# Customer Knowledge Management (CKM): Perspectives & Practices

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### ABSTRACT

*While Customer Relationship Management (CRM) refers to building strategies and tools for managing relationships with customers, Customer Knowledge Management (CKM) refers to strategies that help companies derive valuable insights about customers that get stored in the form of customer data / information to be shared across the value chain, which when preserved would become a knowledge repository for the future generation of managers. CKM is an art of managing business and attempts to integrate implicit and explicit knowledge and aligns it with CRM goals for realizing long term business objectives of sustained efficiency and competitive advantage. CKM aims at preserving customer knowledge for truly understanding how customers behave based on the changes in the environment from the insights obtained about the customers over a period of time. Thus the dynamics of CKM emerge from the fact that it records changes in the customer behavior across the customer lifecycle and also provides for co-creation effort with customers. This characteristic feature provides an edge for CKM to score above CRM.*

*This paper would attempt to provide insights on those areas that truly distinguishes between CRM and CKM and would explain why companies should have broad strategies defined to achieve common goals of CKM in the long-run. It would also place a discussion on how companies can stand to gain a competitive advantage by preserving customer knowledge through a few best practices caselets.*

### Keywords

*Customer Knowledge Management, Knowledge Management, Customer Relationship Management, Customer Service using KM.*

## 1.0 INTRODUCTION

In the last two decades, business practices are experiencing a turn-around due to transformation in the outlook of the companies towards their core objectives. With the emergence of hyper-competition in almost all the businesses – from normal products and generic services to matrimony and jobs - companies have realized the need to be customer-centric to gain sustainable competitive advantage. Most customer-centric organizations of today have understood the value of customer information or customer data and have learnt to manage this resource effectively and efficiently with the help of technology. Along side increasing thrust on the objectives of customer-centricity, shot to fame a powerful managerial tool called **CRM – Customer Relationship Management.** CRM encompasses anything and everything that a company has to do with its customers - physically or virtually, voluntarily or involuntarily, directly or indirectly.

Customer Relationship Management (CRM) refers to building strategies and tools for managing relationships with customers. CRM is built on the foundation of information, pillared by technology, cemented by processes and architectured by people. To be precise, CRM beats around "*know your customers*" philosophy. CRM is a path breaking approach to solving business problems, to have evolved in recent times. It has been successful in understanding the depth, length and width of relationships the company has with its customers over the lifetime of its customers. CRM is treated more as a science - the science of using tools and processes to identify and correct business problems.

CRM aims to achieve its objectives by aligning or integrating the disparate processes to get a meaningful and one-point view of the customers. But CRM confines itself to a designated route. Hence, CRM is criticized on the grounds that it is a closed and static approach which confines itself to the defined set of processes, strategies and tools and holds good for achievement of the stated objectives. Hence, companies nowadays are finding CRM to be one-sided, because as they grow into holistic customer-centric organizations, they realize an urge to also understand "*what the customers know*", in order to build a stronger bond with them (customers). Thus the concept **CKM - Customer Knowledge Management** was born.

Customer Knowledge Management (CKM) refers to tools that enable framing strategies that help companies derive valuable insights about customers, not from the information gained from knowledge repositories that lie within the organization but from the customers' thoughts and deeds. These insights are stored in the form of

information to be shared across the value chain, to increase effectiveness of the programs and improve efficiency of the processes.

To be precise, while CRM aims to get a one point view of the customers by integrating the disparate information sources and destinations at a particular point of time to meet specific objectives; CKM aims at understanding customers and deciphering what they know about you – in true sense and building a common knowledge repository about customers to be used continuously across a range time spans to meet common objectives. CKM commands an edge over CRM in this respect.

## 2.0 CKM: A GENERIC PERSPECTIVE

Customer Knowledge, to be precise, is the *"collection of information and viewpoints that an organization has about its customers"*. According to this definition, the role of customer knowledge management is to capture and organize customer data to allow it to be shared and discussed across the functional areas of the organisation that both directly and indirectly 'touch' customers.

CRM aims to achieve this end by integrating the information available. But the most critical issue is not managing the information as it is available to an organization at one point of time, the issue in today's competitive wo rld is to understand and predict the future behavior of the customers, which CRM might not be successful in doing.

Customer Knowledge is not a new concept to many companies. Companies do possess customer knowledge in the form of data within the marketing, sales or customer care processes. But in most cases this is in a fragmented form and therefore there are lot of difficulties in sharing and analyzing this data, which in most cases end up being incomplete. CKM aims at procuring customer data from the past - not just from those who have a direct relationship with customers, but also from those who have an indirect relationship with them. Thus the information required for CKM stretches through the entire value chain and attempts to procure, restore and manage the mission critical information, which could be put to future use. Hence CKM demands systems and processes to gather fundamental information pertaining customers like who they are, what they think and what they do and is thus an alignment of Knowledge Management practices and CRM processes to attain business efficiency.

