Comparative Analysis among marketing research, customer knowledge and company sales

Nishant

Ph.D. Research Scholar, Dept. of Business Administration, CDLU, Sirsa

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ABSTRACT

Customer knowledge, Marketing research and company sales are the most important knowledge bases for an organisation. Organisation needs a simple framework for integrating customer knowledge management processes. The article starts by examining the two key disciplinary and process contributions from knowledge management (KM) and customer relationship management (CRM). In the context of KM the need to integrate data, information and knowledge management, the diversity of models of knowledge management processes, and types of customer knowledge are explored. In relation to CRM, the distinction between notions of relationship marketing and the embodiment of customer relationship management in systems is surfaced, together with the recognition that CRM systems can operate at operational, analytical or collaborative levels. Recent research on customer knowledge management includes work that includes perspectives on systems, marketing and learning. A customer-centric organisation needs to articulate a model of its CKM processes that embraces knowledge for, about and from customers. This needs to inform the architecture of integrated business and organisation processes, including those processes associated with CRM and KM systems. An important aspect of this architecture is the relationship between data management, information management and knowledge management.

INTRODUCTION

The changing organisational environment has driven interest in organisational learning and knowledge management (KM) (Prusak, 1997). The basic economic resource is no longer capital, natural resources or labour, but is and will be knowledge (Drucker, 1993). Many studies have confirmed customer knowledge as one of the most important knowledge bases for an organisation, and a category of knowledge that should be at the forefront of knowledge management initiatives. (Bennet and Gabriel, 1999, Chase, 1997). There is no doubt that customer data exists in organisations and business processes, and that without any new interventions that data is converted into information, and knowledge. Such processes have always existed. The objective of Customer Knowledge Management (CKM) is to establish whether these processes are optimal. Ultimately any model of CKM and its processes, and any mappings between such processes and business processes should provide a basis for a customer knowledge competence audit, so that businesses can assess the performance of their CKM.

Customer knowledge management is at the origin of most improvements in customer value (Novo, 2001). Vendors of Customer Relationship Management (CRM) and business intelligence solutions claim that data collected at the customer interface can be translated into business intelligence and customer knowledge, yet the success rate with CRM implementations has been notoriously low (Winer, 2001). Recent research by the Gartner Research Group in North America found that 55% of all CRM projects fail to produce results (Rigby et al, 2002) Another study found that the two biggest challenges in implementing CRM strategies were internal organisational issues and the ability to access all relevant information. The evidence suggests that for CRM to be successful organisations need to examine how they manage customer information internally; many organisations have a lot of data about their customers but less insight into how they might use this information to support knowledge based processes. Various authors have recognised the need for, and absence of, a simple and integrated framework for the management of customer knowledge (Winer, 2001, Bose and Sugumaran, 2003, Massey et al, 2001, Parasuram and Grewal, 2000). Whilst KM systems manage an organisation's

knowledge through the processes of creating, structuring, disseminating and applying knowledge to enhance organisational performance and create value, traditional CRM systems have focussed on the transactional exchanges that manage customer interactions. There is a need for a single, unified and comprehensive view of customer needs and preferences across all business functions, points of interaction, and audiences (Shoemaker, 2001, Tiwana, 2001, Wiig, 1999). Despite

some recent work on the integration between traditional CRM systems and their functionalities and the management and application of knowledge (Bose and Sugumaran, 2003, Gebert et al, 2003) as discussed later in this article, understanding of customer knowledge management processes and competencies is at an early stage, and merits further attention. The purpose of this article is to review current research and developments in the area of customer knowledge management with a view to the identification of future research and development agendas. It is anticipated that customer knowledge management processes are inimitable and immobile (Campbell, 2003, Li and Calantone, 1998), so ultimately each organisation will need to develop its own unique customer knowledge management process. The purpose of academic deliberation and theory-making is to provide some general models and conceptual frameworks that pose questions on which organisations can deliberate in the development of their own solutions.

