

Knowing your customer: does it enhance marketing innovation and marketing performance?

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Abstract: The paper assesses marketing practice of customer knowledge management and marketing innovation. The study focused on whether there is a link to the organisation's marketing performance. Also, the relationship between customer knowledge management and marketing innovation was examined. The study was conducted by a survey to examine these concepts and their relationships. The results showed here support the existence of such relationships, and researcher invites more interest in the topic to place more emphasis on marketing within the general knowledge management literature.

Introduction:

The fast paced market developments and ever-changing competitive forces pressures have been noted as a major driving force behind organisational shifting towards more effectiveness and innovation in marketing activities (Takeuchi, H. Nonaka, I. 1986; Kotler, P. Keller, S. 2014). A key element in making the right marketing decisions is the organisational knowledge available to decision makers. This has given rise to a niche field of academic research within business studies embodied in term "Knowledge Management"

Knowledge Management (hereafter KM) was first introduced to interested academic and professional audiences during a Nato seminar in late 1980's (Edwards, J. 2009; Beckham, T. 1999). Around the same time, Ikujiro Nonaka, a marketing scholar who obtained his PhD in marketing from Berkley University, published an article in Harvard Business Review (HBR) titled "the new new product development game". Little did anyone know at the time about the obvious (in retrospective reflection) link between these two ideas being that were proposed! Moreover, oblivious we were also to the fact that we were witnessing the birth of new field of research, which would explode exponentially later into a full-blown research field. This new field of inquiry has entered its growth stages around 2005 as noticed by (Serenko, A. et al. 2010) that KM as a field is in a growth stage by looking number of publications, dedicated journals and conferences, and the general attention from practitioners. With Edwards (2015) comments on the field shows the healthy growth in KM literature and theories is still on the rise.

Different research fields have contributed to the growth of KM literature. For instance scanning the KM literature reveals that the two seminal works in KM that came from Management Information Systems (Alavi and Leidner, 2001) and from Human Resource Management (Hansen, M et al, 1999) have ignited scholars from those fields in KM. However, it's the author's opinion that the role of marketing in instigating KM and marketing literature potential in further developing the KM theories and practice for the benefit of both fields KM and marketing. Or to be more precise the level of interest in KM from marketing scholars haven't reach the levels of involvement observed from other fields namely management information systems and human resource management. Which could be explained by leaning of leading KM journals as observed by (Serenko, A. et al. 2010) as both fields enjoyed the status of the leading contributing fields in KM in terms the number dedicated KM journals that are dominated by Human Resource Management and Management Information Systems based and articles other field, which were defined as non KM dedicated journals.

The argument presented thus far don't set comfortably with your author as he believes that Nonaka's contributions should be spur more marketing academics and practitioners to address marketing related KM topics. After all it was Nonaka's life time work and research in marketing and his marketing education background that was behind his research that had led him to one of the first people to investigate KM. Furthermore, Nonaka's works were voted, by academics and practitioners, as number one and number two in the most influential KM theorist in the inaugural issue of Knowledge Management Research and Practice as reported by Edwards (2003).

This paper has an overarching aim to correct the place of Nonaka's field of reference (i.e. Marketing) in KM theory and practice. The author believes that marketing deserves to be the driving seat as far as KM development for theory and practice is concerned. This overarching aim will be achieved through taking rather a small but meaningful step that looks at how knowledge relating to customers is related to organisational marketing performance and marketing innovation.

Literature Review:

In this section of the paper the author will discuss the three main element of literature relating to research main focus, namely: Customer Knowledge Management, Marketing Innovation, and Marketing Performance. The aim of this section is to provide a critical reflection of related literature that influenced the researcher theoretical background, which in turn provided theoretical base to proceed in the investigation described throughout this paper. This investigation would not have been possible without the theoretical grounding described hereafter.