The table below shows the distinction between KM, CRM and CKM (Gibbert et.al.2002) on parameters like, objectives, role of customer, corporate role and conceptual base.

|  | KM | CRM | CKM |
|---|---|---|---|
| Knowledge sought in | Employee, team, company, network | Customer Database | Customer experience and creativity |
| Axioms | 'if only we know what we knew' | 'retention is cheaper than acquisition' | 'if we only knew what our customers know' |
| Objectives | Sharing knowledge about customers among employees | Mining knowledge about the customer | Gaining, sharing and expanding knowledge of (inside) the customer Individual or group experiences in applications, competitor behavior, possible future solutions, etc |
| Role of customer | Passive, recipient of product | Captive, tied to product by loyalty schemes | Active, knowledge partner. |
| Recipient of Incentives | Employee | Customer | Customer |
| Corporate role | Lobbying knowledge hoarding employees | Captivate customers | Emancipate customers |
| Business objectives | Efficiency and speed gains, avoidance of re-inventing the wheel | Customer base nurturing, maintaining our customers | Collaboration with customers, joint value creation |
| Conceptual base | Customer retention | Customer satisfaction | Customer success, innovation, organizational learning |
| Business metrics | Performance against budget; Customer retention rate | Performance in terms of customer satisfaction and loyalty | Performance against competitors in innovation and growth; Contribution to customer success |

*Figure 1: "Five Styles of CKM and how customers put them", by Gibbert, Leibold and Probst.*

### Objectives of CKM

➢ CKM aims to bridge the deficiencies in CRM, by highlighting the importance of aligning CRM processes and Knowledge Management efforts for identifying and correcting business critical issues.
➢ CKM is an art of managing business and attempts to integrate internal tacit knowledge and aligns it with CRM goals for realizing long term business objectives of sustained efficiency and competitive advantage.
➢ CKM assumes its objectives from the common business objectives and doesn't posses a process framework or path design for its operations.
➢ CKM aims at preserving customer knowledge for truly understanding how customers behave based on the changes in the environment from the insights obtained about the customers over a period of time.

Thus the dynamics of CKM emerge from the fact that it records changes in the customer behavior across the customer lifecycle. This characteristic feature provides an edge for CKM to score above CRM.

## 3.0 CKM: A STRATEGIC PERSPECTIVE

CKM can be called as a strategic process by which companies allow their customers to become strategic partners in their initiative to understand them (customers) better. CKM is not a "one size fits all" approach. Different companies have different ways to approach CKM. Generally, CKM can be discussed through a range of four dimensions, as depicted in the figure below.
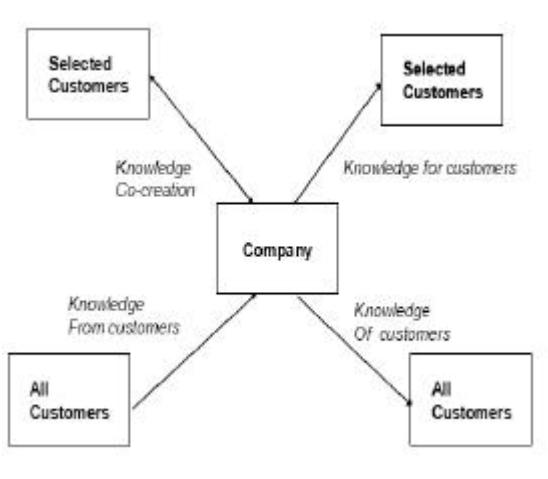
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*Figure 2: Customer Knowledge Management: Adding Value for Our Customers*

As it can be seen in the figure, the four dimensions of CKM could be **Knowledge of Customers**, which is fundamentally the purpose and perspective of CRM. The next dimension being, **Knowledge for Customers**, where the company creates knowledge for a group of selected customers, namely the target customers. This normally happens during the learning stage in CRM lifecycle, where the company educates its current and prospective customers about the company, its image, position and its products.

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### CASELET 1

*Hilton Hotels used customer knowledge procured through an efficient information management system to provide customized and personalized customer service across its wide network operating around the globe. The knowledge pertaining to customer behavioural patterns has helped the hotel chain to remain focused in its service delivery. The knowledge obtained is also used to design highly focused loyalty programs to enhance customer value.*

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The third dimension, **Knowledge from customers** can be obtained through feedbacks from the processes run across the three major functional areas of CRM namely Marketing, Sales and Support Services. While knowledge creation and management runs in coherence with CRM in the first three dimensions, **Knowledge Co-creation** is the area which is distinct and unique to CKM.

