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ACQUISITION OF KNOWLEDGE FROM CUSTOMERS AS AN ELEMENT INCREASING THE SUCCESS OF NEW PRODUCTS*

Abstract: Businesses operate in an uncertain and complex environment. Products age very quickly, they are replaced with new offers, which are better adapted to consumer requirements, and the likes and affordability of customers also change all the time. Therefore, it is necessary to conduct the never-ending research of customer opinions, attitudes and preferences. This new optics is based on the exploration and active role of the customer in the new product creation process. The article emphasizes the necessity of change in the attitude towards collecting the information about customers into collecting the information from, about and for customers (Customer Knowledge Management concept) and same limitations of this idea.

1. Introduction

Businesses operate in an uncertain and complex environment, called by R. Weber turbulent environment which is characterized by different potential. Consequently, businesses should learn how to adapt to continuous changes [Penc 2005, p. 51]. In the reality of new economy, the competitive advantage of a company defines not so much its economic potential, but its ability to quickly transform and effectively catch up with the added value [System... 2001, p. 27]. Products age very quickly, they are replaced with new offers, which are better adapted to consumer requirements, and the likes and affordability of customers also change all the time. Therefore, it is necessary to conduct the never-ending research of customer opinions, attitudes and preferences. In the past emphasis was put on the acquisition of knowledge about customers (which was manifested in the focus on secondary sources and methods

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based on deduction). The new optics is based on the exploration and active role of the customer in the new product creation process.

Today application of traditional management methods, which were used when a change in the environment was sporadic and could be examined in isolation from its many other elements, seems to be too simplified. Presently the importance of continuous change management is emphasized; its process is a closed cycle, different from a linear approach. T.B. Lawrence et al. emphasize on the basis of their 15-year study that the ability to continually introduce changes has become a basic competence [Lawrence et al. 2006, p. 60]. Transition between its individual phases depends on, e.g., the ability to acquire and communicate information for the purpose of regular and easy development and launch of new products. In particular an important role is played by new technology (NT), thanks to which people work faster and communicate better, collective behaviour is facilitated and undesired activities are eliminated. In this way NT helps shorten the product development process, reduces costs, opens more possibilities to service market niches. It is the increasing applications of new technologies on the one hand and the change pressure on the other that pose new challenges before marketing in the form of [Webster et al. 2005, p. 40-42]¹:

1) marketing productivity measurement – this is the most pressing problem facing marketing management as it seeks to regain its “seat at the table”. However, the productivity debate probably cannot be resolved until marketing managers have access to better metrics;

2) pressure on long-lasting effect – marketing managers believe their most important expenditures represent long-term investments in the growth and future profitability of the business. They believe that they reinforce brand equity, enhance product quality, improve customer relationships and relationships with channel partners, and strengthen pricing;

3) innovation in products and strategy – several studies have found that product innovation is the major influence on long-term business profitability. Marketing must redouble its efforts to prove its value to the innovation stream;

4) building of brand image – brand equity and the strategic importance of branding are perhaps the strongest survivors of the financial and organizational pressures that have been placed on marketing managers.

In view of the customer’s role on such a dynamic and demanding market, this paper addresses the idea of customer knowledge management (CKM) and points to the limitations in the use of this concept.

¹ The authors conclude that the role of marketing in corporations has declined and point to the financial pressure, changes in the impact centres and inability to document business results as factors, which reduce marketing expenses and its impact, which leads to such significant consequences as: brand weakness, lack of innovation, reduced market force and erosion of price.

2. Knowledge based CRM

Information about competition (its type, size, etc.), consumers (number, purchasing power, market behaviour, etc.), own customers, suppliers, middlemen, economic, legal and demographic environment and changes in it, etc., rests at the basis of effective marketing activities. The amount of this information forces companies to use IT tools which more and more effectively support management processes. The 1990s brought about significant progress in the development of IT systems in this area. Marketing started to use Customer Relationship Management (CRM) systems, the idea of which is based on the integration of marketing, sales, customer service and delivery management [Parvatiyar, Sheth 2001, p. 1].

