

Customer centricity: an empirical analysis in the micro-sized firm

Christian Nedu Osakwe

The University of Pretoria's Gordon Institute of Business Science, Johannesburg, South Africa

chris.osakwe12@outlook.com; osakwec@gibs.co.za

Abstract

In theory, customer centricity has been suggested to provide many benefits for the firm. Empirically, there is however limited analysis on the factors that might encourage or constrain a firm from engaging in customer-centric practices. Less is also known about how customer centricity potentially affects firm performance. In response to these research gaps, this paper focuses on the external factors affecting customer centricity and its implications on the firm. This research relies on surveys gathered from micro-sized firms operating in Nigeria. Notably, emerging pattern from the analyses indicates that industry competition and technological turbulence are a force for good given their predictive impact on the adoption of customer centricity, whereas demand uncertainty was found to be unrelated to customer centricity. In addition, there is a consistent pattern that customer centricity not only significantly leads to marketing innovativeness, but indirectly affects financial performance through the marketing innovativeness process.

Keywords:

Customer centricity; financial performance; local market conditions; marketing innovativeness

1. Introduction

In recent times, the term customer centricity has emerged as an important priority for firms. Indeed, for most business leaders today, one of their key roles is to ensure that their organisations are strongly perceived as customer-centric. In theory, customer centricity centres on 'understanding and satisfying the needs, wants, and resources of individual consumers and customers rather than those of mass markets or market segments' (Sheth, Sisodia, & Sharma, 2000, pp. 56–57). The notion of customer centricity has been long considered to provide many benefits for the firm (Gebauer, Gustafsson, & Witell, 2011; Shah, Rust, Parasuraman, Staelin, & Day, 2006; Sheth et al., 2000).

Empirically, there is however limited analysis on the factors that might force or even constrain the firm from engaging strongly in customer-centric practices. Firms in highly resource constrained environments, for example, may find it extremely difficult to significantly invest in customer centricity programmes. Instead external pressures, particularly prevailing local market conditions are more likely to explain the decisions of the firms towards the practice of customer centricity. And this is where it becomes important to understand the role of market conditions in fostering and/or constraining the practice of customer centricity. Research, meanwhile, has suggested that local market conditions

(competitive intensity among them) can affect corporate behaviour's attitude towards the development and/or implementation of strategic activities (Griffith, Kiessling, & Dabic, 2012), and in this case customer centricity. A recent study in the emerging market context has also described that local market conditions (including industry competition, technological turbulence, and demand uncertainty) affect the implementation of market-oriented activities in the firm (Guo, Kulviwat, Zhu, & Wang, 2017).

Therefore, building upon past research (most notably Griffith et al., 2012; Guo et al., 2017), it is proposed that local market conditions (alternatively, external marketing stimuli) are important for understanding the practice of customer centricity in the context of domesticated firms located in many emerging markets today.

Similarly, on surveying past research (aided by the Scopus database), this author finds that the assumption concerning the link between customer centricity and organizational outcomes such as financial performance has been rarely tested. Indeed, previous research has suggested that customer centricity is a vital ingredient of organizational financial performance (Frankenberger, Weiblen, & Gassman, 2013; Lamberti, 2013; Ross, 2009; Smirnova, Rebiazina, & Frösén, 2018). Nevertheless, most of this suggestion has been rarely tested in empirical research, meaning that our knowledge about this important issue is, at best, theoretical. Similarly, an explanation of how customer centricity effectively contributes to the financial performance of the firm is an important omission that requires to be addressed in the literature. This paper, therefore, responds to this significant omission in marketing/organisational research by proposing that marketing innovativeness could assist in explaining the link between customer centricity and financial performance (cf. Nieves & Diaz-Meneses, 2016); beyond the often-simplified approach that customer centricity and financial performance are highly correlated.

It has also been recently noted that 'the process of implementing customer centricity throughout the entire organization tends to be poorly understood in practice' (van den Hemel & Rademakers, 2016, p. 212). This alone suggests the urgency in addressing this important issue. Therefore, investigating the effect of local market conditions on customer centricity as well as the link between marketing innovativeness, customer centricity and financial performance is critical for developing a rich understanding of this important research issue in firms.

This study focuses on micro-sized firms in an emerging economy for a reason. Extensive research has long-documented that this set of firms plays a valued role in the MINT (Mexico, Indonesia, Nigeria, and Turkey) economies as well as other strongly emerging markets (most notably the BRICS – Brazil, India, China, Russia, and South Africa). Therefore, investigating this research issue in micro-sized firms will assist in developing a better understanding of the predictors of customer centricity practices as well as the implication it holds for this set of firms located in MINT economies and indeed Nigeria. With the resource constraints facing this set of firms, it therefore becomes significant to understand why some succeed and others continue to wallow in misery. This paper reasons that the practice of customer centricity can partially explain significant differences in micro-sized firms' financial performance.

