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- Master Thesis -

Customer Insight Assessment

- An investigation of the perceived value of
customer insight in SMEs

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Abstract

The objective of this study is to provide academia and market professionals with an introduction of customer insight in small and medium sized enterprises (SME). This area of research to date remains unexplored, and this study aim at providing knowledge on how managers in SMEs value different information sources and methods. In addition, the study presents different factors that moderate the effect information source and method have on the value of customer insight. An experiment was developed and tested on marketing managers and CEOs of SMEs in Norway. Two main hypotheses, and ten sub hypotheses, were developed to test the perceived value of customer insight.

The results show that SME managers perceive information from observations as more valuable than information from direct questions alone. Also, information derived by an external entity, in this study a consultant firm, is seen as more valuable than internally generated insight. Furthermore, the ability to meet and understand *customer expectations* made a positive contribution on observations as a method for deriving customer insight. It has also shown that *new opportunities*, insight that give new information and offer new opportunities, have a positive impact on internally generated customer insight.

Keywords:

Market Orientation, Customer Knowledge, Knowledge Generation, Customer Insight, SME

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1. Introduction

1.1. Background

For decades, the concept of marketing has been a paradox, with managers' defining the purpose of marketing being to stay close to the customer, aiming at creating, and retaining, satisfied customers (Day 1994). To successfully acquire and retain a customer, awareness of their articulated and non-articulated desires, are essentially needed. Companies must fulfill needs rather than sell solutions, and customer insight is key since it aims at the specific elements that produce value to the customer (Boulding et al. 2005). In a market owned by the customer, marketers sooner or later come in contact with the phenomenon of *customer insight*. However, the true meaning of customer insight remains vague. This insight might be information on *who the customer is*, or what the *needs and demands* of the customer are. The truth is companies that possess superior customer insight create a better opportunity in responding to changing market conditions, and are thereby better suited to enjoy competitive advantages and profitability (Day 1994).

Market orientation requires companies to focus on information processes and capabilities that make them more efficient in managing customer relationships (Boulding et al. 2005). It involves establishing and maintaining a meaningful dialog with customers (Javalgi, Martin, and Young 2006). The ultimate purpose with market orientation is communication for developing *knowledge*. This knowledge involves a negotiated exchange between the company and customer (Chesbrough and Spohrer 2006). This leads to a consequence, since both parties need the others knowledge in negotiating the exchange. Thereby knowledge is a vital resource, a foundation for competitive advantage and economic growth. Knowledge is abstract and comprehensive, and related to techniques (Vargo and Lusch 2004). Knowledge about customer value creating processes should feature a deep understanding of customers' experiences and processes (Payne, Storbacka, and Frow 2008). By successfully managing value co-creation and exchange, companies can seek to maximize the lifetime value of desirable customer segments.

Market research is the functional link between marketing management and an organization's customer base (Javalgi, Martin, and Young 2006). Day (1994) states that market orientation represents superior skills in understanding and satisfying customers. Deep customer knowledge gives companies the opportunity to go beyond the articulated desires of consumers. This information will in turn guide the company in the formation of strategies, planning of marketing activities, and the organizational structure (Baskin and Coburn 2001). To understand customer needs and requirements is an essential part of sustained competitiveness through innovation of new products and services (Magnusson, Matthing, and Kristenson 2003). However, according to Cowan (2008), most marketing research is unstructured, and conducted in a manner that does not provide valuable customers insights.

Marketing research in a small-medium size firm (SME) context is often neglected in academia, where the focus is on large enterprises (Reijonen and Laukkanen 2009). However, researchers of SME marketing agree that marketing within these firms differ from that of large entities (Gilmore, Carson, and Grant 2001; Hill 2001; Reijonen and Laukkanen 2009). SMEs tend to develop closer relationships with their customer than their larger counterparts, and their local presence, and personal knowledge, enables them to customize their exchange relationship (Carson et al. 1995). The niche strategy is frequently mentioned as a competitive strategy for SMEs (Lee, Lim, and Tan 1999). This strategy gives small firms with limited resources the possibility to differentiate themselves to a narrow segment to avoid direct competition with larger counterparts (Reijonen and Laukkanen 2009).

In order to meet the needs of customers efficiently, SMEs must maintain a level of *communication with* customers, however, they must also be able to acquire and manage *information on* their customers (Keh, Nguyen, and Ng 2007). It is about developing better ways of communicating value propositions, and deliver complete and satisfying experiences (Selden and MacMillan 2006). Customer insight is becoming an increasingly important factor in the success of marketing strategies. By revealing the intelligence in derived information, and turning it into a strategic asset, customer insight can improve the success of the organization's marketing communications, and deliver superior results.

This study takes an approach toward customer insight in a SME context. It contains SME managers perceived value of customer information sources and methods, and how different factors moderate the relationship between information sources and methods when striving for the ultimate customer knowledge – *customer insight*.

1.2. Aim of the research

The aim of this research is to investigate what information sources and methods SME value most when developing insight on customers. According to Bernoff and Li (2008), companies are used to being in control, designing products, services, and marketing messages, based on their own view of what consumers desire. In order to compete in a dynamic market, SMEs add value through differentiation; however, this area has limited exposure to research (Reijonen and Laukkanen 2009). Since customer insight is crucial for firms' success in the market (Selden and MacMillan 2006), it is of interest to examine different methods used to gather relevant information on customers. Organizations want to gain a deep understanding of their customers, and must thereby let the customers have a more central role in the value creating process. The study will be based on managers perceived value. Perceived value occurs at various stages of a process, including the pre-occurrence stage (Woodruff 1997). In addition, the moderation effect from factors that affect the relationship between information source/method and the perceived value of customer insight will be investigated. Those are factors related to insight generation, and the purpose of specific knowledge.

- 1) Does the perceived value of customer insight differ when it is:
 - a) Based on information from observations vs. direct questions?
 - b) Derived internally by the organization itself vs. external consultants?
- 2) Are there factors moderating the effect of information source, and the information method, on the relationship with customer insight?

