

# Historical Background for the Formation of Customer Focus in the Service Sector

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**Abstract---** *Currently, there is the problem of forming the basic provisions for implementing the customer-oriented approach in the management of service entities. The purpose of this paper is to identify patterns and prerequisites for the emergence of customer-oriented approach in management at different stages of historical development. The methodological basis of the study was formed by theoretical and methodological analysis and synthesis of Russian and foreign scientific literature, conceptual analysis of thematic publications, comparative analysis of different approaches, methods of induction and deduction in the course of tracing historical and conceptual links with the studied object. The study establishes the link between the periods of development of management science with the emergence of customer-focused theories. The authors substantiate the basic prerequisites for the formation of a customer-focused approach at retail enterprises in Russia. The study resulted in discovering the historical prerequisites for the formation of a client-focused approach in management at different development stages of economics and society as a whole. It took into account external and internal factors concerning the Russian reality. The materials of the paper are of scientific and practical value for understanding the historical background, which allows forming a basis for further study and analysis of the problems of customer focus.*

**Keywords---** *Background, Customer Focus, Service Sector, Historical Aspect.*

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## I. INTRODUCTION

The relevance of studying the prerequisites for introducing the customer focus in the management service entities is due to the need to create the mechanisms to meet the needs of the client. It is to allow the company to achieve a high degree of competitiveness. It is proposed considering this issue from the perspective of management and marketing in the historical aspect.

First of all, it is necessary to clarify the concept of "customer focus". There are different definitions of customer focus in science, which is quite ambiguous. All approaches are based on the main value - customer satisfaction. Meeting these needs is viewed as a business strategy, as a way to make a profit, and as a corporate philosophy.

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Meanwhile, the Russian researchers put emphasis differently. They highlight sentiments of contacts with clients, on business methods, and making additional profit [6; 14; 16; 21; 24]. American researchers consider customer focus as a part of the market orientation of the company, its philosophy, the reason for existence [11-13].

First of all, the study considers economic theory and how the periodization of the development of management science has influenced the emergence of customer-focused theories.

## II. MATERIALS AND METHODS

The first period for management development is ancient period, starting with the 9-7 centuries B.C. up to about 18th century A.D. Humankind has been painstakingly accumulating management experience for thousands of years, before this experience has separated into an independent knowledge area. During this time, people have passed the primitive communal system, mastered leadership through managing the gens and tribe, emergence of production, as well as state and municipal management. Socrates, Plato and Alexander the Great made an invaluable contribution to understanding management as a separate science, which was the main feature of this period. During this period, the understanding of the subject-object relations of the management process was underpinned. The presence of the relation and the feedback of the managed object are important for customer focus.

The second period of management development was industrial (1776-1890). The greatest contribution in the development of public administration in this period was made by Adam Smith. He is not only a follower of the classical political economy, but also a specialist in management. Adam Smith analyzed various forms of the division of labor, described the duties of the ruler and the state.

R. Owen's teaching also greatly influenced the formation of many research areas and scientific schools of management formed by that time. His ideas of humanization of production management, as well as recognition of the need for training and improvement of working conditions and everyday life of workers, are still relevant. Here it is possible to trace the attitude to the staff as an internal client of the organization, and the partial application of client-focused approach techniques in corporate activities.

The first revolution in management theory and practice is due to the creation and use of computer technology. In 1833, English mathematician Ch. Babbage launched the project of "analytical machine": a prototype of modern digital computer technology. Even then the management decisions were made more quickly with the use of this equipment. This was the second stage of management development and the emergence of modern forms of automation of business processes. Oddly enough, but the age of digitalization and digital management tools, as well as CRM-systems, originate from this period.

The third period of management development is period of systematization (1856-1960). The science of management is in constant motion. New research areas and scientific schools are formed, the scientific apparatus is being changed and improved, and researchers and their views are changing.

In fact, what is called management today has originated during the industrial revolution of the XIX century. Establishment of factories as a primary type of production and the need to employ large groups of people meant that individual owners could no longer watch the activities of all staff. The need for training professional managers has

become isolated. The first managers took the organizational and supervisory functions. Training of personnel, their education and differentiation of responsibility between the owner and the manager concluded that the final result of production depends on every action of the head. Here it is possible to trace the awareness of the relation between management process and the performance of the enterprise.