Altogether, this study makes at least two significant contributions to the emergent research issue of customer centricity. One is the vital argument that in many resource-constrained environments, the forces of market conditions are proximate factors for assessing firms' attitudes towards the adoption of customer centricity practices, especially in the case of the domesticated small to micro-sized firms. To the author's

knowledge, no other empirical research has explicitly put forward this idea, let alone empirically validated this idea. Two this study has argued that there exists a complex relationship between the themes of customer centricity and financial performance and that this relationship can be better understood by investigating the mediating role of marketing innovativeness. Indeed, when most scholars and some practitioners think of the association between customer centricity and firm performance what comes to mind is the direct benefit that the former brings to the latter. This paper argues that this relationship is less straightforward, arguing that marketing innovativeness intersects the link between customer centricity and financial performance. A no less important contribution of this research is also the extension of this research issue to this context. The unfortunate thing is that, despite the economic significance of micro-sized firms to MINT economies and elsewhere in the world, these firms are largely overlooked in marketing/business research; suggesting the requirement for more study like this.

This paper has been arranged as follows. In the following section, this paper presents an overview of the literature on customer centricity followed by the formulation of the research hypotheses. Next is a brief report on the research methods and materials associated with this study. After this is the presentation of the research findings. The researcher then discusses the research major findings including its relevant contributions to theoretical knowledge and managerial practice. This paper concludes by summarising the research findings, limitations and opportunities for future research considerations.

2. Conceptual foundations and hypotheses development

2.1. Conceptualizing customer centricity

Customer centricity is an approach that ‘focuses on the needs, wants, and resources of customers as the starting point of the planning process’ (Sheth et al., 2000, p. 57). In addition to this, customer centricity has been defined as an ‘enterprise-wide strategy to fully leverage consumer insights to drive integrated strategies – across marketing, merchandising and operations – aligned to priority consumers’ (Ross, 2009, p. 450). A customer-centric organisation has equally been noted as ‘one which orients its whole being around customers and their requirements. It ensures that its strategy, people and processes are all aligned with the needs of the customer. This will affect the organisation’s systems, its structures, the working environment and the skills and behaviours of its employees’ (Macaulay, undated, p. 4).

Practitioners indicate that business leaders can no longer afford to take a product-centric view of their businesses, instead the sharper focus should be on the customer. In fact, it has been suggested that the customer-centric firm is one that not only seeks to understand and meet the needs of its customers, but it also consistently offers superior customer experiences (e.g. Ernst & Young, 2013). From the above descriptions, two emerging research issues easily come to mind.

One fundamental concerns factors that encourage or perhaps constrain firms particularly the micro-sized ones to adopt customer centricity practices. Bearing to note that micro-sized firms are seriously hampered by very limited resources, ranging from limited marketing budgets to a lack of skilled human resources (also see Sternad, Krenn, & Schmid, 2017).

Therefore, examining the factors affecting the implementation of customer centricity practices in micro-sized firms will increase our understanding of this complex phenomenon and its influencers. Indeed, the reasons why the firm may adopt customer centricity practices are multiple and complex (Lee, Sridhar, & Palmatier, 2015; Sheth et al., 2000).

Nevertheless, our key concern here is on the role of local market conditions (including industry competition, demand uncertainty, and technological turbulence) in influencing the enactment of customer centricity practices in this context. Insights borrowed from previous studies, especially the research stream of market orientation (Avlonitis & Gounaris, 1999; Guo et al., 2017; Wang, Deming, Di Benedetto, & Song, 2013) provide a basis for the paper's argument that local market conditions will predict customer centricity practices in micro-sized firms (see also Griffith et al., 2012).

Another emerging issue worth investigating is how customer centricity potentially affects firm performance. Worth mentioning is a new publication that says customer centricity directly, significantly predicts financial success of the firm (Smironova et al., 2018). In contrast to this new study, this article proposes that customer centricity alone is inadequate for superior financial performance. Following this, this article draws from prior studies that are at the interface of marketing and organisational innovations to propose that marketing innovativeness is a salient construct for understanding the impact of customer centricity on the complex matter of financial performance (cf. Han, Kim, & Srivastava, 1998; Mahmoud, Blankson, Owusu-Frimpong, Nwankwo, & Trang, 2016).

2.2. Link between local market conditions and customer centricity

In line with Guo and colleagues research, we define demand uncertainty as the *degree of [frequent] change[s] in customer preference toward products in a given industry, [industry competition] is the intensity of competition among firms in a given product market [whereas] [t]echnological turbulence is the speed of change in technology embedded in products* (Guo et al., 2017, p. 4). This study argues that many micro-sized firms would not want to implement customer centricity, mainly due to the costs involved, but because of prevailing local market conditions (including industry competition and technological turbulence), they may be forced to do so.