CRM systems automate back office processes and help to directly sell to customers and perform all the activities before and after sales. CRM is applied to identify profitable customers and subsequently to secure interactive and individual contacts. Collection, storage and provision of information securing efficient functioning of CRM shows that there is a close relation between these systems and knowledge

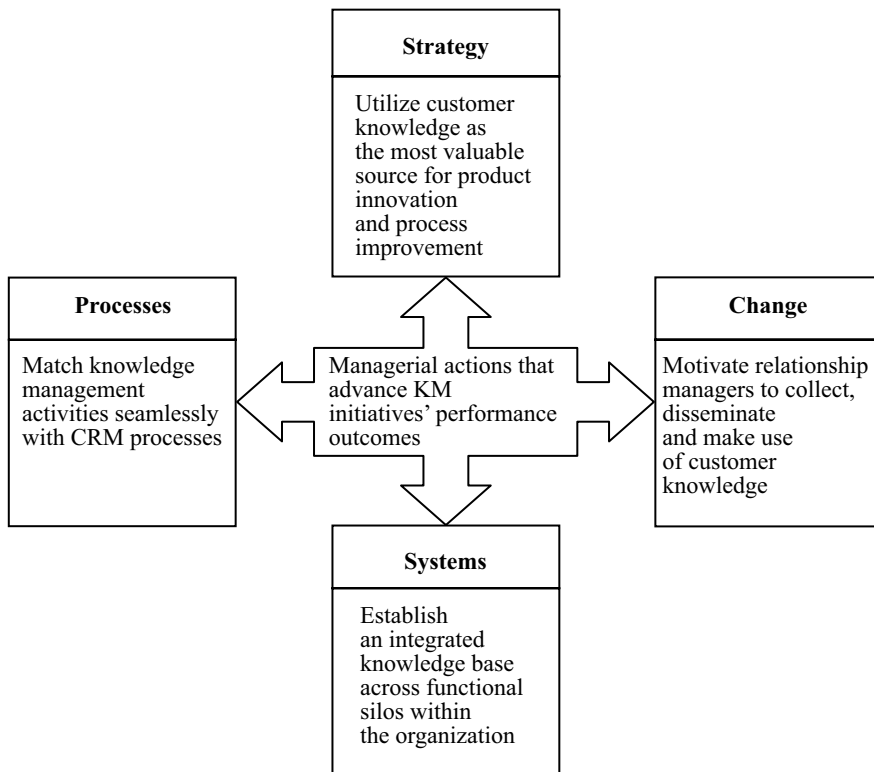


Figure 1. A managerial framework for knowledge-based CRM

Source: [Salomann et al. 2006, p. 39].

management (KM), which helps the business to develop innovative products and make strategic decisions [Chen, Su 2006, p. 589]. KM is the natural supplement to CRM, where four fundamental factors are highlighted: strategy, processes, systems and change (Figure 1).

Any management, which desires to use the capabilities of CRM processes and related supporting systems, must recognize customers as a valuable source of knowledge and not as ballast. In this way information from customers becomes value in the new product launch processes. Decentralized repository of knowledge helps to transgress geographical borders but it also helps to divide knowledge between individual business units. On the other hand data from the data warehouse are necessary to determine the criteria for the assessment of customer value and marketing campaigns in a few product groups. In addition to perceiving customer as a valuable source of knowledge, managers also face the challenge of building and cherishing organizational culture in which employees are encouraged to share their own knowledge about customers.

3. Customer knowledge management concepts

Customer knowledge management is an original way of solving chronic problems, focusing on their root causes and not on external symptoms which they generate [Customer... 2001, p. 90]. This concept entails using knowledge in order to enrich the company’s customer-related potential [Salomann et al. 2006, p. 24]² (Figure 2).

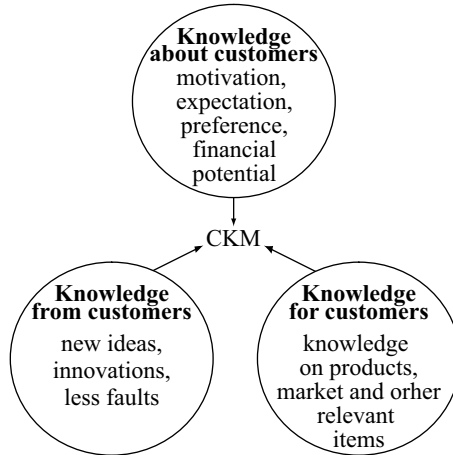


Figure 2. Conception of CKM

Source: own presentation.

² Other suggestions: semantic service and management of knowledge collected at customer contact points, needed for effective support of business processes and combination of technology and quantitative approach with humanitarian approach presented by knowledge management [Chen, Su 2006, p. 590].

Consequently, the CKM concept is based on three knowledge types [Descusa, Awazu 2005, p. 42; Davenport et al. 2001, p. 66]:

- 1) knowledge about customers so that they can be acquired,
- 2) knowledge for customers so that they are satisfied,
- 3) knowledge from customers so that they are understood.

