

Client Focused Behavior: To Personalized Trust through Collaborative Filtering

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Abstract

The article analyzes different authors' approaches to understanding the essence of the term "client orientation." Various aspects of client orientation manifestation are shown by using the McKinsey 7S Framework as a basis. A conceptual client orientation model has been proposed, which on the one hand allows structuring client orientation and on the other to estimate this competence in a company. The basic values of client orientation have been defined. The main approaches of economists to understanding competences and distinguishing core competencies have been analyzed. The strategic vision in the context of the modern development of relationship management theory, as well as club trade and economic relations, based on collaborative filtering, have been suggested as new core competences.

Index terms— client; customer, customer orientation, key client management, core competencies, strategic vision, trust, club consumption.

1 Introduction

In modern business area the companies dealing with creation of a stable competitive position, more and more stop focusing on current sales performance and strive to develop long-term interactions with key market participants, first of all with clients. The company achieves the creation of stable competitive positions by constructing a system of partner relations, allowing increasing efficiency of processes of creation and distribution of value. There are at least two reasons of this special attention to clients, which we analyze, in modern economy. The first reason deals with a consequence of scientific and technological advance (STA) that causes the increase in share of consumer goods of complicated design and structure. Depending at what stage the consumer can define quality and utility of products, they can be subdivided, relying on the studies by C. Price and I.A. Aliev, into a priori (conventional consumer products,) prior (search characteristics prevail), post priori (experience characteristics prevail) and undefinable (belief characteristics prevail) products (Price, Aliev). At that the share of the two latter groups of goods and services where an intangible component of quality dominates, constantly grows. That causes information asymmetry between the seller and the buyer: the seller knows about quality and performance attributes of such products significantly much more, than the buyer. The second reason consists in that that globalization contributes its important mite to increase in variety of intra specific range of products which confuses the buyer even more. The third reason is also associated with STA consequence -massified production and consumption (which defects were noted by A. Toffler as far back as some decades ago): non ethical behavior of the person in the organization increases with growth of collective with which one -directly or indirectly -is in contact. Consumers more and more leave this global market fertile for misinformation for local markets offering more reliable information about goods and services.

Thereby the conscientious consumers more and more sensing marketing and, particularly, advertising misinformation in coming society which can be renamed as information and misinformation society, impose a boycott on depersonalized trust. They prevent deceit, hence their economic damage as well, by switching over to local personalized relations. In this context focus on the client and construction of system of partner relationships seems one of the most perspective areas of research and management.

45 Rapid acceleration of market processes, quick change of technological platforms and increase in the level of
46 uncertainty in company environment make the focus on the client the main source of competitive advantages and
47 of value creation. Among factors impeding the organization to become the client focused it is possible to put
48 an aggressive organization strategy directed on essential increase in market share as well as on short-term gain.
49 To win a stable competitive position deeper understanding of focus on the client is necessary when practical
50 mechanisms to increase client orientation become the most called-for ones. Client focused approach (end of the
51 20 th century -early 21 st century) develops in response to manifestations of globalization and of information
52 revolution. What manifestations of the aforementioned processes have specifically triggered the renaissance of
53 once existed phenomenon -client focused behavior (CFB). What new is carried by the modern modification of
54 this behavior and why this behavior is so attractive to economic agents? The present article deals with the search
55 for answers to these and associated questions.

56 2 Research Methods

57 The methods of structural, functional, institutional, of phenomenological and of multiple-factor approaches, of
58 typological and of logical analyses, of synchronous and of diachronic comparisons are used in the work. A
59 theoretical basis for the research is works of foreign and of Kazakhstan researchers concerning client focused
60 behavior, core competences, long-term vision, trust, club consumption.

61 3 III.

62 4 The Main Part: Analysis and Discussion

63 It is necessary to consider client focused approach as one of the main preconditions of development of companies
64 in modern conditions. Such features of development of enterprises and of their relations with market actors
65 at the present stage, as innovativeness, self-organization, availability of special competences, active interaction
66 are reasons for it. Basic CFB components are: focus on keeping clients, on individual communications based
67 on relations (instead of a product), on cooperation with clients. The company that sees CFB as a source of
68 development, does not renounce main principles of the technocratic and marketing approaches, but management
69 of development becomes more complex and comprehensive. It is possible to assert, that CFB is more effective
70 for the enterprises focused on a long-term profit.