The fourth period of the school of management is information period (1960s till present).

Later, the management theories were developed mainly by representatives of a quantitative school, often called the management school. The emergence of management school is a consequence of the use of mathematics and computers in management. Its representatives consider management as a logical process that can be expressed mathematically. The 1960s launched a broad development of management concepts based on the use of mathematical apparatus, which integrated mathematical analysis and subjective management decisions.

The study of management as a process resulted in a wide spread of systematic analysis methods. The main idea of the system control theory is that no action is taken in isolation from the others. Every decision has consequences for the whole system.

In the 70s, there appeared the idea of an open control system. Being an open system, an entity tends to adapt to a very diverse internal environment. It also is capable of adapting to changes in the external environment.

The information period of the development of management and the situational approach gave a very strong impetus to the development of customer-focused management theories [4]. When management of interactions with external and internal clients occurs in the mode of a live mechanism, on the one hand, the standardized and formalized schemes can adapt and classify different cases in interaction with clients. On the other hand, they can improve quality. Mathematical models, which became widely used in the economy during this period, allowed tracking the results of such a customer-focused approach and its impact on economic performance [8-10].

Thus, the study described the main stages of management development with due regard to the prerequisites for the customer-focused approach.

Table 1: Prerequisites for client-focused approach at different stages of the development of management

<b>Period for management development</b>	<b>Prerequisites for a client-focused approach in management</b>
I period: ancient period, starting with the 9-7 centuries B.C. up to about 18th century A.D. Allocation of management in an independent knowledge area.	The understanding of subject-object relations of the control process is formed; the relationship and the feedback of the controlled object exist.
The second period of management development was industrial (1776-1890). Start of use of computer technology.	Emergence of modern forms of business process automation. The age of digitalization and digital-management tools, as well as CRM-systems originate from this period.
The third period of management development is period of systematization (1856-1960). The need for training professional managers begins.	Awareness of the relation between the management and the performance of the enterprise and the fact that it can be influenced through staff training.
IV period of the school of management — information period (1960s to the present). Application of mathematical models in management, formation of new approaches.	Awareness of the value of information and management of information flows and databases. Management of interactions with external and internal clients of the enterprise occurs in the mode of a living mechanism and in real time. Standardization, certification and classification of management processes. Mathematical models allowed tracking the results of the customer-focused approach and its impact on economic performance.

The modern external environment creates the unstable conditions for long-term sustainability and development of business. It is described by continuous strengthening of competition, dynamic saturation of the product offer, transformation of the "seller's market" into the "buyer's market", decrease in efficiency of traditional marketing tools, and complexity and diversity of the external environment [2]. In this case, it becomes increasingly difficult for business to quickly respond to these rapidly changing environmental conditions.

The study highlights the macro-level factors that influenced the strengthening of competition in Russia and the search for additional tools to retain customers:

1. Changing needs. Before the collapse of the USSR in 1991, the people lived in conditions of a planned economy and a total deficit. After the transition to commercialization in a market economy, there was an overstocking of the market with various low-quality goods and services. Vague consumer preferences and accumulated consumer "hunger" contributed to the active development of a large number of economic agents of the same type of business product. At the same time, the mechanisms of competition and market regulation of competition have not yet been created and have not kept pace with the growth of markets.

Consumption of goods and services stayed at the level of physical needs, security and desire for social belonging. Quality requirements were low. With the growth of supply, the quality standards began to develop. Consumers became more picky in their choice. The information revolution of the fourth wave allowed to compare quality parameters in real time. The process of consumption turned into satisfaction of aesthetic, self-affirmation and self-realization ambitions. Mass consumption has become a cultural phenomenon, and therefore required new methods of competition at the level of organization of the service process, additional service, etc.

2. Expansion of foreign operators. When foreign companies entered Russia and demonstrated their quality system, their technologies and principles of work, it caused a qualitative change in the requirements for business as a whole. To withstand such a tough competition with foreign companies, Russian enterprises had to work hard on the standards and level of customer service, and both internal customers (employees) and external ones (consumers).

