Chapter 49
Managing Customer Knowledge in Service Economy: Proposing a Conceptual Model of CKM for Services

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ABSTRACT

In the age of service and knowledge economy, firms have realized that obtaining, managing, and sharing customer knowledge can be a valuable resource to have advantages over their competitors. However, the review of the literature of Customer Knowledge Management (CKM) area suggests that firms often fail in applying the true notion of CKM, thinking it only as a new technological innovation related to IT. Moreover, the terms Knowledge Management (KM), Customer Relationship Management (CRM), and Customer Knowledge Management (CKM) are not well differentiated in the extant academic literature. This chapter aims to present a conceptual differentiation between these terms by analyzing and comparing the various components of KM, CRM, and CKM. The effort has been made in the chapter to map CKM practices in the Indian service market by presenting case studies of two Indian commercial banks. The authors also made an attempt to propose a conceptual framework of CKM, which can be applied in service firms to successfully implement CKM practices in their organizations.

1. INTRODUCTION

In the increasingly competitive economy, providing superior value to customers has become a hallmark of businesses all over. However, this task of providing superior value is not easy anymore as customers have become more informed and aware of the product and services at their disposal. To compete effectively in today’s marketplace, organizations must seek innovative methods of doing...
business and quickly react to customer demand. Marketplace has become more competitive, complex and intense with the increase in globalization and opening of economy.

Successful organizations world over are relying heavily on knowledge as a critical driver of business success and possibly an essential asset of business survival in the age of globalization (Davenport & Prusak, 2000). Amongst the various emerging trends in businesses, managing customer knowledge for establishment of long term rewarding relationship with the customers is catching up thick and fast (Zhang, 2001). Companies have identified that customer knowledge is important for all businesses and it is at the origin of most improvements in customer value.

Companies know that relationships with the customers can be highly rewarding in case they are managed effectively and knowledge flow seamlessly between the customers and the organization. This will lead to co-creation of services maintaining a win-win situation for both the parties. To leverage on this resource i.e. knowledge from the customers, companies have started taking a leap forward from the normal path of customer relationship management by integrating customer relationship management and knowledge management. Resultant of this integration and organizational approach of co-creation of values is Customer Knowledge Management (CKM). CKM can be generally considered as the process of capturing, sharing, transferring and applying the data, information and knowledge related with customers for the benefit of organization as well as the customers.

Despite the growing awareness and interest in CKM, firms are grappling up with the issue of getting the things right and getting the desired outcome. The frameworks present in the literature do not sufficiently guide the organizational leaders and managers to collaborate with the customers in a manner to bring the desired value. Specifically, this research is an attempt to propose a comprehensive model to guide the managers on ‘how’ part of management of customer knowledge.

Describing further, the objectives of the research reported in this paper are (a) to define Customer Relationship Management (CRM), Knowledge Management (KM) and Customer Knowledge Management (CKM); (b) to bring out the difference between CRM, KM and CKM; and (c) to propose a conceptual model of customer knowledge management for services. The remainder of this paper is structured as follows. The next section presents the literature, definitions of the three key terms which form the genesis of this paper, CRM, KM and CKM are presented to develop an understanding among the readers. Section three elaborates the key differences in each of the three against the key differentiating factors such as vision, objectives, outcomes, etc. A conceptual framework is proposed in section four. Section five discusses two Indian case studies from service industry using customer knowledge management efficiently and effectively to gain competitive advantage. Following that, discussions and managerial implications are presented in section six.

2. DEFINITIONS: CUSTOMER RELATIONSHIP MANAGEMENT, KNOWLEDGE MANAGEMENT, CUSTOMER KNOWLEDGE MANAGEMENT

It is imperative that, prior to discussing the detailed model and dwelling into the role of customer knowledge management in services, the definitions of each of the concepts like customer relationship management, knowledge management and customer knowledge management is discussed in detail. This discussion will lead to a common understanding of each of these definitions and a summary of definitions from the literature will form basis of the proposed model.
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