



## Does customer information usage improve a firm's performance in business-to-business markets?

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### ABSTRACT

This study investigates how different ways of using customer information affects a firm's performance in business-to-business markets. This study focuses on two different types of information usages, action-oriented and knowledge-enhancing information usage. Results from Partial Least Squares analysis show that action-oriented customer information usage, direct information usage, contributes to customer performance, but not directly to business performance. Furthermore, the findings indicate that the extent of customer information collected within a company and the sharing of this information improves both direct and indirect customer information usages. Implications for managers and avenues for further research are discussed.

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### 1. Introduction

Developing and maintaining profitable business-to-business relationships require a more complex stream of information about and from a specific customer than does product or transaction-driven marketing (e.g. Davenport, Harris, & Kohli, 2001; Gebert, Geib, Kolbe, & Brenner, 2003; Helfert, Ritter, & Walter, 2002). Furthermore, by managing and using customer information efficiently, business-to-business companies can improve the development and provision of products and services, achieve shorter new product development cycles, facilitate and manage organizational innovation and learning, and, especially, improve customer satisfaction and customer performance (Jayachandran, Sharma, Kaufman, & Raman, 2005; Srinivasan & Lilien, 1999). This study focuses on how customer information usage affects a firm's performance in business-to-business companies.

For decades information utilization in organizations has been considered an important area for research in light of its implications for organizational effectiveness (Menon & Varadarajan, 1992). In the past decade, business-to-business companies have invested heavily in Information Technology systems, such as Customer Relationship Management (CRM) systems, to manage customer data and turn it into customer information (e.g. Abbott, 2001; Jayachandran et al., 2005; Lambert, 2010; Lanciani & Chandran, 2009; Rigby, Reicheld, & Schefter, 2002). Fewer investments are directed towards how to

integrate customer information residing in a company into a company's everyday operations and processes dealing with customers (Campbell, 2003; Deshpande, 1982).

Academic research in information utilization is fragmented and findings can be difficult to compare across the disciplines. The key theme of the information utilization research has been ignorance towards information that an organization already possesses. For instance already in 1970s, Von Hippel (1976) points out a lack of using customer-related information in new product development. In marketing, information utilization research has studied the factors affecting market research utilization (e.g. Deshpande & Zaltman, 1987), the dynamics between users (marketing managers) and producers (researchers) of market research knowledge (Moorman, Deshpande, & Zaltman, 1993), general market information utilization within a company (e.g. Maltz & Kohli, 1996; Moorman, 1995), and the individual-level of market information utilization (e.g. Celuch, Kasouf, & Strieter, 2000).

The focus of marketing researchers has shifted from using more aggregated market information to using customer-specific information (e.g. Srinivasan & Lilien, 1999; Van Birgelen, de Ruyter, & Wetzels, 2000: customer satisfaction information use; Morgan, Anderson, & Mittal, 2005: customer satisfaction information; Jayachandran et al., 2005: relational information processes). Still, research on customer or market information utilization and its impact on a firm's performance is sparse (Jayachandran et al., 2005; Srinivasan & Lilien, 1999). Our study aims to contribute to this stream of literature by examining two key antecedents of customer information usage, the extent of customer information collected and customer information sharing within a company, and how two types of customer information usages, action-oriented and knowledge-

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enhancing, affect a company's customer and business performance in business-to-business companies.

A pilot study with field interviews in six companies was conducted first, and after that, data from 114 Finnish business-to-business companies and 228 individuals were collected to test the hypotheses. In addition, secondary data were collected to validate perceptual firm performance measures. Partial Least Squares approach to Structural Equation Modeling was used to test the hypotheses.

Our findings suggest that action-oriented customer information usage has a positive impact on a company's customer performance, whereas knowledge-enhancing customer information usage may have longer term and broader benefits. Our results also suggest that the more customer information is collected, the more it is used in action-oriented and, in particular, knowledge-enhancing ways. In addition, sharing customer information within a company contributes positively to both types of customer information usages. From the managerial point of view, this research creates new insights for business-to-business companies developing their customer information usage processes and practices.