Such a complementary type of knowledge helps the business to understand its customers and to serve them effectively. Therefore integration of many different sources of information, communication channels, media and methods of collecting information on e.g. customer behaviour as well as distribution of knowledge in a given organization and using applications based on such information (while ensuring data security) have become absolutely necessary [Descusa, Awazu 2005, p. 43-45].

When the role of the customer and the opportunities of such knowledge to the businesses are known, the following are possible [Davenport et al. 2001, p. 66; Customer... 2001, p. 90]:

- 1) consolidation of data from many sources into one consistent knowledge database thanks to the use of content engineering,
- 2) segmentation and prioritization of individual customers,
- 3) learning what customers want to know,
- 4) using customer provided solutions in customer support centres in the case of such products as high technology products, medical equipment, household equipment and telecommunication equipment,
- 5) using business intelligence in an organized way,
- 6) building loyalty,
- 7) effective cross-selling policy,
- 8) using strategic options based on customer knowledge through the visualization of cause and effect relations.

Inclusion of knowledge about customers into knowledge about the process of new product development and improvement of existing products is the last of the benefits derived from such a high status accorded to the customer. A skilful product policy decides about the market success of an offer. In this way the time of the development phase is shortened (which brings benefits in the form of quicker commercialization and quicker start of a new project) and costs of errors are reduced. Many products failed not because of technological faults but because their segment was wrongly defined. Therefore, it is necessary to include consumers not only at the stage of offer development, when s/he can decide which of the elements provided to choose, but at an earlier stage, i.e. at the offer design stage.

Traditional research methods used at the product development stage give way to new concepts directed at cooperation with buyers (Table 1). *Collective Customer Commitment* (CCC) is an example of a concept giving shape to the CKM philosophy. It combines the postponement strategy with mass customization. S. Ogawa and F.T. Piller indicate two options in which this strategy can be implemented – one in which the company is the source of new ideas and another in which it is the con-

sumer or, more precisely, the buyers community, who provide the ideas [Ogawa, Piller 2006, p. 69]. Depending on which of the two options is chosen, future buyers will be involved in the product development cycle either at its individual stages or throughout the cycle.

Table 1. Options for implementing Collective Customer Commitment

Parameter	Alternatives	
Source of new product designs	company	customer
Connection with customers	cooperative with external existing community	build community for co-creation on new product
Preselection of ideas	company panel	customer competition
Minimum order size	predefined: decisions are based on the development and manufacturing costs of the first production batch	predefined: decisions are based on the development and manufacturing costs of the first production batch
Commitment	monetary: customer has to pay at moment of preordering	good practice: customer promises to buy product
Incentives	none for participating customers	special preorder process for early customers and awards for user designers
Reorders	dependent on conventional planning and forecasting	dependent on continuous commitment from community
Organization	project- or competition-based process	on-going process
Relation to conventional product development and market research	supplement the conventional process for developing radical new product concepts	replace the conventional process and serve as underlying business model for entire company

Source: [Ogawa, Piller 2006, p. 69].

The CCC concept highlighted the permanence of the process of looking for and implementing new solutions and participation in projects by the stakeholders. In this way it is possible to eliminate the ping-ponging between manufacturer and customer, as the process of new product launch is called by S. Thomke and E. von Hippel. To that end it is necessary to develop a toolkit easy to use and effective to facilitate close cooperation, allowing for multiple replication of the new offer development cycle, containing a set of useful components and tested modules, helpful in developing new combinations and containing information about the capabilities and limitations of manufacturers [Thomke, Von Hippel 2002, p. 74-81].

4. Conclusion

The idea of knowledge acquisition from customers, which aims at the shortening of the new product development phase while at the same time increasing the chances for market success, has its own limitations. It is, first of all, a selection of the right co-authors of new concepts and a way of organizing the project itself (planning, implementation and control). The first problem is much bigger as the impact of the business is limited. Not every respondent is an equally valuable source of knowledge. M. Saaksjarvi's study has revealed that persons with extensive knowledge and experience in a given field (called true experts) can, paradoxically, hamper or even block the work.

Knowledge acquisition from customers is one of many elements which support the decision making process regarding new products. The customer cannot be the only source. Perhaps it is wise to think whether and in what circumstances the customer could be the main source of information. Doubts are raised by the type of the knowledge that the customer has and by the customer's experience and changing expectations. Therefore, it remains to be answered not "whether" knowledge should be acquired from the customer but "from which" customers and "how" knowledge should be acquired so that it is possible to discover both the true needs and possibilities. The use of more and more sophisticated tools working in the global network is becoming more and more common. But then it is even more important to take into account the problem of personal data or copyright protection. Observance of business ethics in this area of business activity is beyond any discussion.

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