71 When analyzing the basic tendencies of change in a situation on various corporate markets constant growth of
72 competition is obvious. However the majority of heads and of specialists not quite realizes what should be done
73 specifically that the client has voted by one's money for client orientation.

74 Traditionally «client orientation» is meant the policy of a successful organization realizing, that its activity
75 is focused on the client. Often a substitution of concepts occurs: client orientation is identified with availability
76 of qualitative service standards in the company. In spite of the fact it is widespread the concept of client
77 orientation has no unequivocal scientific definition adequate to established new economic conditions. Therefore
78 it seems important to analyze the essence of the term «client orientation» from various authors' positions. For
79 some authors the client focused approach is a strategic approach to organization development ensuring increase
80 in its competitive ability and profitability growth meaning mobilization of all its resources to reveal, involve,
81 attract clients and to keep the most profitable of them due to improvement of quality of service of clients
82 and to satisfaction of their requirements» (Kareeva 2007). According to another definition (Loshkov 2014),
83 client orientation is "ability of the organization to derive an additional income due to deep understanding and
84 effective satisfaction of clients' requirements." I. Mann defines client orientation as «triggering positive emotions
85 and delight of prospective and current clients that leads to selection of goods and services of your company
86 among a multitude of competitors' goods, to repeat purchases and getting new clients due to existing clients'
87 recommendations» (Mann 2014). "This is the highest value of enterprise focus on the maximum satisfaction
88 of the client." (Busarkina 2007) One more author (Rusanova 2008) asserts that "this is the process directed on
89 increase in life cycle of company interaction with the client."

90 "Understanding of one's target buyers to be able to create superior value for them continuously. ?requires
91 that a seller understand a buyer's entire value chain, not only as it is today but also as it will evolve over time
92 subject to internal and market dynamics" (Narver and Slater 1990).

93 A number of western authors consider that CFB is a part of corporate culture, a set of beliefs putting the
94 client's interests ahead of those of managers, of shareholders, of employees. Thus, in focus there is not only
95 understanding the requirements of existing and prospective clients, but also understanding their values and
96 beliefs (Deshpandé, Farley and Webster 1993).

97 The focus on clients has to lead to increase in the organization efficiency. If there is no additional gain from
98 better service there is no client orientation either. In this aspect the concept of «client orientation» according to
99 Smirnov and Lutchkov (Smirnov 2013, Lutchkov 2010) is dearer to us. The former notes that this is the strategy
100 of an enterprise directed on the account and satisfaction of the client's requirements and on formation of as
101 comfortable relationships with him as possible for the purpose of a long-term professional interaction. The latter
102 considers that "client orientation is the ability of a company to create an additional stream of clients and an
103 additional income due to a deep understanding and satisfaction of clients" (Lutchkov 2010). Misunderstanding
104 this fact causes unjustified expenses as invested resources are used inefficiently. In our standpoint B. Ryzhkovskiy

105 successfully described the term under discussion: "client orientation is a tool of managing relationships with the
106 clients, aimed at getting a stable income in the long-term period and is based on three criteria: core competence,
107 target clients and equality of positions" (Ryzhkovskiy 2005).

108 **5 Client orientation forms by the elements of the McKinsey 7S** 109 **Framework.**

110 Various aspects of client orientation manifestation are well demonstrated on the basis of the McKinsey 7S
111 Framework which considers the organization as a system consisting of seven elements. The result of similar
112 arrangement of client orientation forms is presented in Table 1. (Ruvennyi 2015). The staff is an active participant
113 of communications between the organization and its clients, i.e. receives and passes the information on degree of
114 clients' satisfaction

115 **6 Style**

116 The management style accepted in the organization; significance of chiefs and their role in acceptance of strategic
117 decisions on business development

118 The client focused style of relationships enables to improve and correspond to clients' expectations Typical
119 front office functions include communications with clients, obtaining and introducing, for a subsequent processing,
120 documents from clients, interaction with other internal divisions of the company for giving the information to
121 the client, calling and distribution of information reports to the clients, processing of incoming calls.