Early research has proposed that technology applicability (sufficiently similar to the construct technological turbulence) and market diversity, like industry competition, precede the intervention of customer centricity (Sheth et al., 2000). Furthermore, the supplementary analysis of Chovancova, Osakwe, and Ogbonna (2015) suggests that market conditions particularly industry competition influences customer performance metrics of the small-sized firm. What is not clear however is whether higher levels of demand uncertainty will significantly predict customer centricity. All this implies that both technological turbulence and industry competition are triggering factors for the practice of customer centricity among micro-sized firms.

Interestingly, some market orientation investigators such as Guo et al. (2017) have demonstrated that market (demand) positively but weakly predicts market orientation practice. In contrast with Guo et al.'s paper, this study contends that high demand uncertainty may diminish the customer-centric capability of micro-sized firms, partly because of their reactor approach to marketing. This contention comes from the empirical research of Wang et al. (2013) which revealed that demand uncertainty negatively predicts proactive

market orientation practices (e.g. customer centricity). Taking everything into consideration, this paper predicts that:

H1a. Industry competition significantly and positively relates to the implementation of customer centricity practices.

H1b. Technological turbulence significantly and positively relates to the implementation of customer centricity practices.

H1c. Demand uncertainty significantly and negatively relates to the implementation of customer centricity practices.

2.3. Link between customer centricity, marketing innovativeness and financial performance

Marketing innovativeness refers to the extent to which the firm experiments with new ideas and introduces new products and/or services to cater to market demand (Baker & Sinkula, 2009; O'Dwyer, Gilmore, & Carson, 2009). Interestingly, a new study in the Nigerian context claims that micro-sized firms, unlike bigger enterprises, are more likely to be more market innovative (Abdu & Jibir, 2018). It, therefore, makes empirical sense to examine the correlates of marketing innovativeness by testing the argument that customer centricity potentially correlates with marketing innovativeness. In short, related studies have previously theorized that being customer-focused enhances the firm's innovative outcomes (Baker & Sinkula, 2009; Han et al., 1998; Mahmoud et al., 2016). Indeed, it seems conceptually sound to predict that:

H2. The implementation of customer centricity practices significantly and positively relates to marketing innovativeness of the firm.

In addition to the test of direct association between customer centricity and marketing innovativeness, it is argued that there is an indirect association between customer centricity and financial performance of the firm such that marketing innovativeness mediates the association. The premise for this argument is based on recent research conducted in some emerging markets (most notably Chen, Weng, & Huang, 2018; Mahmoud et al., 2016). Drawing upon the research of Chen et al. (2018), it stands to reason that marketing innovativeness intersects the relationship between customer centricity and financial performance of the firm. Mahmoud et al.'s (2016) paper in the African context has also demonstrated that innovativeness of the services firm mediates the link between market orientation practices and business performance.

The reasoning here is that firms can acquire marketing innovations through the deliberate pursuit of customer centricity. In other words, firms through their deliberate interactions and co-creation with their customers can easily spot trends that in turn enables them to become increasingly innovative in the marketplace. With this, the firm can generate better economic returns than its close competitors. All this has led to the following prediction:

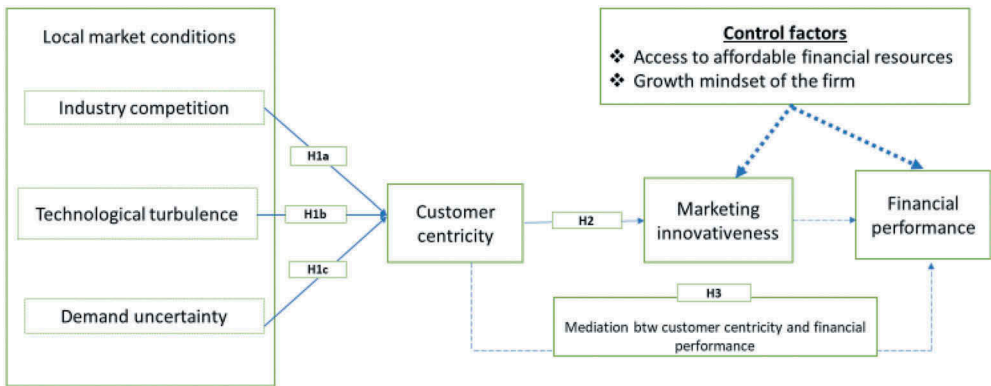


Figure 1. The conceptual model.

H3. The relationship between customer centrality and financial performance is significantly mediated by marketing innovativeness of the firm.

Based on the literature and arguments put forward, the conceptual model is presented in Figure 1.

3. Methodology

3.1. Measures and analytical approach

Consistent with prior research, this study uses well-established scales in the literature. There were equally few instances where new additions and/or modifications were made. The latent constructs and literary sources are reported in [Table 1](#).