Customer Knowledge management:

Knowledge Management is considered as a pillar of scholars' new understanding of organisational paradigm. (Choi et al, 2008; Hansen and Haas, 2002). Organisational sensitive and critical issues that are tackled by Knowledge Management include achieving the holy grail of business leaders, Competitive advantage (Porter,1984) that is, through creating an organisation that relies on its embedded knowledge advantage to carry its business functions. (Choi and Lee, 2002).

Customers form one of the main sources of credible and essential sources of knowledge that firms should seek. As this customers' directions are reflection of the cumulative external market forces and how their interaction in customers' thinking affect customers' behaviour (Rowley, 2002). Gibbert et al (2002) point to "if we only know what our customer know" as axiom that is implicitly assumed in Customer Knowledge Management. Also, they point how customers are thought of as knowledge creation partners rather object as in the case customer relationship management. The critical part about this Customer Knowledge Management function is transferring this knowledge from its tacit form into a more tangible explicit form. (Hansen et al, 1999).

CKM Models:

Gibbert et al (2002) define five styles CKM implementation can follow; they are spread across a spectrum of involvement and knowledge sought after. The style that we are interested in, for the purpose of this research, is "communities of creation". In which knowledge creation spans across organisational boundaries and across business units too. This style is closely related financial institutions and it comes as a little surprise that the mentioned examples of implementing this style in the financial industry.

Murillo and Annabi (2002) propose a process based model compromising three steps. It revolves around capturing knowledge through interactions with customers, which helps the organisation identify what is knowledge that being sought after by the customer too. It's a two-way road, as both the customer and the organisation are seeking knowledge. The three main steps are shared between organisations and customers are: knowledge revealing, knowledge sorting, and knowledge levelling.

Additionally, Murillo and Annabi (2002) argue that there are two more knowledge processes that support their model which knowledge coding and knowledge sharing.

Su et al (2006) this model considers an electronic Customer Knowledge Management. This model consolidates and further validates Murillo and Annabi's (2002) work by emphasising the need for a mutual knowledge flow between the involved parties. The resulting interaction forms basis that should foster an innovative service offerings that match customers' demands and needs. This marketing innovation is done through helping organisations to specify the desired service features, classifying customers' needs', segmenting market to look for implicit knowledge conversion into codified knowledge, framing customers' needs in categories, and finally using data mining techniques.

Marketing innovation:

The angle in tackling innovation here is through looking at developing new service offerings. The "New service" term here is a relative one, as the researcher understands that some minor changes and modifications can be defined as "new" (Santos and Spring, 2013), while others look at it to mean a differently unprecedented service offer that delivers different values to customers. (Nonaka and Takeuchi, 1984). With governments actively pursuing Foreign Direct Investments and giving concessions to multinational firms to invest in their economies, business environments are losing their barriers of entry for new competitors (Blonigen, 2005). This has affected organisations' desire and need to pursue new services development as a continuous process rather than an end product (Edgett, 1994). Organisations that neglect this part of their business functions through actively researching market needs and developing new service or product offerings are under threat of being irrelevant within their markets, which eventually leads to their demise (Kotler and Keller, 2014).

Marketing performance:

Clark (1999) defines what matters in marketing performance as a set of consequences and end results of the organisation's activities and functions, which should match their goals and objectives that they set to achieve. Vorhies and Morgan (2005) explain how marketing performance should be measured to compare the costs they incur and value they add to competition. These views see marketing performance as a main tool to modify to achieve competitive advantage. Marketing performance is a multi-dimensional concept, including both subjective such as customers' loyalty and objective measures such as financial ratios analysis (Amber et al, 2004).

Research Problem and questions:

Decision makers in marketing are reliant on what knowledge is available for them. In order to develop a better understanding of their customers, organisations should seek gathering more information about their customers. The researcher's view on knowledge pertaining to customers is that it equates an important strategic asset or resource that has the potential to cement organisational competitive advantage. The role of this resource can't be overestimated in financial industries, where the unpredictability and instability of customer demands have led in the past to the second biggest bank in Jordan to go bankrupt during a bank run in 1989. The Petra Bank case had more dimensions to it than not knowing what customers expected or wanted, but its mentioned here to demonstrate the importance of "knowing your customer" part of this paper. To this extent the research addresses the following questions:

- 1) To what extent does Customer Knowledge Management affect marketing performance?
- 2) To what extent does Customer Knowledge Management contribute to marketing innovation in?
- 3) To what extent does Marketing Innovation contribute to marketing performance?