122 As examples of front office divisions are call centers, sales areas and showrooms, customer service desks. As
123 examples of front office of information systems -a customer self-service portal («client area»), an information
124 booth of a sales area, a distant banking system, information systems of front office activity support -CRM, ERP
125 modules to enter client orders, ABS modules to maintain operational area activity.

126 The concept of front office is often contrasted with that of back office (divisions in which the administrative
127 work of a business is carried out), sometimes (in financial sector) -with middle office (divisions checking and
128 directly processing client operations).

129 Thus, it is possible to define the following obligatory conditions for an organization claiming to be the client
130 focused one: availability of realized and purposefully developed core competences and absence of declarative core
131 competences of general nature (examples of the latter: quality product manufacture at a fair price, satisfaction
132 of consumers' expectations); an unambiguous definition of target groups and revealing their unique requirements;
133 readiness to refuse the nontarget client for priority servicing the key one; preference of long-term profit over
134 short-term one; the task of development instead of survival is topical.

135 By the results of analysis of various authors' approaches to the term «client orientation» it is possible to note
136 ambiguity and pluralism of opinions of scientists, businessmen and experts concerning the given concept. Some
137 understand by the given term -process, others -characteristic, still others -method (tool).

138 Besides, the majority of authors formulating the essence of «client orientation» category do not define precisely
139 what «client» means. It should be noted the ambiguity of the term «client» and its difference from the term
140 «consumer. » A dictionary of economics and law gives the following definitions: Client is a legal or physical
141 person using the services of another physical or legal person, entering into business relations with the latter.

142 Consumer -prospective or actual buyer having intention to acquire either acquiring or using products, works,
143 services exceptionally to suit one's own ends not connected with profit derivation.

144 Thus, «consumer» and «client» are different economic terms and are not synonyms. The concept of «client»
145 is wider and includes the term «customer» in its structure. Within the frameworks of client focused approach it
146 is expedient to formulate the term «client» as follows. Clients mean legal or physical persons acquiring products
147 and services of a company nongratuitously, namely -existing or prospective dealers and end users.

148 It is possible to agree with each of the given definitions, but in the present article we consider client orientation
149 as «tool of management of relationships with the clients, aimed at getting a stable profit in the longrun period
150 and is based on three criteria: core competence, target clients and equality of positions» (Ryzhkovskiy 2005).

151 IV.

152 **7 Basic Values of the Client Orientation**

153 Core competence helps the company to achieve certain results more efficiently. The core competence should
154 be prolong in time (not short-term and not one-time) realized by company management and is used regularly
155 (personnel should be able to repeat its successful actions.) At that the formulation should be specific to the limit,
156 giving an accurate idea about the advantage of a given firm (Kravtchenko 2010).

157 To single out core competences it is necessary for a company to define its primary resource for creation of
158 competitive advantages and for selection of a strategy of changes of business. It is no wonder that a number of
159 authors (Porter, Prahalad, Hamel) investigate a problem of the concept and of the use of «core competency»
160 category. First, they analyze the history of this term development, but have still not come to a single unequivocal
161 opinion what it means (Crainer.2002) Second, practice of using in core competences of companies for formation
162 of competitive advantages considerably lags behind theoretical works.

7 BASIC VALUES OF THE CLIENT ORIENTATION

163 Internal knowledge (Kaplan, Norton 2004) were called higher competence, inaccessible to direct perception of
164 the consumer which indirectly expressed in the use value of a final product through the effectiveness of use of
165 capabilities and resources of an organization with which help the maximum use value is produced.