1.3. Contribution

In general, there is a lack of marketing research in the SME context; despite the fact that the existing research agrees that marketing in small firms differs from marketing in large enterprises (Gilmore, Carson, and Grant 2001; Hill 2001; Reijonen and Laukkanen 2009). There is research on CRM in SME's (Day,

Dean, and Reynolds 1998), and on customer profitability in SME's (Reijonen and Laukkanen 2009). Stokes (2000) states that marketing in small firms is used for needs of the moment, and less attention is paid to plans, strategies, and analysis. Characteristics of small firm marketing are informality, unstructured information, spontaneous, and reactive to the market (Gilmore, Carson, and Grant 2001).

The main motive of this research is to develop an understanding on which information channels SMEs value highest for their ongoing market operations. Further, the aim will be finding a limited number of important factors when deriving customer insight, and how these affect the relationship between information source/method, and customer insight. These factors will act as triggers to further research in order to gain deeper understanding on customer insight in SMEs. Also outside academia, factors for customer insight is of interest due to the complexity of valuable information. In today's business world, brands and intellectual properties are valued as goodwill, the difference between book value and the market value of an enterprise. Customer insight is a strategic asset, and should be considered in more general terms – this is the knowledge that makes the difference.

1.4. Limitations

This study will be focused on small and medium sized enterprises (SME), that have unique and limited resources and capabilities, and who cannot always be compared to larger enterprises. This study is limited to the perceived value of customer insight. Since customer insight is a rather unexplored research field, there is a lack of previous research, especially in the SME context.

1.5. Definitions

Customer data – Recorded transactions with/of customers (explicit or implicit)

Customer information – Systemized customer data, that responds to the objectives of the organization

Customer insight – The collection, disposition, and analysis, of information that is vital for the organization to acquire, develop, and retain

Customer knowledge – Customer information organized in an applicable outline

Customer value – The sum of total benefits that an organization promises a customer

SME – Small medium sized enterprise (European Commission 2003, pg. 14)

2. Literature review

The following section contains literature related to market orientation, customer insight, knowledge generation, and small medium sized enterprises (SMEs). Market orientation has affected organizations and turned them into more customer-oriented entities. The value provided to the customer is of great importance, which is why the customer today is the central focus of many companies' strategies. Customer insight is essential to provide that added value, and this section is a review on present research in the subject.

2.1. Market orientation

The primary objective of market orientation is to deliver superior customer value (Kumar et al. 2011). Customer value is based on knowledge derived from customer and competitor analyses; however, the value it brings to the company depends on how it is obtained. The objective of the organization, in a mutual relationship with the market, is to provide solutions and organize resources to match the needs of the market, and to do so in a way that optimizes competitive advantage (Johnson and Selnes 2004). The values and norms of the organization are crucial for implementing a market orientation approach. These values and norms dictate what information to collect; which type of information is most valuable, who will get access to the information, and how it is to be used (Day 1994).

Market orientation primarily focuses on learning from contact with customers and competitors in the market, while entrepreneurship is more concerned with learning from experimentation (Slater and Narver 2000). These entrepreneurial values may enhance prospects for developing a breakthrough solution, or identifying an unserved segment – both being a solid ground for competitive advantage (Hamel and Prahalad 1994). Market orientation can be used both proactively and reactively, however, when used proactively it can address latent needs, and thereby create value that the customer is unaware of (Day 1994). This can lead to solutions that amaze customers, and thereby lead to success and competitive advantage. Customer insight is essential for the development of new solutions that will favour the customer, and in turn the organization.

2.2. *The data to value cycle*

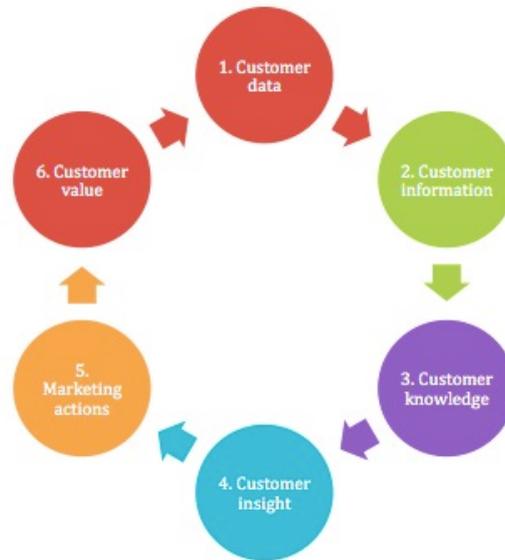


Figure 1: Smith, Wilson, and Clarke's (2006) Data-to-Value Cycle

The “data-to-value” cycle is a process on how to go from customer data to customer value, how to process the data, and make it valuable for the organization. The first step is the collection of *customer data*, which can be any contact between the company and the customer, or observation of the customer. The data are then organized and transferred into *customer information* (step 2). This information must be in line with the objectives of the organization. To be of value to the organization the data must be analyzed and integrated into a context that makes it applicable for the organization. Ruggles (1997) stresses that knowledge generation alone is rarely useful – knowledge has to be represented in a manner that makes it possible to use. This takes the data to the next step – *customer knowledge* (step 3). Knowledge is a mix of experience, values, contextual information, and expert insight (Reijonen and Laukkanen 2009). A context where knowledge is shared, created, and utilized, has to be developed, and the most important aspect of that context is *interaction* (Markkula and Sinko 2009). Customer data forms the basis for marketing decision-making (Zahay and Peltier 2008), and that data is transformed into customer information, and further to customer knowledge (Reijonen and Laukkanen 2009).

2.3. Sources and methods to derive customer insight

2.3.1. Tacit versus explicit knowledge creation

Information and knowledge can be divided into two distinctions: *tacit* and *explicit*. According to Nonaka (1994), there is a continual dialogue between explicit and tacit knowledge, which drives the creation of ideas and concepts. While ideas are formed in the minds of individuals, the development of these ideas originates from interaction between individuals. Thereby, *communities of interaction* contribute to the extension and development of new knowledge (Nonaka 1994). These communities might span internal, or external, boundaries, which are associated with the extent of social interaction.