In examining the relations among the studied constructs, this study consistent with the recommendations in the literature uses the PLS-SEM technique (e.g. Hair, Hollingsworth, Randolph, & Chong, 2017). PLS-SEM is strongly considered appropriate in research situation like this. More clearly, the overriding goal of this work is focused on theory building in customer centrality as the research issue remains presently underdeveloped in the literature. Finally, this study uses the software WarpPLS 6.0 (Kock, 2017).

3.2. Sample data and demographics

This research relies on the dataset collected from a larger survey which targeted domesticated firms in Nigeria and some of the data was also used in the researcher's doctoral thesis. (Data collections took place between the months of February and June 2016 covering firms located in four out of the six geopolitical zones in the country.) Because this study's prime focus is on the micro-sized firm, only completed responses from business leaders of this set of firms were used in this analysis. In the end, 102 completed responses from these firms were subjected to this study's empirical analysis.

In terms of demographic details, most of the firms in this study are ICT vendors who operate in a popular (mid-range) ICT cluster in Lagos known locally as Otigba village. They were also a few participating firms from the financial/professional consultancy

Table 1. Constructs and their sources.

Construct	Literature sources	Scale
Customer centricity	Gebauer et al., 2011; Macaulay, undated; This study	0 (Not at all) to 5 (Very large extent)
Marketing innovativeness	Che- Ha, Mavondo, & Mohd-Said, 2014	Same as above
Demand uncertainty	Jaworski & Kohli, 1993	1 (Strongly disagree) to 6 (Strongly agree)
Industry competition		
Technological turbulence		
Financial performance	Reimann, Schilke, & Thomas, 2010	1(Far worse) to 5 (Far better)
Access to affordable financial resources via formal financial intermediaries	Gutiérrez, Segura, & Pulido, 2013; This study	1 (Completely disagree) to 5 (Completely agree)
Growth mindset	Bradley, Wiklund, & Shepherd, 2011; Soininen, Puumalainen, Sjögrén, Syrjä, & Durst, 2013	Same as above

services industry, agriculture, hospitality and media industry. When asked to indicate the current phase of their businesses, more than half of them reported their businesses as being essentially a start-up (i.e. 1–4 years) and a few others stated their business is currently on a growth trajectory (i.e. above 4 years and the business is still growing). Unsurprisingly, there are some who stated that despite their businesses being over 4 years old they continue to struggle for survival. At the time of the survey exercise, most of the firms were, on average, 5 years old.

4. Results

4.1. Measurement model assessment

Consistent with common practices in the measurement literature, item loadings significance, composite reliabilities of the study constructs, average variance extracted were all assessed. Notably, it has been agreed upon that item loadings should be at least 0.6 for exploratory research. Construct reliability and average variance extracted of latent constructs should be 0.7 and 0.5, respectively. The results appear in Table 2. Most important, the results are consistent with recommendations in the literature (e.g. Hair et al., 2017).

Further, the results of the discriminant validity are presented in Table 3. Based on the presentations in Tables 2 and 3, this research exceeds the common thresholds in the literature (for details, see Hair et al., 2017).

4.2. Structural model assessment

Following Moqbel and Kock (2018) all the necessary model fit indices are reported in Table 4. Overall, estimates from Table 4 satisfy the common prescriptions in the literature suggesting adequacy of the structural model. (Note the significance testing has been implemented using the bootstrapping approach – 1000 resamples.)

To start with, emerging pattern from the analyses showed that, on average, both industry competition and technological turbulence positively predict customer centricity. Thus, there is support for *H1a* and *H1b* respectively. Whereas with reference to *H1c*

Table 2. Construct reliability and validity.