166 Resources with which help the company can gain competitive advantage and generate in the client's view an
167 exclusive value have been enumerated by ??cGrath (McGrath 2005). So far eight properties of core competences
168 have been identified (Payne 2007). M.Porter mentions the fact that core competences can be in various forms for
169 the first time (Porter 2008). In an interdisciplinary dictionary of management it is noted that core competence
170 is "all that the company or its divisions do best of all" (Myasoyedov 2005).

171 According to G. Hamel and ?. Prahalad, the company should be perceived not as the sum-total of its
172 constituent business units and as the combination of core competences -habits, abilities, technologies allowing
173 the company to provide its consumers with certain values (Hamel, Prahalad 2002). The core competence is a
174 strategic potential of the company. The day-to-day management of the company is a method to derive benefit
175 from potential (Apenyko 2010). The number of core competences can be different, from 5 to 10 of the mare mostly
176 distinguished. The timely understanding of core competence clears the way for a long-term market leadership
177 and the conquered leadership, in turn, demands to concentrate efforts on a core competence.

178 Two questions arise: a) how to define core competences; b) whether they are constant or can vary in time.
179 Apenyko (Apenyko 2010) offers one of the methods of definition of core competences of the company -through
180 revealing key clients, nature of their requirements and company role in satisfaction of these requirements. This
181 way allows client focused company to receive the answer to the question: "What should the company do today
182 and tomorrow to meet clients' requirements?" It seems that the aforementioned author, unlike previous ones, not
183 only assumes relationships with the company for the future, but also wonders "what should the company do in
184 this future?" We notice that under conditions of an intensive competition developing into hyper competition, it
185 is rather difficult, but is very important to be guided in this issue for CFB.

186 Vision and strategy of a company. In modern strategic management the term «vision» connected with intuition
187 is persistently occupying its place. It would be very simplified to identify vision only with intuition. It seems to
188 us that for a reliable vision the combination of experience and basic knowledge of a manager of one's job with
189 intuition are required provided that knowledge and experience can alternately pass from crystallized (applied)
190 to fluid (abstract) intelligence. In other words, G. Hamel and C. Prahalad define core competences as habits
191 and skills which allow the company to provide consumers with fundamental benefits (Hamel, Prahalad 2002). In
192 another work (Ivens 2004) core competence is defined as a set of interconnected habits, abilities and technologies,
193 providing the company with an effective solution of certain problems, situations.

194 According to the definition given by another group of authors (Kotler, Berger, Bickhoff 2012) the core
195 competence of an organization -competence ensuring its competitive advantage. At that the core competence
196 should have three characteristics: value -it should be irreplaceable; uniqueness -should exclude copying;
197 availability -the company should be able to use it. Some authors extend the list of signs of core competences
198 ??McClelland 1973) intellectual and creative components should interact: "pure intuition -intuitive search
199 strategy -systematic search strategy -directed search strategy -exact calculation," as shown in the teaching manual
200 of creative management (Svidruk, Ossik).

201 Besides, we believe that a core competence which is vision, should be realized in interrelation with others
202 competences in the conditions of a personified trust (about it will be said a little below -under the heading
203 «equality of positions»). Revealing and using core competences by companies should cause their growth and
204 development. Hamel and Prahalad name this interrelation of competences «portfolio of core competences» and it
205 is expedient to conceive of the organization from these viewpoints, instead of considering it as a group of business
206 units (G. Hamel, Prahalad 2002).

207 Searching for competitive advantage the organization cannot do without the already mentioned «look inside
208 itself», thus trying to identify within those abilities around which it is possible to build business space (Yefremov
209 2001). Owing to development of internal factors some companies manage to conquer leadership in traditional
210 industries of the mature market.

211 (Ancoff 1965) suggests «grid of competences» in the form of a stereo typed list of abilities and resources which
212 should be made regularly both for the company proper and competitors to make a comparative analysis and to
213 reveal a relative force of competitors in a given market.

214 Deeper search for possibilities to coordinate the abilities of an organization and external environment factors
215 was realized in the concept of deriving competitive advantage from correlation of distinctive competences and
216 existing possibilities, described in works of such known authors of the Harvard Business School (Learned,
217 Christensen, Andrews and Guth) in the 1960s. It promoted the emergence of known model of SWOT analysis
218 (Learned, Christensen, Andrews, Guth 1965, Andrews 1987).