Explicit knowledge refers to information that is communicable in a formal and systematic language (Nonaka 1994); it can be articulated sufficiently enough to be transferred to, and utilized, by others (Zack and Street 2007). In contrast, tacit knowledge has a personal eminence, which makes it hard to formalize and communicate (Nonaka 1994). Tacit knowledge is deeply rooted in action and commitment in a specific context (Nonaka 1994; Zack and Street 2007), based on learning, skills, and experience (Wills 2005). Social interaction is key in the expansion of knowledge. Interaction between individuals, groups, and organizations, are central to knowledge creation (Nonaka 1994). Brown and Duguid (1991) highlight the importance of links between individuals that span boundaries, both within and outside the organization. Communities of practice are more free flowing than bounded, and often cross the limiting boundaries of the organization by incorporating individuals from outside the organization (Brown and Duguid 1991).

Decent customer insights are derived from a structured process of information gathering that demands particular skills and resources. For the information to be reliable it must come from a reliable source (Selden and MacMillan 2006). One important issue when collecting data is the difference in who people are, and who they think they are, when answering questions. Higgins (1987) developed the terms *actual self*, *ideal self*, and *ought self*. The research pinpoints the differences in who people *think they are*, *who they like to be*, and *who they think they should be*. This is important when gathering information. What people say they do may not be in line with their actual actions or attitudes.

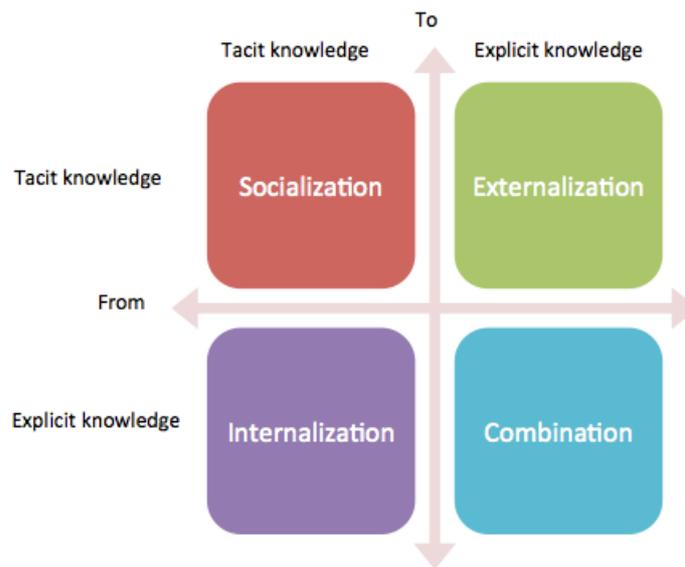
 2.3.2. *Nonaka's (1994) four modes of knowledge creation*


Figure 2: Nonaka's (1994) Modes of Knowledge Creation

Nonaka's first mode of knowledge conversion comes from interaction between individuals, and this transfer of information often lacks sense if it is abstracted from a specific context (Nonaka 1994). Tacit knowledge is created through shared experience, and is called *socialization* in the model. However, no firm has all of the knowledge needed internally. Internal learning is necessary, however, it is not sufficient for strategic knowledge (Zack and Street 2007). In contrast, Bouthillier and Shearer (2002) stress that internal knowledge can be combined in order to generate new knowledge. Socialization is direct communication of information to people or teams. Direct communication regarding behavior, intentions, attitudes, awareness, motivations, and lifestyle characteristics may be asked. However, the respondents may be unwilling to provide the desired information (Malhotra 2010).

The second mode of knowledge conversion involves the use of social processes to combine different bodies of explicit knowledge (Nonaka 1994). The reconfiguration of existing information can lead to new knowledge. This mode is referred to as *combination* in the model. This is the assignment of predefined contexts and relationships, also the re-use and referencing of existing tacit knowledge in new contexts.

The third and fourth mode of knowledge conversion relate to patterns of conversion involving both tacit and explicit knowledge. *“These conversion modes capture the idea that tacit and explicit knowledge are complementary, and can*

expand over time through a process of mutual interaction” (Nonaka 1994, pg. 19). Internalization is the conversion of explicit knowledge into tacit knowledge, which can be related to the traditional notion of learning (Nonaka 1994). This is a structured display of information using contexts and relationships, and the retrieval of existing knowledge via knowledge maps or classification. This method gives the researcher the ability to go beyond the minds of customers, and gives answers to the underlying reasons behind customers’ perceptions and beliefs. This technique is helpful when underlying motivations, beliefs, and attitudes, are operating at a subconscious level (Malhotra 2010).

Contrary to internationalization, externalization is related to the conversion of tacit knowledge into explicit knowledge. This is classification of knowledge based on new information from the user’s daily work. Customer interactor stability (Tuli, Kohli, and Bharadwaj 2007) refers to the customer interactors (employees) creating bonds with customers, and thereby developing a better customer understanding. It will help the organization to customize solutions to its customers. This is one step further than mainly being customer oriented, it is about collaboration and learning from customers, and being adaptive to their individual and dynamic needs (Vargo and Lusch 2004).

Organizations require access to external knowledge, and must thereby participate in knowledge networks that transcend its organizational boundaries (Zack and Street 2007). Social learning is knowledge gained by observing and interacting with individuals outside the organization. The knowledge transferred is general in nature, not firm specific, and it is valuable only if it can support the organizations ability to accumulate or develop firm specific knowledge (Zack 1999). Knowledge management in practice is generally emphasized towards making tacit knowledge explicit (Wills 2005). It is about helping organizations to capture the knowledge that exists in the minds of its employees. Customer insight is the opposite of knowledge management. Most information is explicit – research reports, statistics, and presentations – the challenge is in making it tacit (Wills 2005). Primary, knowledge is a consequence of the meeting and interface of minds.