<i>Constructs and indicators</i>	<u>Loadings</u>
<i>Customer centrality</i> ($\bar{x} = 3.931$; $SD = 0.748$; $CR = 0.952$; $AVE = 0.768$; $Normal = No$)	
The Management models the customer-orientated behaviours they require in staff	0.790
Standards of service are set which are meaningful to the customer	0.903
The customer service message is constantly reinforced in our organization	0.886
Our processes are customer-friendly that helps us to quickly address the requests of high-valued customers and others	0.901
We work to develop long and strong relationships with our customers	0.876
We pay attention to the varying needs of customers and helping them to solve it in unique ways	0.898
<i>Industry competition</i> ($\bar{x} = 4.623$; $SD = 1.139$; $CR = 0.928$; $AVE = 0.865$; $Normal = No$)	
Our business/company operates in a highly intense business environment	0.931
There are many promotional 'wars' in our market	0.929
<i>Demand uncertainty</i> ($\bar{x} = 4.566$; $SD = 1.143$; $CR = 0.952$; $AVE = 0.908$; $Normal = No$)	
In the market, customers' preferences change quickly over time	0.937
Market demand and consumer tastes have been unpredictable	0.969
<i>Technological turbulence</i> ($\bar{x} = 4.745$; $SD = 1.222$; $CR = 0.973$; $AVE = 0.948$; $Normal = No$)	
The technology in our market is changing rapidly	0.974
Technological changes provide big opportunities in our industry	0.973
<i>Marketing innovativeness</i> ($\bar{x} = 3.810$; $SD = 0.937$; $CR = 0.929$; $AVE = 0.765$; $Normal = No$)	
We constantly modify our products and/or services to better serve our customers	0.832
We prefer to be the first in the market with new products/services	0.905
Management rewards individuals for innovative ideas	0.847
Our organization invests in applied research and development	0.913
<i>Financial performance</i> ($\bar{x} = 3.966$; $SD = 0.904$; $CR = 0.963$; $AVE = 0.896$; $Normal = No$)	
Return on Investment	0.937
Profit Growth	0.963
Reaching Financial Goals	0.940
<i>Control factor 1: Growth mindset</i> ($\bar{x} = 3.958$; $SD = 0.972$; $CR = 0.939$; $AVE = 0.885$; $Normal = No$)	
We are going to expand our business to new customer segments	0.909
We are going to expand our product/service offerings	0.972
Aiming for rapid growth is what drives this organization (Item dropped – low loading)	–
Control factor 2: Access to affordable financial resources via formal financial intermediaries ($\bar{x} = 2.697$; $SD = 1.076$; $CR = 0.947$; $AVE = 0.819$; $Normal = Yes$)	
There are enough means of financing from private financial entities for our organization	0.914
We think that the banks facilitate granting credit to organizations like ours	0.976
We think that the financial system provides adequate support to businesses like ours	0.968
The bank makes reasonable demand for collateral security	0.743

\bar{x} = mean; SD = standard deviation; CR = composite reliability; AVE = average variance extracted; $Normal$ = normally distributed (robust Bera–Jarque). All loadings are significant at the $P < 0.001$ level.

Table 3. Inter-construct correlation matrix and discriminant validity.

	1	2	3	4	5	6	7	8
	Demand uncertain.	Industry compete.	Tech. turbulenc.	Cust. centric.	Mkt. innovat.	Fin. Perform.	Fin. access	Growth orient.
1.	0.953							
2.	0.783	0.930						
3.	0.724	0.837	0.974					
4.	0.387	0.592	0.564	0.876				
5.	0.409	0.586	0.602	0.755	0.875			
6.	0.483	0.561	0.533	0.499	0.535	0.946		
7.	0.003	0.108	0.240	0.181	0.254	0.223	0.905	
8.	0.220	0.209	0.203	0.385	0.356	0.071	0.109	0.941

Square roots of average variances extracted (AVEs) shown on diagonal.

the study fails to establish significant relationship between demand uncertainty and customer centrality, though the direction appears to be positive. This mixed evidence offers opportunity for further investigation.

Table 4. Model fit indices.

Index	Value	Interpretation
Average path coefficient (APC)	0.307	$P < 0.001$
Average R -squared	0.463	$P < 0.001$
Average block VIF	1.846	Acceptable if ≤ 5
Average full collinearity VIF	2.743	Acceptable if ≤ 5
Tenenhaus Goodness-of-fit	0.630	Small ≥ 0.1 , medium ≥ 0.25 , large ≥ 0.36
Standardized root mean squared residual	0.078	Acceptable if ≤ 0.1
Standardized mean absolute residual	0.063	Acceptable if ≤ 0.1
Stone-Geisser Q^2	0.362–0.608	Acceptable if > 0

0.362 (Financial performance); 0.387 (Customer centricity); 0.608 (Marketing innovativeness).

Concerning the relationship between customer centricity, marketing innovativeness and financial performance, the study finds support for *H2* and *H3* after controlling for the factors of access to affordable credit via financial intermediaries and growth mindset. Put more clearly, there is a consistent pattern that the implementation of customer centricity positively relates to marketing innovativeness. The link between customer centricity and firm performance is partially mediated by marketing innovativeness.

Concerning the two control factors, analyses show that they had little or no influence on the model. As such the results are not presented here. Finally, the results of hypotheses testing are summarized in [Table 5](#).

4.3. Robustness check on mediation analysis and post-hoc power assessment

To ensure robustness of the finding from the mediation analysis, the result of the PLS analysis using WarpPLS was complemented using the SPSS macro designed by Hayes (2013: Model 4) with 5000 bootstraps resamples. The results are generally consistent with what has been reported in [Table 5](#). The indirect effect estimate was 0.320 with confidence intervals ranging between 0.102 and 0.553. The ratio of indirect to total effect was 0.498 indicating partial and complementary mediation between customer centricity and financial performance. All this offers valid support for *H3*.