MARKET RESEARCH TO UNDERSTAND CUSTOMER MOTIVATIONS & SALES

Dick & Basu (1994) propose that behaviours are driven by attitudinal antecedents (cognitive, affective and conative), which are then moderated by social norms and situational influences. Huddleston et al (2004) build on this work to show that an individual's motivations for using a particular retail store are based on a mixture of these attitudinal antecedents, situational influences and social norms. Our research builds further on this approach. The overall approach can be summarised as the Customizer Model shown in Figure 1.
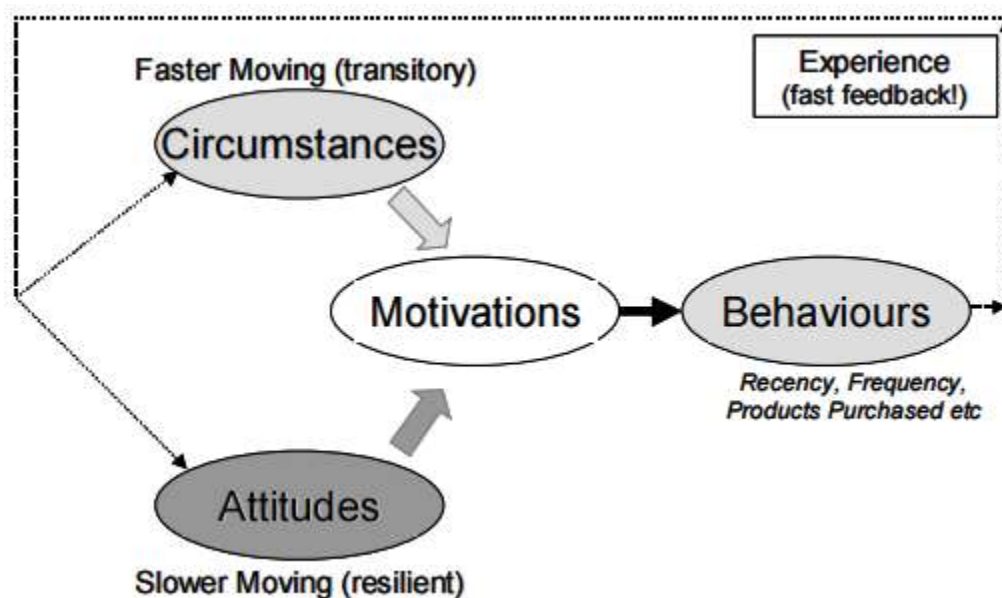

Figure 1: Customizer Motivational Model

Statistical techniques are employed to compare the attitudes (cognitive, affective and conative), circumstances (situational factors and social norms) and purchases (recency, frequency and value) of a large sample (3,000) of customers, and so develop predictive models of segmented customer behaviour. Given each customer's circumstances, the aim is to identify which attitudes most closely correspond to particular purchasing behaviours, and so better predict customers' likely responses to new and existing propositions. It is worth noting that all of this work is carried out with the explicit consent of the respondent, and in complete anonymity ensuring that no individual is identifiable from the data under analysis. This approach is very similar to Leventhal's (1997) fusion approach, but with two major differences. Firstly, Leventhal only really considers circumstantial and purchasing data. Our approach also includes a large element of attitudinal data. Secondly, Leventhal focuses on identifying the degree of customer engagement with the category, while our approach focuses much more on understanding the customers' motivations for that engagement.

This approach can be illustrated by presenting case study material for a European gardening retailer where, with the respondents' express permission, we have combined the findings of a dedicated usage and attitude survey with loyalty card transaction data for a sample of over 3000 cardholders. Data analysis was carried out to identify the most statistically significant attitudinal and circumstantial factors that appear to be driving customer purchasing decisions. For our gardening retailer this enabled motivational models explaining various aspects of garden shopping to be developed. The actual results are confidential but Figure 2 shows the type of model to explain one such factor, visit frequency. As can be seen, the key