2.3.3. *Internally versus externally derived customer insight*

Reinartz, Thomas, and Kumar (2005) stress the importance of communication channels, and that personal selling offers the ability to customize messages, rich interaction, and offers personal bonding. This is vital to the maintenance of the relationship between an organization and its customers. Internally generated knowledge is especially valuable since it tends to be unique, specific, and tacitly held (Zack 1999). In contrast, knowledge derived externally, can provide fresh thinking and a context for benchmarking internal knowledge. More common, external knowledge combined with unique internal knowledge often result in new and unique insights (Zack 1999). In order to meet the needs of customers', organizations must maintain a level of *communication with customers*. In addition, they must also be able to acquire and manage *information on their customers* (Keh, Nguyen, and Ng 2007).

New tacit knowledge can be created by tacit knowledge through *socialization* (See Figure 2). It can also be developed by explicit knowledge through *internalization*. The structure of SMEs tends to be flat, which makes it possible for a flexible structure, and an open flow of information (Abimbola and Kocak 2007). In this study, it is expected that SMEs value customer insight in form of tacit knowledge that is inspired by customer input. This is generation of new customer insight in isolation, which is without impact from external entities as consultancies. Wills (2005) mentions this as a weakness of many firms, the lack of integration with generated information from outside the company walls. However, shortcomings with resources can be minimized through a consistent understanding of the business among the employees, and by involving the whole organization (Abimbola 2001). In addition, SMEs tend to develop close relationships with their customer, and personal knowledge enables them to customize their offerings to customer needs (Carson et al. 1995). Customizability and adaptability are key requirements form SMEs. It is expected that insight is generated through direct questions with customers, and that information on customers is somewhat lost. Thereby *internalization* of information is preferred, and the hypothesis is:

H1a: *For SMEs, the perceived value of internally generated customer insight is higher than externally generated customer insight*

2.3.4. *Customer insight based on questions compared to observations*

Ulwick (2002) argues that companies listen to their customers the wrong way. Consumer perceptions, and non-physical product attributes, are important in detecting whether the foundation for differentiation is real or imagined (Dickson and Ginter 1987). Ulwick (2002, pg. 2) states, “*customers should not be trusted to come up with solutions, they are not experts or informed enough for that part of the innovation process*”. The customer’s frame of reference is limited, and the knowledge on technology is not sufficient enough. Ulwick (2002) further proposes that customers should be asked for outcomes instead, normative information on what they want a new product or service to do for them.

Organizations must possess customer information systems that allow them to deliver customized solutions (Johnson and Selnes 2004). This is in line with what Slater and Narver (2000) stress, that market orientation with traditional market research tends to focus on incremental changes instead of innovation of new solutions. Zaltman and Zaltman (2008) express this very clear - organizations tend to reward efficiency rather than innovation. Organizations competing in this dynamic environment vary in openness to innovation and improvements, in ability to learn from experiences and customer insights, and to implement what they have learned (Johnson and Selnes 2004). Organizations must admit to themselves that they are not entirely customer driven, they are informed by customer input, but have to come up with new products and services by themselves (Ulwick 2002).

Organizations that solely rely on expressed needs, or descriptive information, from their customers, create no new value adding opportunities for the customer (Narver, Slater and MacLachlan 2004). When unarticulated needs are discovered, and satisfied by a solution, this solution can lead to appeasement. While exploring these unarticulated desires the challenge is to read between the lines, and make connections that are not obvious – to be creative. By merely asking customers questions limit variability. Observations are a combination of studying how customers act, in coherence with asking questions on *how* and *why* customers act in certain ways. It is assumed that SMEs prefer information that is collected through observations rather than through questions. The hypothesis is:

H1b: *For SMEs, the perceived value of customer insight generated from observations is higher than customer insight generated from questions*

2.4. *Factors affecting the perceived value of customer insight*

According to Zack (1999), customer knowledge that gives a competitive advantage is to be seen as *customer insight*. Companies' need to sense and act rapidly to new consumer behaviors, needs, and desires, in order to generate usable information (Heller Baird and Gonzalez-Wertz 2011). This information must be in line with the objectives of the organization. To be of value to the organization, the data must be analyzed, and integrated, into a context that makes it applicable. Ruggles (1997) stresses that knowledge generation alone is rarely useful – knowledge has to be represented in a manner that makes it possible to use. While traditional marketing builds market intelligence on formalized research and intelligence systems, entrepreneurial marketing seen in SMEs rely on informal networking and information gathering (Stokes 2000). Therefore, it is expected that the reliability and usefulness of information in SMEs is higher if it is developed internally. The organization knows what kind of information they need, and they know what information they can manage. Information that is generated from observations is more reliable and useful than information from direct questions.

H2a: *Usefulness will have a positive impact on customer insight generated internally*

H2b: *Usefulness will have a positive impact on customer insight generated from observations*

Further, Zack (1999) advocates four conditions for customer insight:

1. *Valuable* – ability to guide decisions
2. *Rare* - not possessed by competitors
3. *Inimitable* – difficult or expensive for other organizations to acquire
4. *Capabilities* - the organization can act upon the information

Customer insight is valuable information on customers that the organization can act upon with current resources and capabilities (Zack 1999). The better this insight is, the better the *customer value* delivered. One major disadvantage of small firms are resource scarcity, both lack of expert knowledge and capital (Ghobadian and Gallea 1997). Managing processes and functions should thereby be easier within SMEs, and the culture is often reflected by the owner/entrepreneur (Abimbola and Kocak 2007). The expectation is that

companies' capability to act upon information will be perceived better if the information is derived from internal sources. Hence, since customers lack understanding in the organizations capabilities and resources, observations are perceived as more important when deriving customer insight than questions.

H3a: *The capability to act will have a positive impact on internally generated customer insight*

H3b: *The capability to act will have a positive impact on customer insight generated from observations*

It is important to stress that customer insight alone does not create any value, it is the marketing activities formed, based on customer insight, which will increase the customer value (Zack 1999). In addition, the organization needs the ability to absorb knowledge and apply it in its ongoing business; this ability in turn depends on its existing knowledge (Zack and Street 2007). In order to act upon the information, the organization needs resources that support the development of superior customer value. The internal resources and capabilities will set the limit for the *marketing actions*. It is expected that organizations know their customers better than other entities, and thereby SMEs prefer customer insight that is generated internally. Knowledge developed from observing customers is expected to be more valuable than asking questions.