3. The opening of the "Iron Curtain" allowed the Russians who met the best practices of service abroad leaving their motherland. Economic growth and development of the tourism industry led to mass tourism. The Russians, coming abroad, saw a completely different level of service. For many of them it was a discovery, and then the reason for the formation of a new level of requirements. Customer expectations have been raised by the best service practices around the world. Ones gets used to good service quickly, and Russian companies have been forced to strive for this level, starting with the hospitality industry and ending with neighborhood shops.

4. Russia's activity at the global market has influenced the attraction of large-scale events on the territory of the country. Major political events (such as the G8 Summit), sports events (the Sochi Olympics in 2014, the World Student Games in Kazan, the Football World Cup in 2018), as well as cultural and other events demanded decent quality from Russian business and adequate urban infrastructure. The country's leadership has challenged large business, the population of large Russian cities, and itself. There occurred a forced restructuring of the economic system. Political steps have been taken having no return point or option of inaction. The quality parameters of services and urban infrastructure development finally came to one level with the European standards. The impact of all these factors is shown in Figure 1.

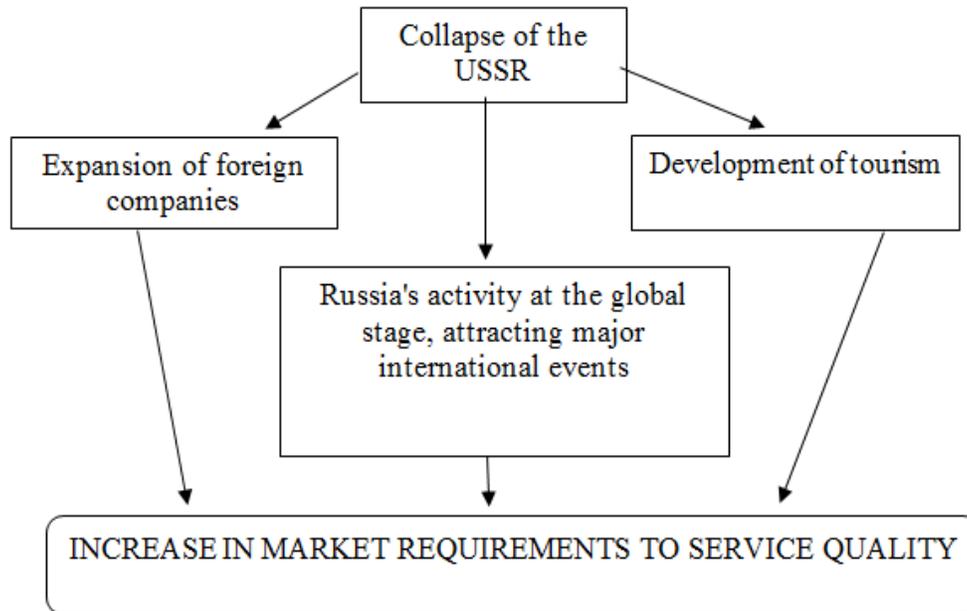


Figure 1: Macroeconomic factors of customer focus development in Russia

The main key to the efficient long-term corporate development, the entity is to build long-term partnerships with customers, a constant offer of better service compared to their competitors [1].

### III. RESULTS

On the basis of the above mentioned, the study highlights the main prerequisites for the formation of a customer-focused approach to retail enterprises:

1. High competition. The global commercialization and development of market economy put trade enterprises in a state when the winner is not the one who owns the goods, but the one who knows how to sell it. The wide distribution of advertising media and the annual increase in the number of trading platforms have led to the common availability of goods. Nowadays, people purchase not only products but also services, as well as additional options that the seller includes into the purchase. The ability to capture and hold the clients, to satisfy their needs and desires now comes to the fore. The struggle for markets turns into a competition for customer focus [12].

2. Increase in the share of small and medium businesses. Large enterprises and corporations can offer more favorable prices for the deal, and they also have greater financial opportunities for the implementation of marketing plans, including obtaining significant discounts when placing advertising. Small and medium-sized enterprises do not have such opportunities and compete at the level of customer service. Trade instruments and the cost of their implementation largely depend on the scale of the company's activities, so the development of small business directly affects the formation of a customer-focused approach. Small enterprises work at the client's level, they know much more about their consumers, and they have a simplified decision-making system. Thus, it is much easier for them to adapt to a particular consumer. When they need individual approach, large companies treat customers for-

mally, and the small entities have nigh need for an individual approach. It is here that small businesses have development prospects [5].