Research objectives:

The main objective for this research is to look into the effects of customer knowledge management on financial institutions marketing innovations and performances. The following objectives have been identified:

- 1) Studying the effects of customer knowledge management on marketing performances
- 2) Studying the effects of marketing innovation on marketing performances
- 3) Studying the effects of customer knowledge management on marketing innovation.

Research significance:

This paper aims at correcting the place of Nonaka's field of reference back in the driving seat of KM development. This will be done through looking at how knowledge relating to customers is related to organisational marketing performance and marketing innovation. So this study will shade a light on importance of managing customer knowledge for a practitioners and academics alike, as explained in the following points:

- 1) Provide a sound theoretical foundation for banks that help them see the effect of managing customer knowledge on marketing innovation and performance.
- 2) The fast paced changes that swipes the competition in the banking industry makes knowing about customer more important for marketers' decisions
- 3) Providing feedback to marketers and financiers about the role Customer Knowledge Management plays in promoting innovation.
- 4) Promoting interest in Customer Knowledge Management within the marketing community as the field of KM is still growing and the potential benefit for the marketing community through their involvement is believed to benefit both marketing practice and research.

Research hypotheses:

Based on what this research is set to investigate as explained above, three hypotheses are developed here:

First hypothesis:

There is no significance relationship between customer knowledge management and marketing performance at Jordanian banking institutions.

Second hypothesis:

There is no significance relationship between marketing innovation and marketing performance at Jordanian banking institutions.

Third hypothesis:

There is no significance relationship between customer knowledge management and marketing innovation at Jordanian banking institutions.

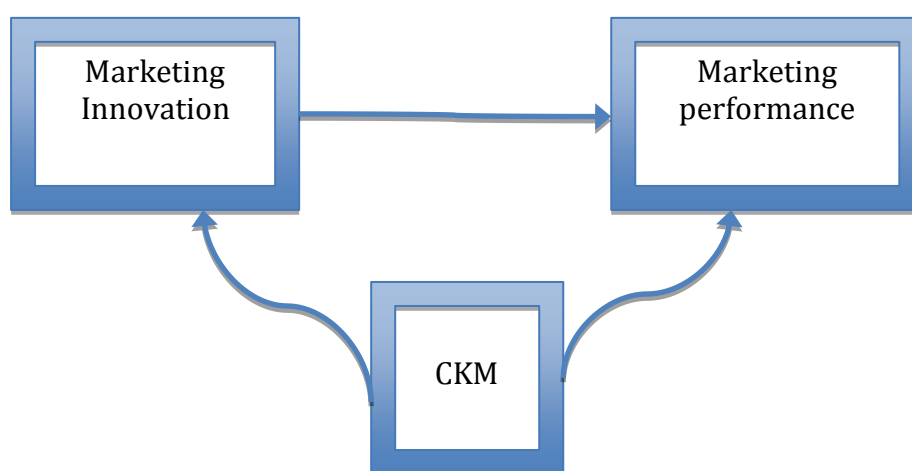
Operationalization of study variables:

Customer knowledge management: is the process the institution seeks to capture, process, and use knowledge pertaining to their customer base.

Marketing Innovation: in this part of the research model the researcher will study it through focusing on dimension of innovation relating to the institution ability to develop news services. This relates to the institution's ability to change or modify the characteristics of service offerings.

Marketing performance: a three-dimension perspective on performance that considers profitability, market share growth, and ability to retain customers.