H4a: *New marketing activities have a positive impact on internally generated customer insight*

H4b: *New marketing activities have a positive impact on customer insight generated from observations*

Capabilities and information is part of a never-ending process, and this cycle of learning, and continuous improvement, can generate innovation in customer centric firms (Shah *et al.* 2006). Since customer insight is continuous, customer insight that is generated internally, on an ongoing basis, will be perceived as more valuable in SMEs. The organization knows their customers better than anyone else, and thereby meets the expectations of customers with new solutions. Also, information is more valuable if generated through observations rather than direct questions. Normative information is preferred over descriptive information, since the customer does not know exactly what they want. This cycle

of learning is both internal, aimed at the organizations resources and capabilities, and at the external environment, to obtain superior information on the market (customers, competitors, trends, etc.).

H5a: Customer expectations have a positive impact on internally generated customer insight

H5b: Customer expectations have a positive impact on customer insight generated from observations

Each organization's definition, framing, and characteristics, of customer heterogeneity, will most likely be unique, and form the foundation for the organization's marketing efforts (Dickson and Ginter 1987). As a consequence of the organization's perceptions, the formation is a critical determinant for competitive advantage. The entrepreneur plays an important part in information assimilation, however, does not necessarily recognize the need for information (Reijonen and Laukkanen 2009). However, since new ideas often are generated through a unique way of interpreting the market and developing solutions based on a specific frame of references, it is expected that SMEs value internally generated information to externally generated information. The information should come from observations rather than questions, since new opportunities come from inspiration not solutions from customers.

H6a: *New opportunities have a positive impact on internally generated customer insight*

H6b: *New opportunities have a positive impact on customer insight generated from observations*

2.5. Internal versus external customer insight generation

As presented, customer insight can be derived internally or externally, as well as from questions or observations. The methods used are assumed to have different value to SME's. Important to bear in mind is that while SME's (internally) and consultants (externally) both can ask direct questions to customers in order to generate new insights, they have different approaches when conducting observations. Internally, firms can generate information from interaction with customers, which is ongoing research on customer behavior and preferences, in combination with asking questions. External entities, in this research consultant

firms, do not have this opportunity. It is expected that consultancies use insight generated from databases containing information that are more general in nature, less adapted to the specific context of the firm. This data does have other strengths, as perceptions of the market as a whole, a wider range of insights than those possessed by the firm alone, which are more isolated. The problem is comparability – while both the firm and a consultant can ask questions, observations cannot be performed with the same methods by both entities.

The table below (Table 1) is inspired by Nonaka's (1994) *Modes of the Knowledge Creation* matrix. In addition, it reflects Wills (2005, pg. 309) ideas of tacit and explicit communication:

- Explicit to explicit knowledge being IT data transfers (Databases)(1)
- Tacit to explicit being to record what people know (2)
- Explicit to tacit being to get stored knowledge into the organization (3)
- Tacit to tacit knowledge being direct communication to share ideas (4)

SMEs can ask consultants for explicit knowledge as database-generated customer insight, the ideas built on this information will be explicit with influences from the organization. The firm can also generate explicit knowledge by observing customer behavior and preferences. Those two methods rely on observations. On the other hand, the firm can ask consultants to ask questions to their customers, and thereby record what customers' know/want/need. The organization can ask customers for input by direct questions.

Table 1: Internal versus external data collection for customer insight

	Questions	Observation
Internal	(4) Direct questions to customers	(2) Interaction with customers, conversation on continuous basis containing observation of customers behavior and preferences
External	(3) Direct questions to customers	(1) Databases of general customer and market preferences

2.5.1. Conceptual model

The hypotheses for the conceptual model are explained throughout the previous section. The aim with the research is to explain how internal versus external information sources affect the perceived value of customer insight. In addition, it aims to explain how different moderators affect the perceived value of customer insight. Those relationships will be tested with five moderators: *Usability* (USE), *Capability to act* (CTA), *Customer Expectations* (CE), *Marketing Activities* (MA), and *New Opportunities* (NO). The dotted lines represent moderation effects, while straight lines represent the direct effects.

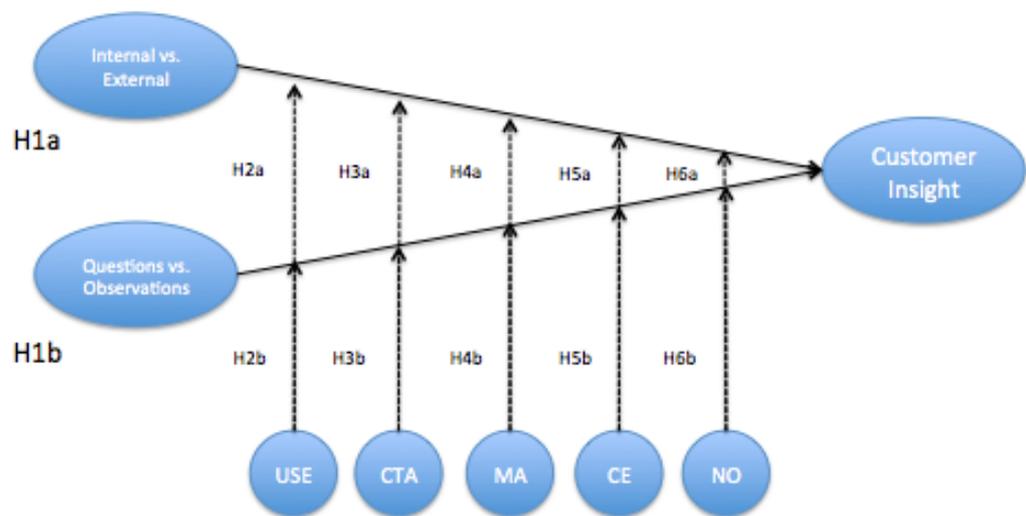


Figure 3: Conceptual model for perceived value of customer insight

3. Methodology

This section describes how the studies were prepared and designed in order to test the hypotheses derived from the literature review. It explains the measures used to gather information, and the methods used to analyze the data. The section ends with explaining reliability and validity.

