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Customer information utilization in business-to-business markets: Muddling through process?

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ABSTRACT

Despite of the empirical evidence that shows that customer information utilization may improve a company's customer and business performance, customer information utilization is underdeveloped in many companies. This research contributes to the understanding of customer information generation and utilization in business-to-business companies. Based on findings from field interviews, the authors propose that the process of generating and using customer information tends to follow Lindblom's (1959) successive-limited comparison or muddling through method. The muddling through method emphasizes small incremental changes, building up from the current situation, and shorter term orientation. Authors suggest that companies should balance their customer information utilization efforts by using both short-term and long-term methods when developing customer information generation and utilization.

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1. Introduction

Customer relationship management and other equivalent systems make possible for companies to track individual customer behavior and a company's ability to manage its customer information has become crucial in sustaining a competitive advantage in any industry (Hogan et al., 2002; Lambert, 2010). However, many researchers argue that the use of customer information that companies possess is underdeveloped in the context of marketing and sales decisions (Bose and Sugumaran, 2003; Pass, Evans, and Schlacter, 2004; Jayachandran et al., 2005; Morgan et al., 2005; Moorman, 2009).

Companies tend to focus more on generating customer information than on improving and investing in using customer information they already have (Day, 2003; Zayah and Griffin, 2004). The recent American Marketing Association's Chief Marketing Officer Survey echoes similar pattern of behavior, "Companies need help pulling all the customer information they have together into a meaningful portrait" (Moorman, 2009). Also a study by Satmetrix had similar findings; 95% of the companies that participated in the study indicated that they collect customer feedback, but only 10% of them deploy and improve their offerings based on this feedback. This research explores customer information generation and utilization in the business-to-business companies. The findings from the field interviews suggest that developing and improving generation and utilization of customer information follows Lindblom's (1959) muddling through method, which emphasizes small incremental changes, building up from the current situation, and shorter term orientation.

This paper continues as follows. The first section discusses the concepts of generation and utilization of customer information in the business-to-business context. The second section describes the methodology and research context. The third section discusses the findings from the field interviews and managerial implications. The fourth section is conclusions and avenues for future research.

2. Background

2.1. How companies generate customer information in business-to-business markets

Customer information is the most complex types of information within a company (Davenport et al., 2001). Customer information comes from multiple sources both within and outside of the company, and is dynamic and can change rapidly (Mithas et al., 2005; Rollins and Halinen, 2005). Companies generate enormous amounts of customer information every day at the different levels of organization from customer service to accounting. Previous research in marketing suggests that customer and market information utilization in business-to-business markets is inherently different from that in consumer markets (Deshpande and Zaltman, 1987; Srinivasan and Lilien, 1999; Latusek, 2010).

In business-to-business context, the term customer includes both a company/business unit and the people involved in and influencing

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the buying process. In general, customer information is more complex in business-to-business markets than it is in consumer markets; it comes from many levels and from numerous sources within and outside of a company. In addition, managing profitable business-to-business relationships requires a more complex stream of information about and from a specific customer than does product or transaction-driven marketing (Sisodia and Wolfe, 2000). In this research, the term customer information refers to customer-specific information, information about and from current and potential business customers within a seller company.

Generation of customer information involves turning customer data into customer information. This involves three stages: collection, storage, and analysis of customer data. Typically in business-to-business markets, a seller company collects four types of customer information about the buyer company: (1) market and industry level, (2) organizational level, (3) business unit and buying center level customer information, and (4) individual buyer level (Rollins, 2008). Customer information in all levels includes both quantitative and qualitative customer information. Quantitative customer information refers to numeric information, such as sales histories and qualitative customer information refers to information that is difficult or impossible to quantify, for example, sales person's expectations of the customer behavior based on experience in the field (e.g., Rowley, 2004). Qualitative customer information is needed for example when dealing with disagreements with long-term customers.

Davenport et al. (2001) explain that many companies build large data warehouses, but they only have very few additional insights into their customers. Customer information converted from a company's databases only provides knowledge on past customer behavior, which is not adequate or even sufficient in business-to-business markets. Sawhney (2006) emphasizes that customer insights do not come from quantitative market research. He says: "You cannot generate insight out of numbers. Numbers help you to validate insights (Sawhney, 2006)."