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### CASELET 2

*Amazon used knowledge from customers to improve the performance of its core business model. From customer interactions and sets of preferences, it arrived at a case based reasoning model, which enabled it to decide on what combination of books its customers normally preferred. The current strategy including the bottom line "Customers who bought this book also bought…" is the result of this analysis.*

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Customer participation could be in the form of parting with information about themselves and their buying behavioral patterns – the past and the present behavior and also the future intentions. This information takes shape of data and becomes the critical ingredient for the CRM process. With this basic premise of information, forms the foundation of CKM, where the customer plays a major role  A conceptual framework for CKM is provided as under, which highlights the co-creation of customer knowledge for the company.

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### CASELET 3

*Audi, a global leader in premium automobiles, co-created knowledge with inputs from customers obtained through a dedicated brand community program, where the customers are invited to discuss and share information about themselves, their general interests and also their knowledge about automobiles, which is later used by the company during new product development and also for increasing efficiency of their customer facing processes.*

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But it is unlikely that customers share this information without reluctance. Still companies can successfully procure this insight with a lot of ease. There could be several types of information lying in crude form across the organization. Like, the sales people will have prospects and pipelines on his laptop; the service personnel will have information based on the feedback that he obtains from the existing customers on their opinions about the products used by them and the marketing department will have information pertaining to basic behavioral patterns obtained through consumer surveys. These data could be aligned to get a meaning full picture on the past, present and future behavioral pattern of the customers.

## 4.0 TYPES OF CUSTOMER KNOWLEDGE

Based on the difference in approaches to obtaining customer information customer knowledge can be categorized into three types, viz.,

1. Data-derived customer knowledge

2. Human customer knowledge
3. Tacit or Unexpressed customer knowledge.

1. **Data-derived customer knowledge** originates in transaction systems. The Customer Touch Points within the organization are important sources for the data. The data is procured, classified, analyzed, processed and managed to get meaningful insights on the customers. This is the core of CRM. But some companies efficiently convert customer data into knowledge by making it universally accessible across various departments. Cross selling and up selling strategies of several companies depend on this customer knowledge. Information Technology tools play a major role in efficiently managing this customer knowledge.

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**CASELET 4**

*MasterCard International Inc., coverts data into knowledge on a regular basis for its member banks, who would want to understand the behavior of their credit card customers. They have people exclusively designated to do the job of conversion to be put to use across various channels of their operations.*

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2. **Human customer knowledge** is that which is obtained from experiential interactions with customers. They could be in the form of opinions and feedback, which are in the form of soft data. These are major observations made by the service personnel in the course of their interactions with the customers about their general attitude towards the company and its products. Some of them are comments, lessons learnt and other qualitative insights. These types of customer information provide valuable resources for planning and forecasting. This customer knowledge can be measured through attitude scales to present a meaning picture of the customer behavioral patterns.

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**CASELET 5**

*General Electric Co.'s appliance division practiced human customer knowledge management starting from the 1980s, by converting their call centers into "GE Appliance Customer Knowledge Center". Each service representative is supposed to record customer comments about appliances, dealers, service or other relevant issues in a central system, which is reviewed by marketers, dealer relationship managers, customer service managers and also manufacturing and new product development managers. The service-based customer knowledge is also used to rapidly identify appliance problems in the field (e.g., an improper installation approach) that can be addressed with product or documentation changes, saving vast sums in field dispatch costs.*

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3. The third type of customer knowledge is **Tacit or Unexpressed customer knowledge**, which is hidden and needs to be understood by administering some project specific analytical tools. Researchers good in performing qualitative studies are efficient enough to understand the general and specific characteristics of the customers, from the way they speak, their facial expressions, the kind of living they have, their location and neighbourhood, the way they carry themselves etc., extrapolate it to psychological theories and come to a conclusion as to specific behavioral patterns that these people would express. This is more judgemental in nature and is governed by bias factor to a greater extent comparing to the other two types of customer knowledge.