3.1. The customer insight experiment

Since the purpose of this research is to find how SMEs value different sources and methods of information, the foundation will be a quantitative design. This is a superior method to find factors moderating the relationship between information source/method and customer insight. According to Jacobsen (2002), a quantitative approach is the most suitable method when the researcher wants to investigate the extent of behavior or attitude. The attitude, in this study “perceived value”, will be tested on a wide range of respondents. Organizations can develop experiments where customers are exposed to different manipulations, and the answers given will indicate the opinions, attitudes, and beliefs of the customers (Bryman and Bell 2007). This study aims at describing the perceived value of customer insight. An experiment was developed for the purpose of the research. Since the study is wide and covers several industries, the set-up was generic in order to be applied. The experiment was based on a business problem that SMEs of any industry type can relate to. To conduct the experiment an online survey was developed containing:

1. A business problem common enough to apply to several industries
2. A solution, based on customer insight, to the business problem
3. A presentation of customer insight modified to the research setting
4. The manipulation of different alternatives and combinations
5. Statements related to the specified solution

3.1.1. The variables tested

The company’s ability to build customer insight on the collected data is crucial for success. The data collected must be relevant for its purpose, and in line with the competences of the company. Thereby, the capabilities needed are important when deriving customer insight. How the data is collected may thereby

affect the impression of its quality. Since there are consultancy firms specializing in deriving customer information, it is of interest to see whether SMEs perceive the value of *external information* as being more valuable than what can be performed *internally* by the organization itself.

In addition, information can be gathered by *asking questions*, or by *observing* customers. Either the consultants gather information by asking questions to the customers, or by observing how the consumers behave. The same scenario is valid for internal information – either data is gathered by asking questions to customers, or by observing their actions.

3.1.2. *The manipulations*

This study will use manipulations to see whether internal information is perceived as more valuable than external information. The perceived value of asking questions versus observing customers is also tested. The respondents were divided into four different groups in order to test the manipulations.

- 1) *Internally* developed data based on *questions* to core customers
- 2) *Internally* developed data based on *observations* of core customers
- 3) *Externally* developed data based on *questions* to core customers
- 4) *Externally* developed data based on *observations* of core customers

The manipulation is dummy coded, with external being coded to 0, and internal being coded to 1. Observation is coded as 0, and questions is dummy coded as 1.

3.1.3. *The respondents*

The population in this research contains marketing managers and CEOs from Norwegian “gazelle” companies. The respondents correspond to the EU Commission (2003) criteria for SMEs. Further, a “gazelle” company has to fulfill the following requirements (DN 2012: DI 2012):

- A turnover of at least 1 million NOK first year
- At least doubled the turnover, the first and latest year compared
- Increased the turnover every year for the last three years
- A collective operating profit for the last four years that is positive

The companies were contacted by e-mail, and the addresses were found on the company's own website, Gulex.no, or Gulesider.no. The survey was sent to a total of 1157 companies, of which 138 replied, that is equivalent to 11.9 percent. The respondents were placed into the different groups (Group 1 = 31, Group 2 = 37, Group 3 = 38, Group 4 = 32).

3.1.4. *Online survey design*

The platform for the online experiment was SurveyMonkey.com. Keller (2005, pg. 144) mentions several basic points to consider when designing a questionnaire. Two of those points are strongly considered for this study:

1. The questionnaire should be kept as short as possible to encourage respondents to complete it
2. The statements should be short, simple, and clearly worded

3.1.5. *Methods used to analyze the data*

All data from the experiment was analyzed using SPSS 17. In order to investigate the data, four different statistical methods were used:

- *Cronbach's Alpha* was used in order to measure internal reliability (See table 4, pg. 21). Alpha values above 0.6 are considered acceptable.
- *Pearson Correlation* was used to detect if multicollinearity could be a problem for the research. Strong correlations between variables can violate the results of the study. It was decided to create centered variables, which is achieved by subtracting the mean from every independent variable, and then multiplying the residuals together to create a centered product term.
- *Independent t-test* compares the means between two unrelated groups on the same continuous dependent variable. This guide the perceived value of customer insight, whether it was based on internal versus external part, or whether it was based on direct questions to, or observation of, customers.
- *Multiple Regression* analysis was used on the moderators developed as independent variables, and the perceived value of customer insight as dependent variable. The merging of two items into one developed the moderators, where both items were measuring the same construct. The moderators were then used to predict interaction effects.

3.1.6. Measures

In order to test the perceived value of customer insight, three statements were developed; all tested with different Likert-scales ranged 1-10. The first statement was tested by “bad-good”, and the second statement by “low value-high value”. The third statement was related to the willingness to invest in a project based on the information from the research. This willingness was ranged from 1-10, named “little” versus “much”. These three measures were merged into a new index – “*Perceived value of customer insight*”.

Table 2: Items forming the Customer Insight index

Construct		Item
<i>Perceived value of customer insight</i>	CI1	What is your impression of the solution that has been derived from customer insight?
	CI2	How valuable would you say the solution is?
	CI3	How much would you be willing to invest in the solution?

Further, five different constructs were developed and tested by ten different items, two items on each construct.