3. Formation of information society, increasing the role of information in decision-making. The emergence of the Internet, its accessibility, the active development of social networks, and information integration of many areas of activity have led to the fact that today the world is driven by the ones who own information. People are more likely to share negative information than positive one. One dissatisfied customer can set up dozens of people against the company; via social networks hundreds of people may receive a negative recommendation. Thus, negative feedback spreads twice as fast as positive experience.

On the other hand, potential consumers are looking for information about the product and the company, they consciously read reviews, surfs the communities, communicates with real customers, and evaluates the feedbacks. Here the company has a chance to set up a positive consumer, to provide the information necessary for decision-making [22].

Information plays an important role not only for the consumer, but also for business development. It is the customer who has the information that helps the company to develop; of course, if the seller is able to hear and listen to the buyer. The company conducts a dialog with its client and creates innovations together by constantly studying the client's needs. In this case, there is a continuous two-way process of information exchange between the company and the client: proposing new ideas, discussing them and revising them on the basis of client's feedback. Customer focus is both a challenge of the era of global information and the result of the influence of this era on modern market relations [3].

4. Accelerated pace of life. Science and technology progress does not stand still; every day it gives a person more and more opportunities to accelerate different life processes. In this regard, the main criterion of ideal service is a combination of speed and customers' convenience. The modern pace of life has become very fast, and time saving gives more opportunities to achieve personal goals. People appreciate the time factor even higher than the financial factor, as time is the only irreplaceable resource. The desire to please the client also strengthens customer focus of the company in this aspect. In turn, customer focus takes into account the customer's need to save time, and allows the seller to manipulate the processes of purchasing processes and increasing the value of the final product [19].

5. Development of the labor market, reorientation of employee motivation systems. The time, when almost every employer offers both a good salary and a full social package, has come. Today, a good employee is a commodity in the labor market. In the struggle for employees, companies begin to treat human resources more carefully and focus on the employees. That is, to create their own internal customer focus on the employees [15]. Qualified labor leads the company to the implementation of external customer focus. It results in an endless circle, in which all are dependent, focused on the customer, and at the same time, enjoy the current process. The company focuses on external and internal customers, employees focus on consumers, and consumers - on the company [17].

Each employee should understand that their work affects the customer's perception of the quality of service and even the quality of the product: no matter how far this employee is from the direct communication with the client.

Professional service and mentality of employees instilled by training significantly increases customer confidence in the company and its marketing tools. Resources invested in marketing and advertising do not go "down the tube" because of the lack of professionalism of employees [23].

What happens to the staff if the customer is satisfied? It is favorable atmosphere for employees. Any specialist values the work when they are paid well and where they are comfortable. The employers win again: having stable staff, they do not spend money on recruitment, adaptation and correction of trainee errors [18; 25].

6. Increase in the requirements for the economic efficiency of the client attraction activities. The desire of enterprises to reduce all types of costs, and quality management in the production of certain goods and services lead to the development of economic efficiency criteria and KPI in all areas. Attracting new clients is several times more expensive than retaining the existing ones. It is high-quality service in finding cost-effective solutions that becomes the best way to retain customers [7]. The interaction of the prerequisites is shown in Figure 2.