This paper is structured as follows. First, the background of information utilization research in marketing is discussed and after that, hypotheses are presented. Second, research design and methods are discussed. Third, data analysis and results are presented. Fourth, results are discussed. Last, managerial implications, avenues for future research, and limitations of the study are discussed.

## 2. Background and hypotheses

Fig. 1 illustrates our research model and hypotheses. It posits antecedents and outcomes of customer information usage as well as moderating effects. Our model shows how action-oriented and knowledge-enhancing customer information usage relates to customer and business performance. *ACIU* refers to action-oriented customer information and *KCIU*, knowledge-enhancing customer information usage. *CI Collected* refers to the extent of customer information collected within a company or business unit. *CI Sharing* refers to customer information sharing within a company or business unit. The outcome variable *CP* refers to a seller company's customer performance and the variable *BP* refers to the seller company's business performance. Moderating variables are *CRMex*, referring to CRM experience, and *HCCB* referring to heterogeneity of current customer base.

### 2.1. Collecting and sharing customer information

In this study, we define *customer information* as customer-specific information about and from current and potential business customers within a seller company. In a business-to-business setting, the term *customer* includes both a company/business unit and the people involved in and influencing the buying process. One pilot study participant illustrated the complexity of customer information in business-

to-business markets by saying: “[In business-to-business markets], customer information comes from many levels and from numerous sources.” Researchers have also found that companies are investing more in collecting and storing customer information than in analyzing and using customer information they already possess (e.g. Day, 2003). In addition, customer information collected should be shared and distributed to different parts of the organization before it can be used. Therefore, we propose the following:

**H1a.** The extent of customer information collected has a positive effect on sharing customer information within a company.

Information utilization research across the disciplines states that the types and amounts of information collected affect, positively or negatively, its usage (Oh, 1997). Amounts of information collected may also have an effect on different stages of the information usage process, such as problem recognition or generation of alternative solutions (Menon & Varadarajan, 1992). Our pilot study participants believed that collecting customer data from a number of sources and levels in the organization is beneficial and vital, although it often creates challenges with analyzing and storing it. Insights from our pilot study also suggest that the amounts (and variety) of customer information collected within a company are fairly good indicators of the actual information usage. In addition, pilot study participants believed that improving the collection and storage of the right types of customer information may also promote customer information usage. Therefore, we propose:

**H1b.** More customer information collected from and about current and potential customers leads to more action-oriented customer information usage within a company.

**H1c.** More customer information collected from and about current and potential customers' leads to more knowledge-enhancing customer information usage within a company.

An organization's internal and external communication flows affect how and to what extent market information is used (Menon & Varadarajan, 1992). Market orientation research has particularly paid attention to the dissemination of information within a company and its contribution to usage of information (e.g. Kohli & Jaworski, 1990; Maltz & Kohli, 2000). Based on the previous research we propose as follows:

**H2a.** Customer information sharing within a company has a positive effect on action-oriented customer information usage.

**H2b.** Customer information sharing within a company has a positive effect on knowledge-enhancing customer information usage.

### 2.2. Customer information usage and a firm's performance

Customer information can be stored, for instance, in systems (such as CRM systems), binders, memos, and, in particular, in people's

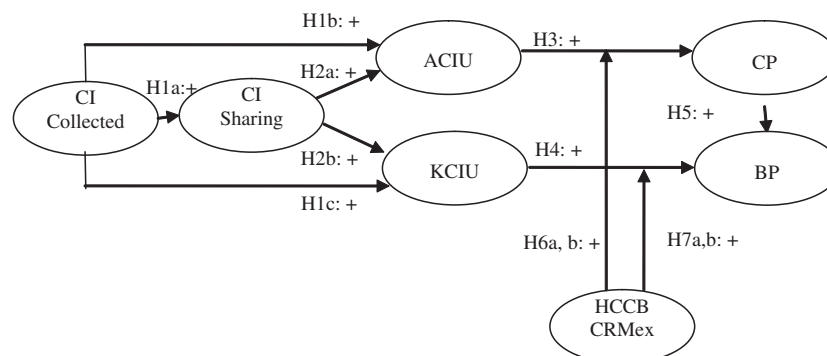


Fig. 1. Research model and hypotheses.

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