drivers can be identified enabling the retailer to produce more tailored propositions. For example, a marketing campaign offering vouchers to redeem instore appears to be as motivating for a keen gardener as it is for someone who just wants to clear the weeds from their front garden as long as they live close to the store.
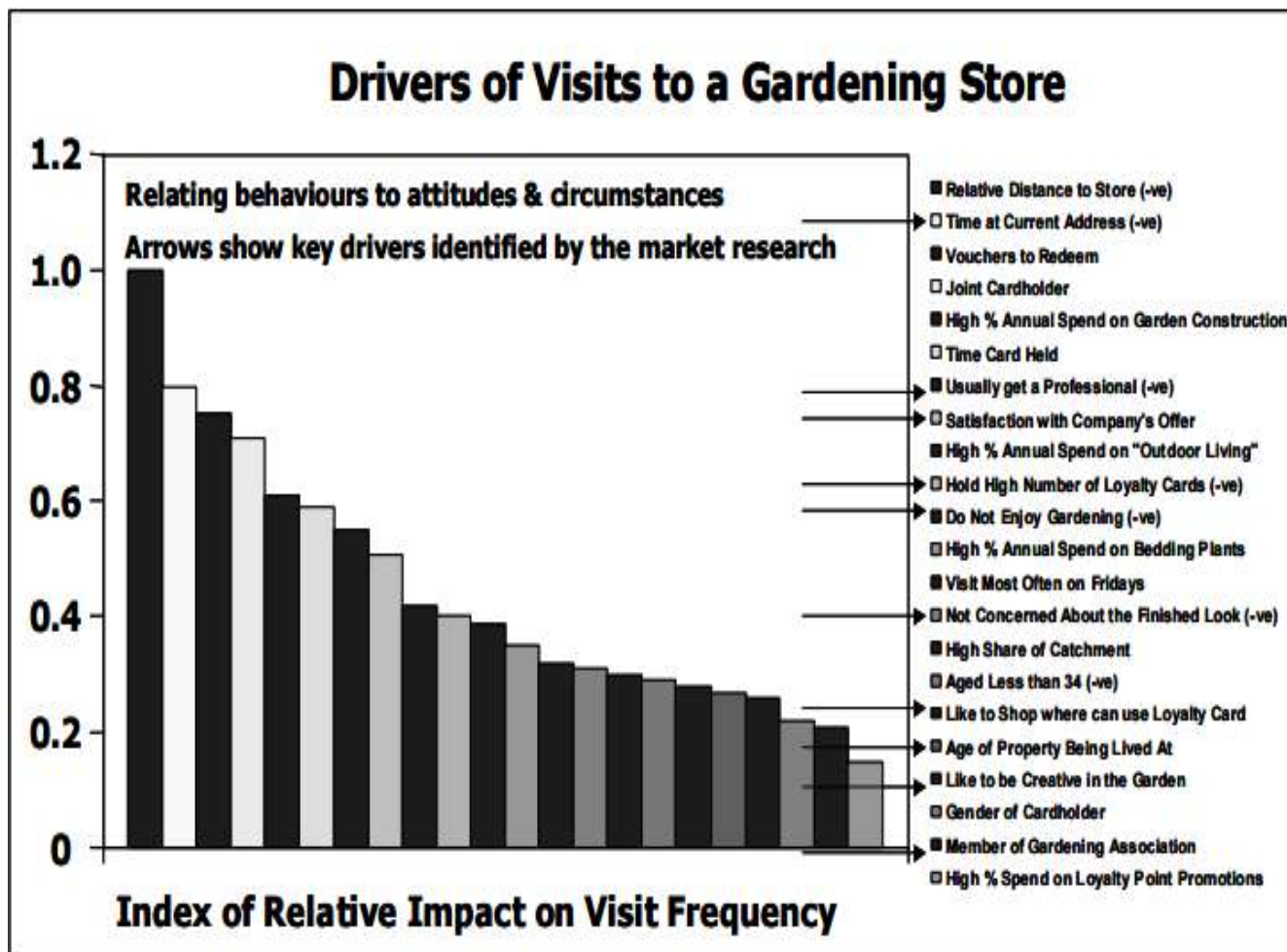

Figure 2: Drivers of Visits to a Gardening Store

For each of Dick & Basu's (1994) factors (cognitive, affective and conative antecedents, social norms, and situational influences) the results of this analysis suggest that key motivational drivers can be identified.

CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management is a process to collect information about customers and its aim is to find and record customers' important features to implement marketing activities base on customers demand and quality. Customer relationship management is the process of attracting, keeping, and growing profitable customers and by focusing on the traits and characteristics that demonstrate the added value to customers, trying to loyal customers (Handen, 2000). Handen believes that CRM is an implementation of comprehensive solution that by integrating people, process and technology make a perfect communication among all activities of customers to enhance relationship of organizations and their customers (Handen, 2000). CRM is rooted in communicative marketing and improves long term profitability by changing marketing way base on exchanging and emphasizing on presence of new customer, to keep customers by effective management of customer relationship.

Therefor CRM is a complicated method that extracts customers data from all customers contact points to company. Also effective management of information plays an important role in implementation of CRM (Peppard, 2000). CRM causes customer satisfaction, saving costs and more products and incoming. Hence the deployment of customer-oriented management is one of the important issues in the necessities of organizations survival in today's competitive world, because customer relationship management makes connection between business processes and customer strategy to increase profitability and customers' loyalty gradually (Chalmeta, 2006). Customer Knowledge Management Customer knowledge management

(CKM) is a process to help integration of customer relationship management and knowledge management (Gibbert, 2002). In fact, customer knowledge management transfer knowledge management processes from theoretical goals to applied goals.

CKM follows to creating an opportunity to use customers of organization as a partner to create value for the organization. CKM is a strategic process that superior companies use it to relief their customers from passive receptor of products and services and make them powerful knowledge partners(Paquette, 2006). So customer knowledge managers unlike customer relationship managers do not try to keep old customers, but they focus on work with new customers in a totally new environment. Generally, customer knowledge management is a combination of customer relationship management and knowledge management and an appropriate strategy to gain knowledge from customers and present the best and the most useful knowledge to them.CKM can be summarized as follow:

1- Creating proper communication with customer and gaining company's vital knowledge of him

2- Summarizing and documentation of knowledge and distribute it between other staff.