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**CASELET 6**

*Japanese car giant Toyota used metaphors extracted from customers during interactions to arrive at new deigns for their cars. Their new model Innova, which is ruling the middle segment in several countries, is the outcome of this interaction.*

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## 5.0 CKM PROCESS MODEL

CKM process model (Adrian Bueren et al) is given in the picture below, with three broad customer touch zones that lie within the organisation namely, Marketing, Sales and Service providing critical information procured during their varied phases of interactions and integrated

and aligned to achieve common business objectives for enhancing the performance of the marketing and service efforts, improving the competence levels of various customer interactive channels within the organization, increasing the composition of various customer focused processes and building collaborations with the customers as strategic partners of the business.
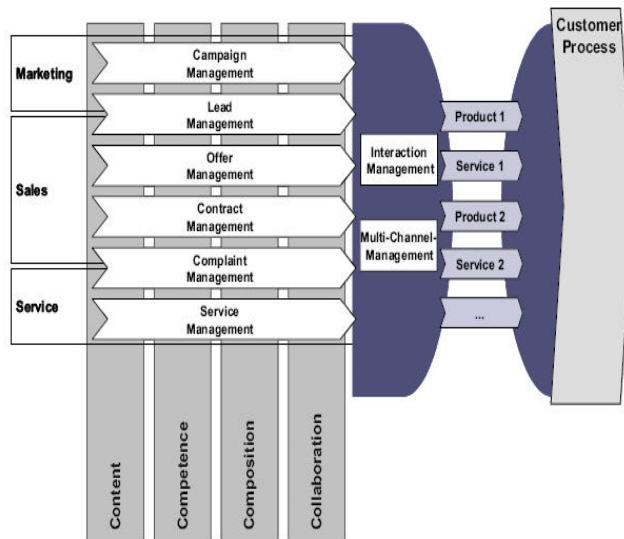


*Figure 3: "CKM: Improving performance of CRM through KM", by Adrian Bueren, Ragnar Schierholz, Lutz Kolbe, Walter Brenner*

The four aspects of Customer Knowledge Management as presented by the model are Content, Competence, Composition and Collaboration. While content is the explicit and implicit knowledge that lies within and outside of the organization, competence is the ability to manage this information. Collaboration deals with the creation and dissemination of knowledge among few individuals. Composition, on the other hand, deals with the dissemination and usage of knowledge among a large number of individuals. Composition deals mainly with helping people find explicated knowledge, that lie within the organisation in various formats.

*Content* typically requires the use of content management or document management systems for converting the crude data into understandable information / knowledge. *Competence* is basically the skills and expertise a company possesses to manage the customer information. This could be in the form of software and hardware sets, process sets and people involved in managing customer information. Email and other electronic collaborative tools support *collaboration*. This helps to generate information from various sources and integrate it into a single process for improving efficiency and enhancing effectiveness of customer driven marketing programs. *Composition* deals with search and navigation aspects for tracing explicit knowledge and uses systems such as knowledge mining systems, personalization, taxonomy management systems, and knowledge maps.

The various aspects along with the critical functional areas operate on customer processes by delivering varied product and service ranges of the company with the help of tailor-made Interaction management (Customer Touch-points) and Multi-Channel Management (Collaborative CRM) programs. An ideal customer-centric organisation should necessarily consider the key ingredients of the model and develop a model based on its objectives, skills, feasibilities and process sets.

## 6.0 MANAGING CUSTOMER KNOWLEDGE

Procuring customer knowledge is not as difficult when compared to managing it. There are five layers which can be presented as *Five S's,* which companies have to adhere to when managing customer knowledge.

1. **Strategy:** Defining what information is really important and what customer insights really counts. This is more or less equivalent to prioritizing and differentiating high value customers from the low valued ones as is done in CRM.
2. **Standards:** Ensuring that *"customer"* and other related terms mean the same thing throughout the organization and processes made for accessing customer data is standardized throughout the various operational channels and functional departments.
3. **Systems:** Identifying and narrowing the gaps in systems requirements holding and processing the data and also having provision for sufficient security systems for protecting the data by using necessary firewalls. Allotting sufficient processing power necessary to navigate through all the data is another important aspect to be taken care while deciding on systems.
4. **Statistics:** Using statistical tools to convert soft data into numeric information and also for processing data to get into the core of the information procured. Statistical analysis tools also come to use in the case of data interpretation to get meaningful picture of the customers.
5. **Smart people**: Recruiting and training people and assigning the right people the right job makes the CKM processes work in a most efficient manner. Smart people are efficient enough to structure and interpret the analysis of customer data keeping in mind their experiential and judgemental interactions with customers so that a holistic view of the entire knowledge can be gained.

Customer knowledge refers not just to understanding customers, their needs, and wants, but it also aims to build customer relationships. CKM throws light on the path through which businesses learn to align its processes, products and services to build real customer relationships. When managed well and applied to various customer-facing business processes, CKM can increase customer acquisition and retention levels, reduce costs by directing *right* marketing efforts at the

*right* customers to generate better response levels and also to develop products and services that customers really want. If the company is just starting to build its Knowledge base, it is advised not to ignore customer knowledge, since it is the best resource that can keep them in gaining and sustaining competitive advantage in the long run.

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