

Customer Knowledge Management

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Improving Customer Relationship Through
Knowledge Application

 Springer

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Chapter 5

Customer Relationship – Customer Knowledge

5.1 Preface

The further development of knowledge and the interaction among the different types of knowledge are key factors to company success. The knowledge exchange processes in a company, especially among knowledge carriers of different hierarchies, are essential for providing relevant information. Both have been explained in Chaps. 3 and 4.

Customers are the basis of a company's economic success. Therefore, this chapter will now focus on knowledge across company borders, i.e. on customer knowledge. The main emphasis will be on the aspects of interaction, communication and knowledge transfer between companies and their customers. First, a trustful customer relationship needs to be built up. In a second step, the customer knowledge needs to be integrated into routine business processes so that employees act in a customer-oriented manner and offer customized products and services.¹

5.2 Customer Relationship Management

A company that wants to establish a good customer relationship needs to know its customers. Only if their demands, needs and expectations are known can suitable – in other words

¹Cf. Cristofolini, M. (2005), p. 43.

customized – products and services be offered. By managing the existing knowledge about the customer, it is possible to build and maintain a satisfactory and mutually beneficial relationship. Through a high customer loyalty, a company can gain competitive edge.²

CRM helps improve the interfaces to customers and also aims at enhancing customer satisfaction. CRM can therefore be defined as a customer-oriented and IT-based management concept with the objective of establishing long-term and profitable customer relationships. To assess future customer behavior and offer the best possible care, it is necessary to exploit, evaluate and regularly update the company's knowledge about the customer.³

If a company aims at improving its customer loyalty and thus its success, the company's CRM needs to fulfill various subtasks. CRM can be divided into 3 types with different tasks.

- i) The aim of *Collaborative CRM* is to optimize customer contacts. The duration and frequency of direct interaction between customers and companies is to be minimized in favor of automated, passive interaction. Classic means of communication such as phone, fax and postal services must be complemented by modern electronic technologies such as e-mail and SMS services to set up a 'Customer Interaction Center'.⁴ By involving the customer directly, tailored information can be obtained.⁵
- ii) By contrast, *Operational CRM* provides the members of Marketing, Sales and Customer Service with relevant customer and market information. Those employees who are responsible for customer care thus have permanent access to the collected data. Through each contact, they further complete the customer profile and thus can take a comprehensive view of the customer. Information concerning delivery time, inventory etc. helps to make reliable statements on customers.

²Cf. Doole, I., Lancaster, P., Lowe, R. (2005), p. 61.

³Cf. Peelen, E. (2005), p. 56.

⁴Cf. Buttle, F. (2004), p. 9.

⁵Cf. Peel, J. (2002), p. 176.

In brief: Operational CRM aims at the optimization of customer care.⁶

- iii) While Collaborative CRM and Operational CRM support the business processes with customers, *Analytical CRM* focuses on collecting, processing and analyzing customer data by means of Business Intelligence Applications (Data Warehouse, Data Mining etc.). The objective is to identify sales potentials as well as cost drivers in Marketing, Sales and Customer Service.⁷ In short, data warehouses can be gold mines of information.⁸

When incorporating the employees and designing suitable in-company processes, these different types of CRM can help enhance the company's productivity, increase its sales and improve its quality level.⁹

5.3 Customer Knowledge Management

CRM is primarily focused on the in-house knowledge of customers. As a result, the customer himself and the knowledge about him are insufficiently and unsystematically integrated into the organizational processes. The implementation of CKM tries to fill this gap. If customer knowledge is to be used in a target-oriented manner, it is necessary to make it accessible, to develop it and to share it systematically. By integrating CKM, the customers can become active knowledge partners to the company.¹⁰

The proper handling of customer-oriented knowledge is getting more and more important. As products and services are becoming increasingly short-lived but also more sophisticated, the processes of development, manufacturing and merchandising are subject to

⁶Cf. Nemati, H. R., Barko, C. D. (2004), p. 189.

⁷Cf. Buttle, F., op cit., p. 9.

⁸Cf. Swift, R. S. (2001), p. 64.

⁹Cf. Doole, I., Lancaster, P., Lowe, R., op cit., p. 61.

¹⁰Cf. Gibbert, M., Leibold, M., Probst, G. (2002), p. 460.