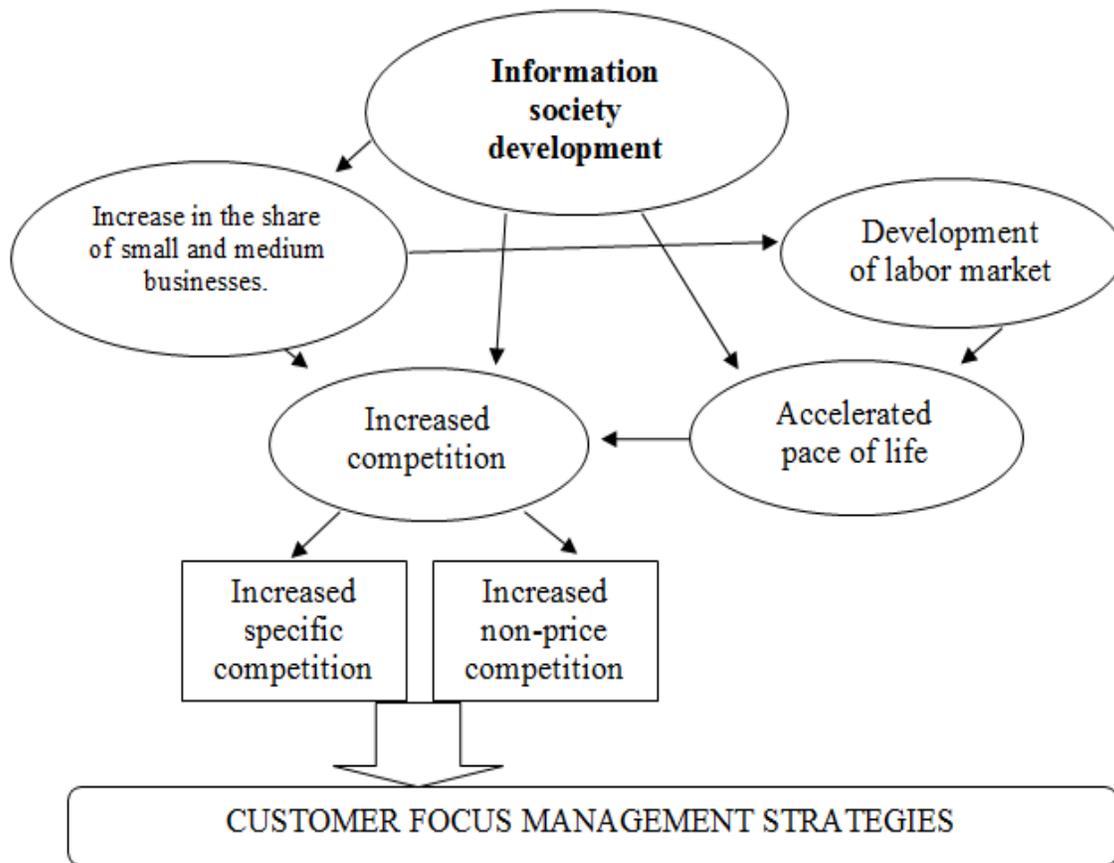


Figure 2: Correlation of prerequisites for the development of customer-focused strategies

Thus, considering the prerequisites in the historical aspect allows creating a basis for further study and analysis of the problems of customer focus, both in general economic science, and in the selected specific enterprise.

#### IV. DISCUSSION

The obtained results are valuable because the earlier studies have not differed between external and internal factors of customer focus formation, and the prerequisites for the formation of this direction of management have not been revealed.

In addition, the definitions of customer focus proposed by the authors in different periods of time, allow tracing which aspects are more studied by the scientists of the American Academy of Management and Marketing. Thus, the prerequisites of the market environment are highlighted.

Table 2: Definitions of customer focus of American authors

Year	Author(s)	Definition	Main factor
1982	Saxen and Weitz	improving customer satisfaction in the seller-customer relationship	achieving loyalty
1990	Jaworski and Kohli	customer is a source of company's profit	maximizing profit
1993	Singh	impact of the organizational environment on employee-customer relationships	improving labor productivity
1994	Brown and Widing	managing situational factors of influencing customer's decisions	business processes optimization
1996	Williams and Atway	establishing and maintaining customer relations	maximizing the period of interaction with the customer
1999	Deshpande	customer focus as apart of the company's market orientation	maintaining competitiveness

Thus, American management has no single accepted concept of customer focus. Considering the different definitions within the time aspect, it can be noted how the attitude to the customer focus of American researchers has been changing. In twenty years, from an operational tool of increasing the profit, customer focus has grown to a strategic factor of the company's competitiveness.

