufacturers to know exactly what the market wanted. All customers interviewed also agreed that steel manufacturers benefited from engaging them. Some of the reasons given in favor of customer engagements included producing what the customer wants and not to stock pile steel which may take ages before being bought. Others said that it is a way to cement relationships so that customers will remain loyal. The agreement between customers and steel manufacturers that engagements are beneficial is in line with Kumar et al (2010) who said customer centricity creates dual value and Hooley et al (2008) and Laforet (2008) say that engagements improve sales growth.

All the customers interviewed agreed that customer engagements were beneficial to steel manufacturers. The customers said that manufacturers will know exactly what is needed and then when they (customers) place orders they will get the steel without having to wait for long periods before they get their orders (reducing lead times). 80% of customers said that manufacturers would perform better if they worked with them in terms of the sections to produce because they better know the needs of end users.

The Table 2 below shows the comments given by employees as reasons why they thought that customer engagements had not benefited their firms. The majority of employees (27%) attributed costs and expenses to the company as the chief reasons. 10% said that engagements were sporadic.

TABLE 2 :Why firms have not benefited from engagements

	Frequency	Percent	Valid Percent	Cumulative %
	30	62.5	62.5	62.5
Valid	Costly	7	14.6	77.1
	expense to company	6	12.5	89.6
	Sporadic	5	10.4	100.0
Total	48	100.0	100.0	

The few managers who said that engagements were not beneficial also agreed with employees who said that customer engagements were contributing a lot to their expenses and they did not believe that they were reaping any rewards. However, others said that engagements were an unnecessary expense to their companies because customers will always buy steel and that customers prefer the convenience of buying locally instead of importing.

Challenges in creating customer focused organizations

Employees indicated that they had encountered problems when dealing with customers. The major problem cited was returns due to poor quality, 44%. Order cancellation and poor communication also had high scores of 31% and 25% respectively. Table 3 shows the absolute and relative frequencies of problems encountered when serving customers.

TABLE 3: Problems in serving customers

Problem	Absolute frequency	Relative frequency (%)
Changing specifications	2	4
Returns for poor quality	21	44
Order cancellation	15	31
Poor communication	12	25
Price increase disputes	5	10
Incorrect order filling	2	4

Steel manufacturers' managers were also asked about problems they encountered when serving customers. The problems they cited were almost similar to the ones given by employees. However, their biggest challenge was order cancellation (53%) which they said impacted negatively on their planning processes. Management highlighted that the orders were cancelled mainly due to delays in delivery and so they could not penalize customers by charging cancellation charges. Another problem was that of poor quality steel (21%). Management could not shed light on why they were having this problem but were quick to say that the domestic market has negative perceptions about local steel which is a bit pricey compared to imports from India, China and South Africa. Price increases were also a cause for concern with

management. They argued that their companies were importing most of the critical chemicals as well as spares and this justified the price increases but the market is always resisting price increases by placing orders for fewer quantities and sometimes not honoring the payment due dates. However, Green et al (2009) defined customer centricity in terms of offering better quality.

Customers said that steel manufacturers are failing to come up with proper systems to engage them. They said that the engagements were not consistent. Some customers said that there was poor communication, for example, when they place their orders and there is a delay in delivery, they will only get to know about the delay when they (customers) phone the manufacturer. They also said that in other instances, they are told they will get their steel soon and the steel doesn't come.

This disadvantages them because their money will be tied by the manufacturer since they would have made advance payments. Communication was said to be infrequent and informal as most manufacturers preferred communicating using the mobile phone which they said can be a problem when there is need to make references.

Many of the employees (53%) said that their companies had reduced the selling price of steel in order to persuade customers not to return poor quality steel. Customer visits have also been made where there have been complaints of poor quality. When customers were asked what could be done to solve the problems that customers have with steel manufacturers, all respondents suggested that steel manufacturers be more open with them when they place orders. For example, they said that most of the times they were not told the unavailability of stock when placing orders but that they would only know about it when they chase the delivery of their orders. They also said that steel manufacturers should let them know when they have dispatched their stock or if there are delays, they should at least give them estimate dates of delivery so they will know what message to pass on to their own customers. Customers also suggested that steel manufacturers use the best quality materials in their production processes so that the end product will also be of high quality.

CONCLUSIONS

Steel manufacturers can adopt any of the several customer orientation frameworks that are available depending on resources availability and capability. The researcher concludes that steel manufacturers are practicing customer focus in a non committal manner. Customer orientation is beneficial to steel manufacturers. Steel manufacturers have more to benefit than lose by constantly engaging customers because customers are closer to the end user and better understand the needs of the market.

Customer focus is being treated as an expense by steel manufacturing companies and not as an investment. The findings also showed that poor communication and engagement with customers resulted in weak relationships such that customers are not loyal to any manufacturer. There is no commitment to customer focus by steel manufacturers. The research findings reveal that employees, management and customers have realistic solutions for solving problems.

The responsibility lies heavily with the manufacturers who are not open with their customers and are not producing quality products to the satisfaction of customers as shown by 44% of respondents who indicated that returns due to poor quality was a major challenge.

LIMITATIONS OF THE STUDY

The research relied on only four major players in the sector. This means that the research left out some key population elements. The inclusion in the sample of both new and old employees resulted in responses being a function of experiences of individuals. The research designs were descriptive and exploratory. This means that results might be different had causal research design been used.

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