3- To transfer this knowledge to the upper layers of organization for subsequent decisions on products and services tailored

to customer needs.

4- Translating this knowledge to customers by presenting products and services according to customer's requirements.

In consideration of relationship between knowledge management and customer relationship management with customer knowledge management, the mediatory role of channel management and interaction management has been studied. Channel management is set of analysis processes, planning, organizing and control of distribution and marketing channels of organization.in particular, channel is a way or duct that products or services move from manufacturer to final customer (Rajiv et al, 2002). When a company is willing to engage with customers, it tends to use combination of different channels or media such as advertising, direct contact, sales promotion, public communication

MARKETING KNOWLEDGE CONCEPT

Marketing knowledge competence is a concept that has a longer history than CKM, and work on this concept may offer some insights into CKM. The importance to competitive advantage of the organisational processes that generate and integrate market knowledge has been acknowledged by Day (1994), Glazer (1991), and Hunt and Morgan (1995). Li and Calantone (1998) define marketing knowledge competence as the processes that generate and integrate marketing knowledge. This approach that identifies competence as a series of processes derives from earlier studies. For example, Day (1994) defines competence as complex bundles of skills and collective learning, exercised through organisational processes. Prahalad and Hamel (1990) identify the business processes of market interaction and functional integration as core organisational competencies. The characteristics of these processes mean that market knowledge competence is not transferable, but is inimitable and immobile (Day, 1994, Prahalad and Hamel, 1990). Other authors suggest that there are three core marketing processes: product development management, supply chain management, and customer relationship management (Srivastava et al, 1999, Hanvanich et al, 2003).

Focussing specifically on the processes in new product development, Li and Calantone (1998) suggest that market knowledge competence in new product development is composed of three processes: customer knowledge process, competitor knowledge process, and the marketing research and development (R&D) interface. They define a customer knowledge process as: 'the set of behavioural activities that generates customer knowledge pertaining to customer's current and potential needs for new products.' (p.14). Customer knowledge processes have been defined as comprising three sequential aspects: customer information acquisition, interpretation and integration (Huber, 1991). Campbell (2003) introduces the concept of customer knowledge competence, using a point of departure a definition of market knowledge competence in terms as: the processes that generate and integrate market information in aggregate. They define customer knowledge competence in terms of the processes that generate and integrate information about specific customers. Campbell (2003) conceptualises customer knowledge competence as being composed of four organisational processes, which together generate and integrate customer knowledge within the organisation:

• A customer information process
• Marketing-IT (information technology) interface
• Senior management involvement, and
• Employee evaluation and reward systems.

The first of these components, customer information process, is an organisational process that generates customer knowledge, whereas the other three components are organisational processes that integrate customer knowledge throughout the organisation. In other words these last three are the organisational processes through which the knowledge based processes associated with customer information integration are executed. Campbell's study identifies the relationship between data, information and knowledge management, the importance of which is acknowledged by other authors (Abell and Oxbrow, 2001, Knox et al, 2003). Interestingly, there was a tendency for managers to over emphasise the process of customer data acquisition and under emphasise information interpretation. Organisations tended to expect that because the information was available, and the technology (intranet) in place to access it that the information was being communicated and understood, leading to insufficient attention being paid to information interpretation. Figure 5 summarises the relationships between some of these concepts.

CONCLUSION

CKM and customer knowledge competence are embedded in the business and organisational processes of any specific organisation, and are tightly coupled with value generation and competitive advantage. CKM is therefore likely to be inimitable, and immobile. Nevertheless, sharing of case study experience, and models, and the search for general or transferable models that offer insight into the path toward CKM may play a role. This article has identified some key aspects of KM and CRM that constitute some of the building blocks of CKM. It has then reported on, and organised some of the recent research and development relevant to CKM. This reveals a range of different perspectives on CKM. Given the diversity of perspectives in both KM and CRM this is not surprising. Indeed the approach taken to CKM by different researchers may be contingent upon the value generating processes and the nature of customer interactions with business and organisational processes in different businesses. Some researchers are concerned with the relationship between CRM and KM. Several authors have taken the view that KM can be used to enhance CRM, in pursuit of a later generation of CRM systems. Some researchers are concerned to operate at the systems level, whilst others have recognized that effective KM and CRM, and therefore CKM, requires more than technological tools, and have focussed on human aspects of CRM from an organisational process and customer interaction perspective.

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