Chapter 9

A Conceptual Model of Customer Innovation Centric

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ABSTRACT

Customer innovation centric is not only an important perspective on value-creation, but also a new strategy discipline that IT software companies in Jordan should embrace if they are pursue to enlargement successfully. Furthermore, customer experience, customers' community, customer knowledge, and customer innovation are influential variables for improving organizational learning from customer. In order to study this impact, the author uses cognitive fit theory to develop a model that describes how these variables will affect the success of organizational learning process to enhance products and/or services development, quality, and internal process improvement.

INTRODUCTION

Customer relationship management (CRM) became hot issue as today’s competitive markets become more intensive and the market orientation is changing from the product-centered stage to the customer innovation-centered stage. Undoubtedly, customer value is a strategic weapon in attracting, retaining customers, and has become one of the most significant factors for the success of both manufacturing businesses and service providers (Gale, 1994; Zeithaml, 1988; Woodruff, 1997).

Delivering superior customer values grow to be an enduring concern in building and sustaining competitive advantage by driving CRM performance. Many researchers have suggested that organizations should reorient their operations towards the creation and delivery of greater customer value if they are seeking to improve their CRM performance. Recently, several organizations have taken advantage of the power of CRM to expand their markets sharply.

Likewise, researchers see that deep customer insight is a core process that can drive innovation in an organization. Translating this insight into innovation also requires having enough customer
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experience, communities, and knowledge that supports create new product and /or services. On the other hand, Choo (1996) emphasized on social construction of knowledge that leads to social networking process between organizations and customers. Shifting to a customer-driven innovation process enables continual, sustainable innovation for an organization, customer-driven innovation capability is becoming the core competence of agile organizations, and many research have showed that the knowledge and innovation ability of customers are the most important resources of enterprises’ innovation capability.

Braganza (2009) pointed that the ability of an organization to innovate is considered paramount. While most organizations have flashes or spurts of innovation, only a handful of organizations have been able to innovate on a continuous and sustained basis. Transitioning from older paradigms of no or low customer involvement requires new attention to types of customer innovation, organizational mission and organizational structure (Desouza, 2008). This article provides conceptual model for customer innovation, describes how to involve customers in the innovation process, and provides shifting of customer innovation to improve organizational learning. This conceptual overview of successful organizations, discussion of critical issues and concerns around each type of customer innovation are discussed.

REVIEW OF LITERATURE

CRM is the strategic process of shaping the interactions between organizations and its customers with the goal of maximizing current and lifetime value of customers for the organization as well as maximizing satisfaction for customers (Shaw and Reed, 1999). Chaffey (2004) defined CRM an approach to building and sustaining long term business with customers. Chaffey (2004) discussed that CRM seeks to establish long term, committed, trusting and cooperative relation with customers, characterized by openness, genuine concern for the delivery of high quality services, responsiveness to customer suggestions, fair dealing and the willingness to sacrifice short term advantage for long term gains. Lee (2001) defined the steps to successful CRM based on best practice as the implementation of customer-centric business strategies, deriving from the redesigning of functional activities, demanding re-engineering of work processes and support, not driven by CRM technology. This situation makes organizations realized that CRM as a business strategy will maximize profitability, revenue and customer satisfaction by organizing around customer segments, fostering behavior and implementing customer-centric processes.

Greenberg (2001) illustrated that to achieve the long-term value of CRM, organizations must understand that’s strategy involving whole business, and thus should be approached at an enterprise level. Slater (1997) defined CRM as an integrated approach, which seamlessly integrates sales, customer service, marketing, field support and other functions that touch customers. It has also been generally accepted that CRM is a notion regarding how an organization can keep their most profitable customers and at the same time reduce their cost; increase the value of interaction to consequently maximize innovation process. Chen (2004) defined CRM is a strategy that integrates the concepts of knowledge management, data mining, and data warehousing in order to support the organization’s decision making process to retain long term and profitable relationships with its customers. More specifically, CRM can engage in acquisition, analysis and use of knowledge about customers in order to sell more products and /or services and to do it more efficiently.

Bose (2002) extended that “in IT terms, CRM means an enterprise-wide integration of technologies working together such as data warehouse, website, intranet/extranet, phone support system, accounting, sales, marketing and production”. CRM has many similarities with enterprise resource planning (ERP) where ERP can be considered
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