Table 3: Questionnaire items pertaining to the research constructs

Construct		Item
<i>Usefulness</i>	USE1	To what extent would you say that the data that sets the foundation for customer insight must be reliable
	USE2	To what extent would you say that the data that sets the foundation for customer insight must be useful
<i>Customer Expectations</i>	CE1	To what extent does customer insight help you to understand the expectations of your customers
	CE2	To what extent does customer insight help your organization to meet the expectations of your customers
<i>Marketing Activities</i>	MA1	To what extent does customer insight help you organization design new marketing activities
	MA2	To what extent does customer insight give you new information for developing new marketing activities
<i>Capability to act</i>	CTA1	To what extent is it important that customer insight can be acted upon by the organizations present resources
	CTA2	To what extent is it important that customer insight can be acted upon by the organizations present capabilities
<i>New Opportunities</i>	NO1	To what extent is it important that customer insight gives new information
	NO1	To what extent does customer insight offer your organization new opportunities

The constructs were based on the hypotheses developed under the theoretical part of the study, conforming the different aspects of customer insight and market orientation found in theory. The items were developed from the literature related to each construct, and presented in the literature review.

3.2. *Reliability*

Reliability is essentially concerned with issues of consistency of measures. One way to reach high internal reliability is to use more than one item to build each construct. The *internal reliability* is considering whether or not the indicators that make up the scale of index are consistent, whether or not respondents' scores on any one indicator tend to be related to their scores on the other indicators (Bryman and Bell 2007). To test the internal reliability Cronbach's alpha was used. The Alpha value should be close to 1 (perfect internal reliability), and an alpha value between 0.6 and 0.8 indicates a "good" result (Janssens et al. 2008). The Alpha value for the dependent variable, *perceived value of customer insight*, is high (0.936) and indicates a high consistency.

Table 4: Cronbach's Alpha for the moderators and Customer Insight index

Construct	Items	Alpha value
<i>Perceived value of customer insight</i>	3	0.936
<i>Usefulness</i>	2	0.706
<i>Customer Expectations</i>	2	0.651
<i>Marketing Activities</i>	2	0.835
<i>Capability to act</i>	2	0.674
<i>New Opportunities</i>	3	0.740

3.3. *Validity*

Validity refers to the issue of whether or not an indicator (indicators) that is formulated to evaluate a concept really measures that concept. The *construct validity* refers to whether the researcher is encouraged to deduce hypotheses from a theory that is relevant to the concept (Bryman and Bell 2007). The hypotheses in this study will be based on previous theory. Bryman and Bell (2007) mentions face validity as a valid method of validity, which is established by asking people with knowledge in the research area, whether the measure focuses on what it is supposed to do.

4. Analysis

4.1. *The perceived value of information source and method*

4.1.1. *Information source*

The first hypothesis is *rejected*.

H1a: *For SMEs, the perceived value of internally generated customer insight is higher than externally generated customer insight*

An independent-samples t-test was conducted to compare the difference between internally and externally generated information as a source for customer insight in SMEs. There was a significant difference in perceived value for externally (M = 5.53, SD = 1.97) and internally (M = 4.86, SD = 1.91; $t(136) = 2.01$, $p = 0.046$, two-tailed) derived information. The magnitude of the difference in the means (mean difference = 0.666, 95 percent CI: 0.012 to 1.320) was small to moderate in size, with an eta squared of 0.0289. Only 2.89 percent of the variance in the perceived value of customer insight is explained by information source. The perceived value of customer insight is considered to be better if a consultant, rather than the organization itself, derives it.

Group Statistics

	Info source	N	Mean	Std. Deviation	Std. Error Mean
The perceived value of customer insight	External	70	5,5286	1,97039	,23551
	Internal	68	4,8627	1,91289	,23197

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
The perceived value of customer insight	Equal variances assumed	,066	,797	2,013	136	,046	,66583
	Equal variances not assumed			2,014	136	,046	,66583

The expectation was that internally generated insight would have a higher perceived value to the organization. However, it turns out to be the other way around – externally generated insights have a higher perceived value. It might be, that internally generated insight helps in maintaining relationships, and bonding with customers, as stressed by Reinartz, Thomas and Kumar (2005). Creating relationships and connecting with customers generates knowledge that is valuable due to its uniqueness, and that it is tacitly held (Zack 1999). However, it only brings value to an existing relationship, and develops no new insight. In contrast, knowledge derived externally, can provide fresh thinking, and a context for benchmarking internal knowledge. Zack (1999) stresses that external knowledge combined with unique internal knowledge often results in new and unique insights. Externally generated insight may be seen as more valuable since it brings something new, and can be combined with insight that already exists internally. Communication with customers always exists within the organization, but information on customers is also needed (Keh, Nguyen, and Ng 2007). The flat and open structure of SMEs gives the possibility for an open flow of information (Abimbola and Kocak 2007), however, part of the information must come from an external source. Internally generated insight alone does not create any value, only when combined with external input. This also brings challenges for organization; since the weakness of many organizations is the lack of integration between internally generated knowledge and insight generated information from outside company walls (Wills 2005).

Information from an external source, in this case a consultancy company, provides insight in customer preferences that is more valuable than what the company can provide themselves. In addition, observations are found to be more valuable as method for insight development. This goes for both internally and externally developed insight. An independent-samples t-test was conducted to compare the difference between observations and direct questions as an information method for customer insight in SMEs – in one case with data for external sources only, and one case with data for internal sources only.

For external sources, there was a significant difference in perceived value for direct questions ($M = 6.21$, $SD = 1.85$) and observations ($M = 4.96$, $SD = 1.91$; $t(68) = 2.77$, $p = 0.007$, two-tailed) when gathering information. The magnitude of the difference in the means (mean difference = 1.252, 95 percent CI: 0.352 to 2.153) was moderate to large in size with an eta squared of 0.1017. Only 10.17 percent of the variance in the perceived value of customer insight is explained by information method. The perceived value of customer insight is considered to be better if external entities derive it from observations rather than from direct questions.

Group Statistics

	Info method	N	Mean	Std. Deviation	Std. Error Mean
The perceived value of customer insight	Observations	32	6,2083	1,84478	,32611
	Questions	38	4,9561	1,91120	,31004

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
The perceived value of customer insight	Equal variances assumed	,102	,750	2,774	68	,007	1,25219
	Equal variances not assumed			2,774	66,706	,007	1,25219

For internal sources, there was no significant difference in perceived value for direct questions ($M = 4.97$, $SD = 1.83$) and observations ($M = 4.73$, $SD = 2.03$; $t(66) = 0.52$, $p = 0.61$, two-tailed) when gathering information. There is no significant difference between observations and direct questions. When developing insight internally there seems to be an indifference between observations and direct questions.