219 Thus, in the modern conditions client orientation is manifested in advanced study of consumer values, «look
220 inside itself», mutual vision of the present and the future of some organization -from range and productive to
221 outlook aspects. Therefore vision is called the main strategic resource of CEOs.

222 Target clients -limited list of clients or client groups, priority for the company in the long-run. Target clients'
223 characteristics should be formalized and correspond to the basic criteria of segmentation presented by Solovyova
224 (Solovyova 2010).

225 Thus, recently the conception of key client management gains an increasing popularity, aimed at individual-

226 ization of service of the most important consumers of services and fuller satisfaction of their needs (Ivens 2004).
227 Taking into consideration Pareto's Law according to which 80 percent of income is brought in by 20 percent of
228 clients, it is possible to draw a conclusion that it is necessary to treat clients differentially and to establish its
229 relations with them, assuming their individuality as a basis. As F. Reichheld and T. Teal note, the total number
230 of attracted and lost clients is not as much important as the number of attracted and lost key clients (Reichheld,
231 Teal 2005).

232 The major feature of key clients is their indisputable appeal because the work with them allows lowering costs
233 considerably through the study of key clients' changeable requirements (Melnikov 2016). The importance of the
234 client for the manager-company can be defined by different criteria. M. Starenkov (Starenkov 2011) explains the
235 basic aspects of Key Client Management conception as follows: "In the portfolio of any firm there is always a
236 central nucleus of customers. They are those customers whom the supplier defines as its key clients. Key Client
237 Management means formation of a new mission (like creation of new jobs, development of new scopes of activity
238 etc.) and its integration into existing company structures." Key Client Management is the conception due to
239 which it gets an opportunity to become familiar more closely with consumers' needs. Key Client Management
240 coordinates specific organizational decisions with the given consumers. The purpose is to better serve them and
241 to attach to the company in the long run. As J. Tschohl notes service becomes competitive advantage only then
242 when affects purchase decision and occurred changes become noticeable for clients ??Tschohl 2006).

243 Equality of positions (partnership) -relationships between the supplier and the client, when there is no
244 dominance (conscious or casual) of one of the parties at any stage of relationship defining CFB. The main
245 feature of partner relationships is the absence of dependence on the contractor (Tchernyshev 2004).

246 When managing long-term business relations purely economic indicators give only a partial idea about success
247 of cooperation. This concept is concretized mainly by three main «uneconomic» components -trust between
248 partners, obligation in relations and satisfaction with them. We will consider them at greater length.

249 In our opinion, trust is such a position of a decision-making person which in a situation assuming a choice
250 from several alternatives, induces him to reject certain models of behavior connected with certain costs and loss
251 of time. Obligation in relations, like trust, is mainly conceived as the individual's position. R. Morgan and Sh.
252 Hunt define this component as position when the partner believes existing ties with the other party to be so
253 important, that they deserve maximum efforts for them to be continued. Such set is a basis for stabilization of
254 relations and for attachment of the client (Morgan, Hunt 2004).

255 As L. De Chernatony and M.McDonald emphasize that the new way of value creation means active involvement
256 of consumers in the product creating 2 shows the classification of German school of this conception, which is
257 mainly based on statements of the exchange theory and neo-institutional economics theory (Sonina 2011) with
258 our addition. The researchers' attention covers applied aspects of relationships which can be extrapolated mainly
259 on the sector of B2B markets. However it is worth noticing that aspects of researches of relationships on B2B
260 markets have not so much conceptual as applied usage. Analyzing relationship management theory, it is possible
261 to notice that shift of emphasis from transactions to relationships occurred. The distinguishing feature of a new
262 market is transformation of consumers into a new source of experience for companies, introduction of the concept
263 of experience as competitive advantage of the organization (Webster 2007).

264 A.Dolgin's approach (Dolgin 2010) seems prospective to us, whose radical suggestions and conducted
265 experiments show that the experience of collaborative filtering also extends to other non-and material goods
266 and services. In this case a clientfocused policy hinges on club consumption within rather closed communities.
267 Let's consider this approach at greater length.

