A STUDY RELATING TO AWARENESS AND RECOGNITION OF CUSTOMER CAPITAL BY ACCOUNTING PROFESSIONALS

Dr. V Shanthi

Associate Professor & Head

Department of Corporate Secretaryship

Etrhiraj College for Women, Chennai, India

ABSTRACT

Customer capital or relationships bring value to the firm as measured by sales and cost (Sullivan 2000). It is evaluated by several means such as customer satisfaction index, the acquisition of new customers and the market share of customers in the industry. Careful monitoring of the supplier capital will lead to a reduction in cost and an increased assurance of supply for the organization. Thus, the customer and trade partners' relationship is considered an important determinant of IC.

Key Words: Customer capital, Intellectual Capital, Customer relationships

INTRODUCTION

Customer relationships are considered by many as the most important component of relational capital. The new business environment requires companies to shift from being product-centric to being customer-centric. No doubt, the customers' contribution to current and future revenues is fundamental in assessing how successful an organization is in turning customer relationships into sustainable competitive advantage. Customer Capital (CC) is a kind of accumulated knowledge between a company and its customers. It costs more to sell a product to a new customer than it does to sell the same product to an existing customer. Customer capital includes community capital, which refers to trust relationships based corporate ethics and a powerful sense of shared destiny. Hence, the current corporations manage a network of several partnerships which plays an increasingly important role in maintaining and managing a company's competitive edge.

REVIEW OF LITERATURE

A strong and loyal customer base is fundamental to achieving economic success (Aaker, 1991, 1996; Fornell, Johnson, Anderson, Cha & Bryant, 1996: Keller, 1993). Customer capital includes relationships with constituent groups other than customers. For example, one aspect of relational capital is partnership, which relates strategic alliances, collaborative relationships, business partnerships, joint ventures, and industry associations that help build reputation and industry standing (Lev, 2001). Kogut and Zander (1996) have proposed that a firm be understood as a social community specializing in the fast and efficient creation and transfer of knowledge. Community denotes trust, cooperation, and collective action in communities (Nahapiet & Ghoshal, 1998). In order to strengthen and improve the relationship with customers, it is imperative for businesses to monitor its competitive position and check whether customer related investments show a better return than any other, establish the type of customers that are best for the organization and must measure effectiveness, efficiency and the return on investment of the tools and techniques that were designed to improve the customer relationship. Based on the review of literature the 15 indicators have been identified to assess the awareness and recognition of Customer Capital.

OBJECTIVES OF THE STUDY

- To study the level of awareness and also the Recognition of Customer Capital Indicators

- To study the impact of the Level of IT Literacy and Professional Qualification on Customer Capital Indicators

METHODOLOGY

The analysis pertaining to identifying the level of awareness and recognition about Customer Capital - a component of IC among accounting professionals in their reporting, using Likert five point scale on a set of 15 indicators - Business growth, Repeat customers, Sales to customers, Customer loyalty, Customer satisfaction Customer complaints. Customer network, No. of alliances, Customer employee ratio, Market share, Profit per employee, Customer time, Service expenses, Turnaround time and New customer cost. Mean, Standard deviation and ANOVA were the statistical tools used for analysis. The sample consist of 440 accounting professionals.

AWARENESS OF CUSTOMER CAPITAL INDICATORS

The mean and standard deviation on 15 indicators are given in the below table 1.

