

## Chapter 2

# Perceived Risks of Customer Knowledge Management

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### ABSTRACT

*Customer knowledge management (CKM) has become an important topic for both academicians and practitioners in recent years as customer knowledge is vital for improving customer service and enabling the company to make appropriate strategic business decisions. CKM applications, some of which may be accessible online, support the exchange of customer knowledge. However, embedding CKM applications that customers may access within a company's website may actually be an obstacle to the increase of e-commerce as it could cause an increase in consumers' risk perceptions about that website, and in turn, a backward step in customer's purchase intentions through that site. The objective of this chapter is to analyze the differences that might exist in CKM tools when they are implemented in a website and compare the results in two different moments of time 2005 and 2010. The results obtained from this research will be useful for managers to analyze which CKM initiatives are more advisable to obtain and manage customer knowledge management in the future.*

### INTRODUCTION

Customer knowledge has become an important topic for both academicians and practitioners in recent years (Salojärvi et al., 2010) since it is considered an important organizational asset that can be exploited to yield competitive advantage

to a firm (Yeung et al., 2008). Today, effective management of customer relationships by taking advantage of customer knowledge is a major source for keeping competitive differentiation (Lin, 2007). In the last decade, knowledge management (KM) has been shown to be valuable in the area of information technology (IT) (Tanriverdi,

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2005), encouraging the adoption of electronic commerce (e-commerce) as a major factor determining the future survival or success of organizations (Gupta et al. 2004). But the critical role of KM in gaining competitive advantage in the market (Oppong et al., 2005) or within the e-commerce context (du Plessis and Boon, 2004; Tsai et al., 2005) is far from fully understood.

Nowadays, academics and managers acknowledge two major factors that determine the future survival or success of organizations: electronic commerce (Gupta, Su, & Walter, 2004) and the knowledge from customers (Tsai & Shih, 2004). However, the success of e-commerce increasingly depends on KM (Saeed, Grover, & Hwang, 2005) and the key variable for KM and e-commerce is the customer. Customer Knowledge Management (CKM) is the application of KM instruments and techniques to support the exchange of knowledge between an enterprise and its customers (Kolbe & Geib, 2005; Rollins & Halinen, 2005; Rowley, 2002), enabling the company to make appropriate strategic business decisions (Rowley, 2002; Su, Chen, & Sha, 2006). Executives should use KM and e-commerce principles to complement each other, as a way of electronic CKM, making it possible to obtain priceless information and knowledge for, from and about customers. There has been, however, little academic research on the utilization of customer-specific knowledge (Salojärvi et al., 2010).

Some authors consider that customers should be the focus of KM activities (Chourides et al., 2003) and organizations should learn how to exploit specialist knowledge as a basis for building stronger relationships with customers (Chaston et al., 2003; Oppong et al., 2005). KM tools are technologies, broadly defined, which enhance and enable knowledge generation, codification and transfer (Ruggles, 1997). Today, some of those initiatives are related to more humanistic practices, while others are based on IT (Hasan and Al-hawari, 2003) that may be hosted in the corporate Intranet and/or website (Wang, 2001;

Garavelli et al., 2002). However, embedding KM programs that customers may access within a company's website may actually be an obstacle to the increase of e-commerce (Bose, 2000). Hosting certain CKM tools on the corporate website could cause an increase in consumers' risk perceptions about that website, and in turn, a backward step in customer's purchase intentions through that site. By adopting an external KM perspective (CKM), the aim of our investigation is to assist organizations in their web initiatives for managing customer knowledge.

In the proposed chapter, we aim at analyzing the effective combination of KM and e-commerce for the sake of managing customer knowledge by comparing the implementation of web CKM tools and its evolution in the last five years. First, literature on KM, e-commerce and CKM is reviewed. Next, the most common web applications used in KM are detailed, considering the potential differences between CKM tools. Besides, real life examples of those applications are provided. Third, data about the implementation of CKM tools, collected within a period of five years (in 2005 and in 2010), are presented and analyzed so that managers can understand their applicability and evolution for CKM, for e-commerce and for the business. Finally, conclusions are summarized and managerial implications are presented in order to assist organizations in their web initiatives for managing customer knowledge.

## **THEORETICAL BACKGROUND**

KM is the explicit and systematic management of vital knowledge and its associated processes of creation, organization, diffusion, use and exploitation (Skyrme, 2001) and CKM is the external perspective of KM (Rollins & Halinen, 2005). In order to put KM and CKM into practice, some organizations may implement initiatives related to more humanistic practices, while others are based on IT that may be hosted in the corporate Intranet

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