Consistent with the recent reasoning in the literature (Kock & Hadaya, 2018, p. 246), this study finds the required minimum sample size with a statistical power of 0.85 and alpha-level of 0.05 to be between 71 and 86 responses. This is based on the minimum absolute significant path coefficients of 0.29, i.e. the path between technological turbulence and customer centricity. Because the research sample size exceeds the minimum requirements, this, therefore, implies that the research estimates approximate to the true population values.

5. Discussion and contributions to research

The goal of this study was to increase research comprehension on customer centricity. This paper has identified the significant external forces that could affect the practice of customer centricity in micro-sized firms. Furthermore, the paper identifies the mediating mechanism between customer centricity and financial performance. Specifically, the study demonstrates that local market conditions (including industry competition and

Table 5. Structural path coefficients' estimates.

Predicted variable	Predictor variable	Std. coefficient	T-value	Std. Error	Confidence intervals	R-squared	Remarks
Customer centrality	Industry competition	0.505	3.460	0.146	[0.219, 0.792]	0.546	<i>H1a</i> supported
	Technological turbulence	0.293	2.340	0.125	[0.048, 0.538]		<i>H1b</i> supported
	Demand uncertainty	0.201	1.109	0.181	[-0.154, 0.556]		<i>H1c</i> Not supported
Marketing innovativeness	Customer centrality	0.676	9.177	0.074	[0.532, 0.821]	0.604	<i>H2</i> supported
	Marketing innovativeness	0.452	4.042	0.112	[0.233, 0.671]	0.238	Not directly hypothesised
Mediation							
Relations			Indirect effect estimate	Std. Error	P-value	Effect size	
Customer centrality → marketing innovativeness → financial performance			0.306	0.087	<0.001	0.152	<i>H3</i> supported Partial (complementary) mediation

The control factors (access to finance and growth orientation) had no significant effect on the criterion variables (marketing innovativeness and financial performance), hence omitted from Table 5.

technological turbulence) contribute to the practice of customer centricity among micro-sized firms.

Although many micro-sized firms as well as other small businesses in Nigeria are persistently faced with resource shortages, this set of firms, as this study has shown, continues to be resilient in the face of extreme market conditions. Surely, customer centricity is at best modestly implemented in Nigeria's micro-sized firms; it has a mean value of 3.93 out of a possible 6 (see [Table 2](#) for details). But what is far more instructive there seems to be that greater intensity of industry competition ($\bar{x} = 4.62$) as well as that of technological turbulence ($\bar{x} = 4.75$) necessitates the adoption of customer centricity in this context. This initial finding, the author believes, can be cautiously exported to many African business environments where competitive rivalry among private businesses has increased sharply since the turn of the century. Thus, making the practice of customer centricity an important tool for survival and possibly long-term success.

In fact, it can be argued that many firms today would not want to implement customer centricity, mainly due to the costs involved, but because of environmental pressures (including industry competition and technological turbulence) these firms are now increasingly forced to invest resources in customer centricity practices. As such, for micro-sized firms that want to sustain their long-term survival in the market, it seems that local market conditions predict their adoption of customer centricity. Empirically, this study lends some weight to claims that were made in prior related studies (e.g. Avlonitis & Gounaris, 1999; Chovancová et al., 2015; Sheth et al., 2000). Thus, widening our understanding of the importance of external marketing stimuli such as the degree of industry competition to the cultivation of customer centricity as well as other important marketing practices.

In addition to the above, the empirical finding that customer centricity is an important source of marketing innovativeness indicates the value of constantly engaging with customers and co-creating with profitable customers. With this, the micro-sized firm, despite its limited resources, stands a chance of making incremental marketing innovations over time. In fact, a new study has found that micro-sized firms are more market innovative than the domesticated large enterprises in Nigeria (Abdu & Jibir, 2018). This paper, therefore, advances theoretical discussion on marketing innovativeness by providing initial evidence that customer centricity enhances the capacity of the (Nigerian) micro-sized firm to innovate. Overall, the theoretical insights shared in this paper can help firms overcome some of the barriers hindering their capacity to innovate. One practical solution, among others, is for business leaders to deepen their conversations with customers and co-create with some of their more profitable customers whenever possible. In short, leaders of micro-sized firms are strongly advised to partner more with their most profitable customers.