268 In the second half of the 20 th century the unethical selfish behavior of financial tycoons of the planet has
269 destroyed common, i.e. depersonalized trust for which Putnam, F. Fukuyama as well as a long list of economists
270 and sociologists -advocates of liberal market economy -stood up so much. In other words global economic (in the
271 first place financial) elite «swindled» trusted world (and some states in particular) for a large amount of money,
272 pumping out their profits. In so doing, this elite destroyed social channels of economy capitalization. "Bright
273 future welfare" from market economy illuminated the world so much that in the beginning of 2017 highlighted
274 preposterous outrageous facts: according to euro news 8 people on the planet possess the same amount of wealth
275 as 3.6 billion of the poor. This became a conspicuous proof of that apocalypse which liberal market economy with
276 its globalized scenario, financial bubbles, already come mis-(or pseudo) information society (under the banner of
277 depersonalized trust) is preparing for the world. behavior is long-term trend under conditions of intensification of
278 processes of deglobalization, regionalization and of liberalization of economy, progressing ever more dynamically.

279 V.

280 8 Conclusions

281 The issues of client focused approach to company management have been analyzed and attempt to systematize
282 the ideas about the essence of this concept has been made. It has been suggested that by means of focusing
283 on target clients by using factors of core competences, of unique needs of every target client and of equality of
284 positions the company will be able to achieve leading positions on domestic and foreign markets.

285 The client orientation is suggested to be understood as organization self-restraint, rewarded by its target
286 clients. Thus it is possible to define the following essential conditions for the organization claiming to be client
287 focused. 1. The presence of realized and purposefully developed core competences (which include strategic vision,

288 collaborative filtering and club relations) and the absence of declarative core competences of general nature; 2.
 289 Unambiguous definition of target groups and revealing their unique needs; readiness to refuse the non-target
 290 client for priority servicing the key one; preference of long-term over short-term profit. The task of development
 instead of survival becomes topical regarded in that light. ^{1 2}

1

<p>7S The essence of an element</p> <p>Frame-work element</p> <p>The long-term plan for organization development promoting the growth of</p> <p>Strategic competitive ability and creation of strong</p> <p>competitive advantages</p> <p>Structure Way of organization of interaction between subdivisions with indication of principles of subordination and of area of responsibility</p> <p>Methods of making managerial decisions, of</p> <p>Systems running daily work in the organization, of developing business</p> <p>Shared Norms and standards of interaction in the val- organization; principles of corporate cul- ues ture, mission</p> <p>Abilities, potential and competences the staff</p> <p>Skills of an organization has</p> <p>How many employees are working in the</p> <p>Staff organization, what their occupation, how work with staff is organized: hiring, ad- vanced training, motivation</p>	<p>Client orientation forms</p> <p>The availability of a strategy allows the organization to achieve corecom- petences in various aspects of relationships with consumers</p> <p>The interaction between front of- fice* and back office* for the purpose of provision of well co- ordinated work of the staff while servicing consumers.</p> <p>Conformity of the adopted rules and procedures to a requirement of the maximum satisfaction of clients' needs</p> <p>Promotion of client orientation values among organization em- ployees</p> <p>The competences which are neces- sary for implementation of client focused approach</p>
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Figure 1: Table 1 :

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Schools	Representatives	Directions of researches
Institute for Marketing, LMU Munich	Silke Bartsch/Jan Engel/Anton Meyer /	Satisfaction behavior, client orientation of the
University of Leipzig	?????Lubler	Concept of value in relationship marketing, including the concept of consumer value.
German school ESMT Berlin	Mario Rese	Influence of client focused behavior of the seller on the client's willingness to make a purchase
Leipzig School of Management Graduate	Manfred Kirchgeorg	Consumer's comprehensive relationships between companies and other interested parties.
Russian Higher School of Economics School	A. Dolgin	Collaborative filtering of economic actors, club consumption, post-factum payment (service)

Figure 2: Table 2 :