Research Model:



Research Methodology:

This investigation falls within the positivist research paradigm. The empirical data is collected through administering a survey that is based on king Abdullah II award for excellence (KACE) in private sector. The population aimed at is managers from senior levels, and middle levels in the financial institutions in Jordan. Our main focus is on banking sector. The number of banks participating in this is 25 banks that make the total number of banks in Jordan. The questionnaire designed for the purpose of this investigation had been developed by three employees working for the awarding institution KACE . The team relied on their academic social network to get the questionnaire refined by getting feed back academics in different fields: Human resource management, marketing, business management, finance, and management information systems. Also they have consulted practitioners from the private and public sectors in Jordan to further refine the questions.

The study involved sending questionnaires to 255 participants in the 25 banks that are operating in the Jordanian market. The organisational roles of the participants were defined as a middle or executive level manager who has working knowledge of the variables under investigation. So the managers chosen were working in a job is at least responsible for one of the following functions or job titles: bank manager, new service development manager, customer service / relationship manager, human resource manager, knowledge manager.

255 questionnaires were distributed across the 25 banks. The numbers of the ones that were received was 244, out of which 13 returned surveys were judged to be not suitable for inclusion. As for the demographic sample description 68.8% were 49 years old or younger which reflects how Jordanian banks focus younger managers promotion and retention. As for the sample education description 64% had a bachelor's degree while the rest had a higher graduate degree. Interestingly female respondents made up to 42% of the sample.

The survey used to conduct this study comprised of 24 statements to measure Customer Knowledge Management and 24 statements to measure marketing innovation in new services development. Both variables were measured on liker scale ranging from 1-7, where 1 stands for I don't agree at all and 7 I agree totally. As for performance it was measured by using three statements by asking respondents to evaluate their respective bank performance against competition using 1-7 liker scale where 1 stands for much lower and 7 stands for much higher.

Findings:

As a matter of a careful scholarly investigation and before doing any statistical tests, normality testing has been conducted using the Kolmogorov-Smirnov test. The resulting Sig for the study's variables assured the researcher that collected data does indeed follow a normal distribution pattern. Also, Cronbach Alpha coefficient values have been calculated to determine the reliability of the scale being used. The resulting coefficients were as follows: Customer Knowledge Management (0.857), new services development (0.823), marketing performance (0.733), and for the over all survey instrument the reliability alpha coefficient was (0.904). These results suggest that this survey instrument is adequately reliable for the purpose of measuring these variables.

The descriptive statistical analysis done shows that Customer Knowledge Management enjoyed (5.48) mean and standard deviation of (0.81) in relation to the highest value of 7. The low standard deviation observed represents commonalities in world-views among the respondents about the importance of Customer Knowledge management. New service Development calculated mean was (5.59) and standard deviation was (0.73) in relation to the highest value of 7. The mean of this variable statements ranged from (5.4-6.22) which again reflects homogeneity in world-views about the importance of new service development. Finally, marketing performance ranked high in Jordanian banks with a mean of (5.32) and standard deviation of (0.91). The means for respondents' statements about this variable was (5.09-5.48) reflecting shared views on marketing performance among respondents.

Hypothesis testing:

First Hypothesis: There is no significance relationship between customer knowledge management and marketing performance in banks at significance level of ($\alpha \leq 0.05$).

To test this hypothesis a regression analysis was conducted as reported in table (1). The analysis shows that there is a relation between Customer Knowledge Management and marketing performance in general, and relation between Customer Knowledge Management and every aspect of marketing performance (profitability, customer retention, and market share growth) level of ($\alpha \leq 0.05$). This enables the research to reject the null hypothesis and accept the alternative hypothesis. Which states that there is a significant relationship between Customer Knowledge Management and Marketing Performance in banks.

Table 1: regression analysis of CKM and MP

	R	R sq	DF		Sig	β	T	Sig
Marketing performance	0.429	0.185	Regression	1	0.000	0.685	3.491	0.000
			Residual	227				
			Total	228				
Profitability	0.251	0.058	Regression	1	0.043	0.395	1.282	0.043
			Residual	227				
			Total	228				
Market share growth	0.363	0.102	Regression	1	0.003	0.588	3.739	0.003
			Residual	227				
			Total	228				
Customer retention	0.486	0.460	Regression	1	0.001	0.731	4.297	0.000
			Residual	227				
			Total	228				

Second Hypothesis: There is no significance relationship between marketing innovation and marketing performance in Jordanian banks at significance level of ($\alpha \leq 0.05$).