Furthermore, there is a consistent pattern that marketing innovativeness mediates the customer centricity-performance nexus. This finding is compatible with two studies that were recently carried out in a closely related domain (for details see Chen et al., 2018; Mahmoud et al., 2016). Most important, the study has contributed to the debate on customer centricity as it has unpacked how this important issue contributes to improved firm performance via the intervening factor of marketing innovativeness. To the researcher's knowledge, this is among the first, if not even the

first paper, in the scientific literature to find evidence that marketing innovativeness mediates the customer centricity-financial performance link. This finding has shown that the route between customer centricity and firm performance is less straightforward in practice. At the same time, it reinforces the idea put forward in prior research that the implementation of customer centricity practices holds immense value to firms (Lamberti, 2013; Ross, 2009; Sheth et al., 2000; see also Smirnova et al., 2018). In short, the evidence drawn from this research apparently suggests that the practice of customer centricity is orthogonal to firm size, meaning that it is pivotal for all businesses.

As this study has demonstrated, the implementation of customer centricity can assist the firm in upgrading its marketing innovation capabilities which in turn improves financial performance.

6. Concluding thoughts

Although this study has genuinely sought to improve our understanding of the research issue of customer centricity in the context of micro-sized firms, we should discuss its limitations. One important limitation concerns the fact that this study was undertaken in a single country which makes it harder to generalize the research findings across countries. As such, additional research is needed to be able to draw strong conclusions from this study.

Furthermore, this paper encourages investigators to properly scrutinise the conceptual model guiding this work. To extend research in customer centricity, it is reasonable to consider the link between organisational learning and customer centricity. Additional research could consider local market conditions as contingencies in the suggested link. Similarly, the role of organisational culture (e.g. clan-based and adhocracy culture) and leadership styles, especially in the micro to medium-sized firm environment, deserves attention.

To summarize, this study has just described that local market conditions (including industry competition and technological turbulence) positively shape the implementation of customer centricity, whereas the macroenvironmental factor of demand uncertainty was statistically unrelated to the implementation of customer centricity practices. In addition, the study has shown that marketing innovativeness partially mediates the link between customer centricity and financial performance. Hopefully, business leaders as well as academics will benefit from this initial analysis.

Disclosure statement

No potential conflict of interest was reported by the author.

References

- Abdu, M., & Jibir, A. (2018). Determinants of firms innovation in Nigeria. *Kasetsart Journal of Social Sciences*, 39(3), 448–456.
- Avlonitis, G. J., & Gounaris, S. P. (1999). Marketing orientation and its determinants: An empirical analysis. *European Journal of Marketing*, 33(11/12), 1003–1037.

- Baker, W.E., & Sinkula, J.M. (2009). The complementary effects of market orientation and entrepreneurial orientation on profitability in small businesses. *Journal of Small Business Management*, 47(4), 443–464.
- Bradley, S. W., Wiklund, J., & Shepherd, D. A. (2011). Swinging a double-edged sword: The effect of slack on entrepreneurial management and growth. *Journal of Business Venturing*, 26, 537–554.
- Che-Ha, N., Mavondo, F. T., & Mohd-Said, S. (2014). Performance or learning goal orientation: Implications for business performance. *Journal of Business Research*, 67(1), 2811–2820.
- Chen, J.-S., Weng, R.-H.-H., & Huang, C.-L. (2018). A multilevel analysis of customer engagement, its antecedents, and the effects on service innovation. *Total Quality Management & Business Excellence*, 29(3–4), 410–428.
- Chovancová, M., Osakwe, C. N., & Ogbonna, B. U. (2015). Building strong customer relationships through brand orientation in small service firms: An empirical investigation. *Croatian Economic Survey*, 17(1), 111–138.
- Ernst & Young. (2013). *The journey toward greater customer centricity* (p. 19). Retrieved January 5, 2016, from [http://www.ey.com/Publication/vwLUAssets/The_journey_toward_greater_customer_centricity_-_US/\\$FILE/Customer_Centricity_Paper_29_April_Final_US.pdf](http://www.ey.com/Publication/vwLUAssets/The_journey_toward_greater_customer_centricity_-_US/$FILE/Customer_Centricity_Paper_29_April_Final_US.pdf)
- Frankenberger, K., Weiblen, T., & Gassman, O. (2013). Network configuration, customer centricity, and performance of open business models: A solution provider perspective. *Industrial Marketing Management*, 42(5), 671–682.
- Gebauer, H., Gustafsson, A., & Witell, L. (2011). Competitive advantage through service differentiation by manufacturing companies. *Journal of Business Research*, 64(12), 1270–1280.
- Griffith, D. A., Kiessling, T., & Dabic, M. (2012). Aligning strategic orientation with local market conditions: Implications for subsidiary knowledge management. *International Marketing Review*, 29(4), 379–402.
- Guo, C., Kulviwat, S., Zhu, J., & Wang, Y. J. (2017). Competing in an emerging market: Antecedents and consequences of market orientation and the role of environmental factors. *Journal of Strategic Marketing* (in press), 1–20. doi:10.1080/0965254X.2017.1411386
- Gutiérrez, G. V., Segura, J. L. C., & Pulido, D. U. (2013). Antecedents of growth modes: The role of firm resources and institutional factors. *XVII Congreso Internacional de Contaduría, Administración e Informática*, Octubre 2, 3 y 4., Ciudad Universitaria, Mexico.
- Hair, J., Hollingsworth, C. L., Randolph, A. B., & Chong, A. Y. L. (2017). An updated and expanded assessment of PLS-SEM in information systems research. *Industrial Management & Data Systems*, 117(3), 442–458.
- Han, J. K., Kim, N., & Srivastava, R. K. (1998). Market orientation and organizational performance: Is innovation a missing link? *Journal of Marketing*, 62(4), 30–45.
- Hayes, A. F. (2013). Model templates for PROCESS for SPSS and SAS. Retrieved May 22, 2015, from <http://www.afhayes.com/>
- Jaworski, B. J., & Kohli, A. K. (1993). Market orientation: Antecedents and consequences. *Journal of Marketing*, 57, 53–70.
- Kock, N. (2017). *WarpPLS 6.0 user manual*. Laredo, Texas: ScriptWarp Systems.
- Kock, N., & Hadaya, P. (2018). Minimum sample size estimation in PLS-SEM: The inverse square root and gamma-exponential methods. *Information Systems Journal*, 28(1), 227–261.
- Lamberti, L. (2013). Customer centricity: The construct and the operational antecedents. *Journal of Strategic Marketing*, 21(7), 588–612.
- Lee, J.-Y., Sridhar, S., & Palmatier, R. W. (2015). Customer-Centric org charts aren't right for every company. *Harvard Business Review*. Retrieved February 13, 2017, from <https://hbr.org/2015/06/customer-centric-org-charts-arent-right-for-every-company>
- Macaulay, S. (undated). *The customer-centric organisation*. (Critical Guide.) UK: Knowledge Interchange: Cranfield University School of Management. Retrieved February 4, 2016, from http://www.som.cranfield.ac.uk/som/dinamic-content/media/knowledgeinterchange/ak_test/The%20Customer%20Centric%20Organisation/guide.pdf
- Mahmoud, M. A., Blankson, C., Owusu-Frimpong, N., Nwankwo, S., & Trang, T. P. (2016). Market orientation, learning orientation and business performance: The mediating role of innovation. *International Journal of Bank Marketing*, 34(5), 623–648.