In Russia, customer focus as an object of research and a scientific problem appeared in the 2000s. The concept of customer focus in Russian management reflects the company's attitude to sales at different levels:

1. At the level of customer relations.
2. At the level of corporate strategy, as a characteristic of the business.

Table 3: Definitions of customer focus of Russian researchers

Year	Author(s)	Definition	Main factor
2010	V. Luchkov	ability to create additional customer flow through deep understanding and customer satisfaction	additional stream of clients
2011	V. Loshkov	organization's ability to generate additional profit through deep understanding and efficient customer satisfaction	additional profit
2012	I. Mann	raising positive emotions in potential and existing customers, which leads to repeated purchases and obtaining new customers through the recommendations of the existing ones	repeated purchases caused by positive emotions
2013	Yu. I. Smirnov	corporate strategy aimed at accounting and meeting the needs of the client and the formation of the most comfortable relationship with them	corporate strategy

Analyzing the definitions of Russian authors, it is possible to trace the same pattern of the American science. That is, a change in attitude to customer focus from a simple tool to obtain additional customers to the corporate strategy.

Thus, understanding the customer focus both in American science and in Russian had the same direction. Currently, customer focus is considered as a strategic factor in the development of the company in competition.

Viewing customer focus from the perspective of the theory of generations is an interesting approach. The theory of generations was developed in 1991 by scientists W. Strauss and N. Howe. It states that there are groups of people who have been born in a certain period of time and, accordingly, during certain political and economic events. Thus, the development level of science and technology has an impact on their worldview and values. Groups of people with similar values and behaviors are called "social generation" [20].

According to this theory, nowadays, the representatives of the following generations live in Russia [20]:

- 1) Silent generation (born between 1923 and 1942)
- 2) Baby boomers generation (born between 1943 and 1964)
- 3) X generation (born between 1965 and 1982)
- 4) Y generation (born between 1983 and 2000)
- 5) Z generation (born from 2001 to present).

Each generation has its own distinctive features, value orientations and models of consumer behavior.

Table 4: Features of social generations

Name	Feature
Silent generation	Diligent, patient and law-abiding. They are typical of thrift and parsimony. They seek to preserve, not to spend money.
Baby-boomers	Optimistic, active lifestyle, propensity for teamwork, love to travel, keep regular hours, try new things, money is a symbol of status.
X generation	Individualists, they value personal freedom and space, love to learn. Money is a symbol of personal freedom.
Y generation	High self-esteem, broad outlook. Active users of the Internet and social networks.
Z generation	Appreciate safety and realism. Actively use gadgets, move a little, little communication with peers, engaged in self-education via the Internet.

The use of the theory of generations from the position of value orientations in relation to the concept of customer orientation forms different customer-focused programs for each social generation.

Thus, for two decades, scientists have identified market aspects of the internal and external environment of enterprises at the micro level and meso level.

The study considered the processes of formation of scientific knowledge regarding macroeconomic changes, as well as general social nature of the emergence of a new knowledge.

## V. CONCLUSION

The discovered historical background allows forming a clear picture of the factor analysis of current events and develop strategies depending on the forecasts of development of these factors.

First of all, the paper deals with the relation between the periods of development of management science with the emergence of customer focus theories. A strong impetus for the development of customer focus theories appeared in the information period of management development. Mathematical models allowed tracking the results of the customer-focused approach and its impact on economic performance.

In addition, the study identified macro-level factors that influenced the strengthening of competition in Russia, namely, the changing needs, the expansion of foreign operators, and the opening of the "iron curtain". The combination of external factors has influenced the increase in market requirements for quality of service. The main key to the efficient long-term development of the company is to build mutually beneficial partnership with customers.

The paper substantiates the basic prerequisites for the formation of a customer-focused approach to retail enterprises. They are high level of competition, the acceleration of the pace of life, the development of the labor market, and others. Attracting new clients is several times more expensive than retaining the existing ones. It is high-quality service on the way to finding cost-effective solutions that becomes the best way to retain customers.

The materials of this study are valuable for considering the prerequisites in the historical aspect allows creating a basis for further study and analysis of the problems of customer focus, both in general economic science, and in the selected specific enterprise.

The discovered prerequisites in the structure of the manager's knowledge provides for the opportunity to assess the previous stages of corporate development for competent planning the introduction of customer-focused approach to the corporate management system.

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