To test this hypothesis a regression analysis was conducted as reported in table (2). The analysis shows that there is a relation between Marketing Innovation and marketing performance in general, and relation between Marketing Innovation and every aspect of marketing performance (profitability, customer retention, and market share growth) level of ($\alpha \leq 0.05$). This enables the research to reject the null hypothesis and accept the alternative hypothesis. Which states that there is a significant relationship between Marketing Innovation and Marketing Performance in banks.

Table 2: regression analysis of MI and MP

	R	R sq	DF		Sig	β	T	Sig
Marketing performance	0.389	0.185	Regression	1	0.000	0.671	3.733	0.000
			Residual	227				
			Total	228				
Profitability	0.451	0.058	Regression	1	0.039	0.282	1.4829	0.039
			Residual	227				
			Total	228				
Market share growth	0.258	0.102	Regression	1	0.007	0.530	2.962	0.007
			Residual	227				
			Total	228				
Customer retention	0.436	0.308	Regression	1	0.000	0.365	4.804	0.000
			Residual	227				
			Total	228				

Third Hypothesis: There is no significance relationship between customer knowledge management and marketing innovation in Jordanian financial institutions.

To test this hypothesis a regression analysis was conducted as reported in table (1). The analysis shows that there is a relation between Customer Knowledge Management and marketing innovation at a significance level of ($\alpha \leq 0.05$). This enables the research to reject the null hypothesis and accept the alternative hypothesis. Which states that there is a significant relationship between Customer Knowledge Management and Marketing Innovation in banks.

Table 3: Regression analysis of CKM and MI

	R	R sq	DF		Sig	β	T	Sig
New Service Development	0.749	0.503	Regression	1	0.000	0.629	7.394	0.000
			Residual	227				
			Total	228				

Discussion:

The results have shown a high level of interest among participants in: Customer Knowledge Management and marketing innovation. Also, the results indicate the participants thought the aforementioned variables played an important role in determining the banks marketing performance. The results reported here are on song with Murillo and Annabi (2002) who found that customer knowledge management had role to paly to developing services with the banking industry. However, Fagan (2005) reported that new services development had little to no effect on marketing performance.

This study has provided a scholarly evidence for the banking industry about the role Customer knowledge management played in their performance and innovation. It's hoped that this will be used as an extra proof to justify banks investments in customer knowledge management and marketing innovation. As the link between marketing performance (as operationalised in this study) and financial performance take little imagination for a seasoned financial analyst or auditor who would want credible justification to rely on to believe that customer knowledge management and marketing innovation are worthwhile investments.

Concluding remarks and recommendations:

To conclude the author chose to sign off by mentioning summing up what this research means for the reader.

- 1) The importance of banks Customer knowledge management that aims at capturing, storing, processing, and disseminating customer related knowledge in decision making process that affect in turn the bank's operational results.
- 2) Customer knowledge management is a worthwhile investment for banks that should pursue with a top management support. Also, the effects of customer knowledge management on the banks competitive market position are hard to replicate. This is supported by high customer retention for banks with customer knowledge management understanding, which means that understanding how you customer thinks and knowing what your customer knows will make banks customers' less likely to switch from their bank.
- 3) The link between customer knowledge management and innovation is understood by the participants. This leads to new services development process that is aligned with customers'' needs rather than banks capabilities. Using this external customer-centric approach to develop new services is supported by the findings here to have a positive effect on bank performance.
- 4) As for future research, customer knowledge management should be more studied and more models and research traditions are needed to understand the phenomenon from a perspective that is hidden from a positivist research perspective. For instance, a phenomenological study would examine how the

interaction between knowledge creation and innovation is developing. Such an area can't be studied in the same way in a survey based quantitative research. However, banker might find different set recommendations from using a different research methodology.

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