TABLE 1 – MEAN AND STANDARD DEVIATION OF AWARENESS ON CC INDICATORS

CC Indicators	Mean	Std. deviation
Business growth	4.12	1.043
Repeat customers	3.78	1.158
Sales to customers	3.74	1.162
Customer loyalty	.3.90	1.163
Customer satisfaction	4.20	1.088
Customer complaints	3.90	1.232
Customer network	3.66	1.142
No. of alliances	3.42	1.135
Customer employee ratio	3.35	1.234
Market share	3.59	1.258
Profit per employee	3.45	1.271
Customer time	3.42	1.235
Service expenses	3.43	1.239
Turn around time	3.63	1.169
New customer cost	3.52	1.257

The above table clearly indicates that the level of awareness of accountants on the fifteen attributes of customer capital is above average. Generally accountants show more awareness on customer oriented attributes such as, business growth, customer satisfaction, customer loyalty, customer complaints, sales to customers, customer network, repeat customers turnaround time, market share , new customer cost, its mean values are relatively high which is more than 3.5. Awareness is moderate pertaining to attributes like no. of alliance, profit per employee, customer time and service expenses. The customer–employee attributes awareness is the least.

RECOGNITION OF CUSTOMER CAPITAL INDICATORS

The next level of analysis was carried out about the recognition of customer capital components. Usage of these fifteen CC indicators in their reporting are given in table 2

TABLE 2 – MEAN AND STANDARD DEVIATION OF RECOGNITION OF CC INDICATORS

CC Indicators	Used in Reporting	Not used in Reporting	Undecided
Business growth	333 (75.7)	36 (8.2)	71 (16.1)
Repeat customers	286 (65)	82 (18.6)	72 (16.4)
Sales to customers	285 (64.8)	88 (20)	67 (15.2)
Customer loyalty	270 (61.4)	98 (22.3)	72 (16.4)
Customer satisfaction	337 (76.6)	31 (7)	72 (16.4)
Customer complaints	293 (66.6)	70 (15.9)	77 (17.5)
Customer network	251 (57)	113 (25.7)	76 (17.3)
No. of alliances	247 (56.1)	120 (27.3)	73 (16.6)
Customer employee ratio	211 (48)	152 (34.5)	77 (17.5)
Market share	244 (55.5)	122 (27.7)	74 (16.8)
Profit per employee	226 (51.4)	138 (31.4)	76 (17.3)
Customer time	215 (48.9)	145 (33)	80 (18.2)
Service expenses	223 (50.7)	140 (31.8)	77 (17.5)
Turn around time	263 (59.8)	104 (23.6)	73 (16.6)
New customer cost	236 (53.6)	134 (30.5)	70 (15.9)

The above table indicates that more than 50 percent of the sample has agreed on the use of each of the customer capital indicators 8 to 33 percent of respondents have disagreed to the usage of these indicators and only 15 to 17 percent of the sample is indecisive. This reveals that nearly 50 percent of the sample accountants are applying the customer capital indicators in their reporting.

After identifying the level of awareness and recognition of the Customer Capital indicators among the accounting professionals, the relationship between the level of IT literacy and professional qualification of

the accountants with respect to the level of awareness about these indicators were analyzed. ANOVA was carried to test the difference in mean value of different groups based on IT literacy (low level, medium level and high level).

IMPACT OF THE LEVEL OF IT LITERACY ON CUSTOMER CAPITAL INDICATORS AWARENESS

The mean value of accountants' perception together with F value and its significance level on 15 CC indicators based on the three categories of IT literacy are given in table 3

TABLE 3 – MEAN AND F VALUES OF RC INDICATORS RELATED TO IT LITERACY LEVELS

CC Indicators	Level of IT literacy			F-value	P
	Low	Medium	High		
Business growth	4.22	4.06	4.22	1.189	0.305
Repeat customers	3.91	3.69	4.00	2.215	0.110
Sales to customers	3.90	3.63	3.97	3.194	0.042
Customer loyalty	4.02	3.87	3.75	1.137	0322
Customer satisfaction	4.23	4.17	4.28	0.217	0.805
Customer complaints	4.04	3.82	3.97	1.466	0.232
Customer network	3.77	3.61	3.69	0.831	0.436
No. of alliances	3.61	3.38	3.00	4.645	0.010
Customer employee ratio	3.51	3.27	3.42	1.673	0.189
Market share	3.87	3.50	3.25	5.419	0.005
Profit per employee	3.70	3.33	3.33	3.974	0.019
Customer time	3.60	3.36	3.25	2.047	0.130
Service expenses	3.55	3.37	3.44	0.958	0.385
Turn around time	3.87	3.50	3.78	4.960	0.007
New customer cost	3.71	3.40	3.72	3.187	0.042