- Moqbel, M., & Kock, N. (2018). Unveiling the dark side of social networking sites: Personal and work-related consequences of social networking site addiction. *Information & Management*, 55(1), 109–119.
- Nieves, J., & Diaz-Meneses, G. (2016). Antecedents and outcomes of marketing innovation: An empirical analysis in the hotel industry. *International Journal of Contemporary Hospitality Management*, 28(8), 1554–1576.
- O'Dwyer, M., Gilmore, A., & Carson, D. (2009). Innovative marketing in SMEs: A theoretical framework. *European Business Review*, 21(6), 504–515.
- Reimann, M., Schilke, O., & Thomas, J. S. (2010). Toward an understanding of industry commoditization: Its nature and role in evolving market competition. *International Journal of Research in Marketing*, 27, 188–197.
- Ross, B. (2009). Ten tips to winning at consumer centricity: For retailers and manufacturers. *Journal of Consumer Marketing*, 26(6), 450–454.
- Shah, D., Rust, R. T., Parasuraman, A., Staelin, R., & Day, G. S. (2006). The path to customer centricity. *Journal of Service Research*, 9(2), 113–124.
- Sheth, J. N., Sisodia, R. S., & Sharma, A. (2000). The antecedents and consequences of customer – Centric marketing. *Journal of the Academy of Marketing Science*, 28(1), 55–66.
- Smirnova, M. M., Rebiazina, V. A., & Frösén, J. (2018). Customer orientation as a multidimensional construct: Evidence from the Russian markets. *Journal of Business Research*, 86, 457–467.
- Soininen, J. S., Puumalainen, K., Sjögrén, H., Syrjä, P., & Durst, S. (2013). Entrepreneurial orientation in small firms – Values-attitudes-behavior approach. *International Journal of Entrepreneurial Behaviour & Research*, 19(6), 611–632.
- Sternad, D., Krenn, M., & Schmid, S. (2017). Business excellence for SMEs: Motives, obstacles, and size-related adaptations. *Total Quality Management & Business Excellence*. in press. doi:[10.1080/14783363.2017.1300054](https://doi.org/10.1080/14783363.2017.1300054)
- van den Hemel, C., & Rademakers, M. F. (2016). Building customer-centric organizations: Shaping factors and barriers. *Journal of Creating Value*, 2(2), 211–230.
- Wang, Y., Zeng, D., Di Benedetto, C. A., & Song, M. (2013). Environmental determinants of responsive and proactive market orientations. *Journal of Business & Industrial Marketing*, 28(7), 565–576.