2.2. How companies utilize customer information

If managers and employees do not use customer information generated, customer information does not produce new insights or improve company's performance (e.g. Kohli and Jaworski, 1990). Past twenty years, marketing researchers have studied the use of market research results, market information, and competitive intelligence (e.g., Celuch et al., 2000; Deshpande and Zaltman, 1987; Moorman, 1995; Maltz and Kohli, 1996), but only recently have marketing researchers began to explore how companies actually use the amounts of customer information generated within companies by different data management systems and by people in their marketing and sales decision-making (e.g., Jayachandran et al., 2005; Morgan et al., 2005).

Information utilization research emerged in the field of public policy making in the 1970s (Caplan, 1979), and such research originally referred to using information generated by scientific research in decision-making in public policy. For decades, the process of information utilization within organizations has been an important area for research in light of its implications for organizational effectiveness in many disciplines such as nursing, public policy, marketing, and accounting (Menon and Varadarajan, 1992). In marketing, market orientation and information utilization research streams largely overlap each other. The basic challenges in information utilization have not changed significantly since the 1970s, but the communication environment has radically changed. A key motivation for information utilization research still remains the same: companies often fail to use information already available to them (Maltz and Kohli, 1996; Moorman, 1995, 2009).

In the prior literature, marketing researchers focus largely on positive or desirable types of information utilization, such as instrumental or action-oriented information utilization (Deshpande and Zaltman, 1987; Maltz and Kohli, 1996; Moorman, 1995; Morgan et al., 2005). However, information use is not always desirable, or even useful, from a company's point of view (Vyas and Souchon, 2003). Therefore, in this research, the authors consider three types of customer information utilization: (1) action-oriented, (2) knowledge-enhancing, and (3) symbolic.

The first type of customer information utilization, action-oriented customer information utilization, refers to a direct application of information at hand (Menon and Varadarajan, 1992; Menon and Wilcox, 2000). Morgan et al. (2005) find that action-oriented customer information utilization is a predominant way of using customer information. Action-oriented way of customer information happens for instance in customer service situations, preparing sales calls or tracking customers' payments; customer information fills the gaps in a decision-makers knowledge.

Knowledge-enhancing customer information utilization, or an indirect use of customer information, provides a general enlightenment of the situation at hand. Knowledge-enhancing customer information utilization manifests changes in the user's knowledge and understanding of the issues and themes (adapted from Menon and Wilcox, 2000). Simply, compared to action-oriented customer information utilization, knowledge-enhancing customer information utilization is a more strategic use of customer information, which also includes a collaborative aspect; customer projects completed within a company can provide concepts and models that help solving a customer's future problems (Arnett et al., 2000). Although the benefits of knowledge-enhancing customer information utilization can be enormous for any company, it is difficult to identify by the users themselves and often requires significant Information Technology and human resources.

The third type of customer information utilization, symbolic customer information utilization, refers to situations where customer information is used for appearance's sake, not to bring any real insights to the decision-making process (Diamantopoulos and Souchon, 1999; Vyas and Souchon, 2003). For example, symbolic customer information utilization occurs when new customer information is used to justify the decisions that already have been made. Vyas and Souchon (2003) describe symbolic customer information utilization as "using information politically while responding to a hidden personal agenda, for example self-promotion." Symbolic customer information utilization is studied least in academic literature, although this type of customer information utilization might be the most common type of customer information utilization.

2.3. Muddling through method

Lindblom (1959) introduces the term muddling through method to the management literature. Since that time, the approach receives attention from researchers from a number of fields, such as public policy and marketing (e.g., Kirchler, 1993; Hallgren and Wilson, 2007). Lindblom (1959) describes two decision-making methods: the rational-comprehensive method, which is often taught in schools and universities, and the successive limited comparison method, or scientific muddling method, in terms of the 1) relationship between values and empirical analysis, 2) relationship between means and ends, 3) the test of "good" policy, 4) analysis, and 5) the role of theory. Table 1 provides a summary of two methods.

The value selection or clarification is the greatest difference between the two approaches. The successive limited comparison method starts with selecting value goals and empirical analysis of the needed action, whereas the rational-comprehensive method starts with clarifying of values or objectives distinct from empirical analysis. Furthermore, the rational-comprehensive method starts with isolating the ends, and then seeks the means that may achieve them. In the successive limited comparison method, means and ends are not distinct; decision-maker chooses them simultaneously.

Those who apply rational-comprehensive method view that decision correct or good, if decision shows to attain some specific