The mean values based on IT literacy rate are more than 3.0 for all the 15 indicators. The ANOVA results indicate that no significant difference exists among these different categories or groups pertaining to 9 indicators namely business growth, repeat customers, customer loyalty, customer complaints, customer satisfaction, customer network, customer employee ratio, service expenses, and turnaround time. Only on indicators such as sales to customers, no. of alliances, market share, and profit per employee, customer time and new customer cost, there is significant difference noticed. It is concluded that perception of the customer capital indicators do not vary significantly for various levels of IT literacy of the respondents.

PROFESSIONAL QUALIFICATION AND AWARENESS OF CUSTOMER CAPITAL INDICATORS

The next level of analysis concerning customer capital indicators was carried out based on accountants' professional qualification. The mean values of accountants' perception on fifteen CC indicators are given in table 4

TABLE 4 – MEAN VALUES AND F VALUES OF CC INDICATORS RELATED TO PROFESSIONAL QUALIFICATION

CC Indicators	CA	ICWA	ACS	Others	F-value	P
Business growth	4.17	4.18	4.00	4.06	0.477	0.699
Repeat customers	3.74	3.82	3.65	3.86	0.447	0.719
Sales to customers	3.56	3.75	3.92	3.97	3.876	0.009
Customer loyalty	4.09	3.75	3.35	3.79	4.845	0.003
Customer satisfaction	4.21	4.14	3.96	4.23	0.535	0.659
Customer complaints	3.90	4.02	3.92	3.85	0.258	0.855
Customer network	3.60	3.73	3.73	3.72	0.456	0.713
No. of alliances	3.40	3.53	3.27	3.43	0.331	0.803
Customer employee ratio	3.22	3.35	3.62	3.50	1.975	0.117
Market share	3.55	3.76	3.38	3.63	0.695	0.556
Profit per employee	3.30	3.39	3.42	3.68	2.671	0.047
Customer time	3.33	3.45	3.54	3.52	0.802	0.493
Service expenses	3.30	3.80	3.96	3.40	4.002	0.008
Turnaround time	3.59	4.12	3.35	3.57	3.733	0.011
New customer cost	3.39	4.08	3.65	3.50	4.297	0.005

It was noticed that the mean values among the categories were evenly distributed and its F values also indicated that for the majority of indicators there exists no significant difference. Only on indicators namely sales to customers, customer loyalty, profit per employee, service expenses, turnaround time and new customer cost, significant difference is identified. Hence it can be concluded that the perceptions of majority of the CC indicators do not vary significantly in relation to the professional qualification of the accountants.

FINDINGS

To sum up, from the above analysis it is inferred that the majority of the indicators of Customer Capital have gained a fairly good recognition. Among the sample accountants 50-80 percent has consented to the usage of customer capital indicators. This indicates that the accounting professionals recognize that the organization's most valuable asset is its people, including their know-how, skills and experience.   It is understood that the accounting professionals' level of awareness and recognition is high on customer capital.

Variations are not exhibited in the perceptions of customer capital indicators in relation to IT literacy level of the respondents. The analysis also depicts that there is no significant variations in the perception of Customer Capital indicators based on the professional qualification of the respondents.

CONCLUSION

Intellectual capital is critically important in Knowledge-based organizations and is becoming increasingly important in every other type of organization. Therefore it is vital that intellectual assets be well understood and properly managed if organizations are to compete successfully in today's global economy. Recognition, managing and reporting Intellectual capital is of primary importance in the business economy. This

indicates that every organization should begin its quest for better understanding and expertise in managing the pre eminent assets for creating wealth in the future-Intellectual capital.

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