Group Statistics

	Info method	N	Mean	Std. Deviation	Std. Error Mean
The perceived value of customer insight	Observations	37	4,9730	1,82638	,30026
	Direct questions	31	4,7312	2,03382	,36529

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
The perceived value of customer insight	Equal variances assumed	,883	,351	,516	66	,607	,24179
	Equal variances not assumed			,511	61,020	,611	,24179

4.1.2. Information method

The second hypothesis is *not rejected*.

H1b: *For SMEs, the perceived value of customer insight generated from observations is higher than customer insight generated from questions*

An independent-samples t-test was conducted to compare the difference between observations and direct questions as an information method for customer insight in SMEs. There was a significant difference in perceived value for direct questions ($M = 5.55$, $SD = 1.92$) and observations ($M = 4.86$, $SD = 1.96$; $t(136) = 2.09$, $p = 0.038$, two-tailed) when gathering information. The magnitude of the difference in the means (mean difference = 0.691, 95 percent CI: 0.038 to 1.344) was small to moderate in size with an eta squared of 0.0312. Only 3.12 percent of the variance in the perceived value of customer insight is explained by information method. The perceived value of customer insight is considered to be better if it is derived from observations rather than from direct questions.

Group Statistics

Info method		N	Mean	Std. Deviation	Std. Error Mean
The perceived value of customer insight	Observations	69	5,5459	1,92419	,23165
	Direct questions	69	4,8551	1,95578	,23545

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
The perceived value of customer insight	Equal variances assumed	,253	,616	2,092	136	,038	,69082
	Equal variances not assumed			2,092	136	,038	,69082

It was expected that observations would have a higher perceived value than questions, and this hypotheses was not rejected. SMEs put higher value on insight that is generated from observations than questions. It might be, that direct questions are used in daily operations, and gives information on what the customers want at the moment. However, it does not bring any new insights. Narver, Slater, and MacLachlan (2004), stresses that to solely rely on expressed needs from their customers, creates no new value adding opportunities for the customer, and thereby it does not create any value adding opportunities for the organization neither. Also, as Ulwick (2002) stress,es organizations tend to listen to their customers in the wrong way. Organizations should strive to discover unarticulated needs, and develop solutions based on those findings.

4.2. Moderating effects on the percieved value of customer insight

Hierarchical multiple regressions were conducted to assess the ability of five factors (*Usability, customer expectations, new marketing activities, capability to act, and new opportunities*) to predict the perceived value of customer insight, after checking for influences of interaction effects with internal/external source of information, and observations/questions as method for information. Preliminary analyses were conducted on the assumptions of normality, linearity, multicollinearity, and homoscedasticity. Centered variables were created to avoid

multicollinearity. That is done by subtracting the mean from every independent variable, and then multiplying the residuals together to create a centered product term. The collinearity values are all on an acceptable level, all variables having a tolerance value above 0.1, and a VIF value below 10. The maximum value for Cook’s Distance is 0.063, which is well below one being a cut off for problems.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	,278 ^a	,077	,027	1,93674	,077	1,551	7	130	,156
2	,488 ^b	,239	,131	1,83098	,161	2,545	10	120	,008

a. Model without interaction effects

b. Model with interaction effects

c. Dependent Variable: The perceived value of customer insight

The five main factors entered in step one, were explaining 7.7 percent of the variance in the perceived value of customer insight. After the entry of interaction effects at step two, the total variance explained by the model as a whole was 23.9 percent, $F(17, 120) = 2.212, p < 0.05$. In addition, the first model was not statistically significant ($p > 0.05$), while the second model is statistically significant with a p -value of 0.007 ($p < 0.05$).

ANOVA^c

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40,717	7	5,817	1,551	,156 ^a
	Residual	487,626	130	3,751		
	Total	528,342	137			
2	Regression	126,042	17	7,414	2,212	,007 ^b
	Residual	402,300	120	3,353		
	Total	528,342	137			

a. Model without interaction effects

b. Model with interaction effects

c. Dependent Variable: The perceived value of customer insight

The beta value for information source is -.193, meaning that the external information source has an impact on the perceived value of customer insight. A negative value indicates that information source is closer to base value, which is an external source of information (0). There are two significant interaction effects with information source – *capability to act* ($p = .031$) and *new opportunities* ($p = .023$). The *source*capability to act* interaction will have a negative impact on the perceived value of customer insight with a beta value of -.314. When it comes to the organizations capability to act on the information, it is more important that the information comes from an external source, everything else being equal. The *source*new opportunities* interaction will have a positive impact on the perceived value of customer insight, with a beta value of .375. This means that new opportunities are created internally with information derived by the own organization rather than an external entity.

The beta value for information method is -.295, meaning that observation as a source has a positive impact on the perceived value of customer insight. A negative value indicates that information method is closer to base value, which is an observation as a source of information (0). There are two significant interaction effects with information method – *customer expectations* ($p = .002$) and *new opportunities* ($p = .017$). The *method*customer expectations* interaction will have a negative impact on the perceived value of customer insight with a beta value of -.559. When it comes to the information's ability to meet customer expectations, it is more important that the information comes from observations, everything else being equal. The *method*new opportunities* interaction will have a positive impact on the perceived value of customer insight, with a beta value of 0.374. This means that observations are less important than direct questions for new opportunities.

		Coefficients				Collinearity Statistics	
Model		Standardized	t	Sig.	Tolerance	VIF	
		Coefficients					Beta
1	(Constant)		31,544	,000			
	Information Source	-,175	-1,959	,052	,889	1,124	
	Information Method	-,196	-2,260	,025	,948	1,054	
	Usefulness	-,007	-,044	,965	,315	3,170	
	Customer expectations	-,011	-,071	,943	,305	3,280	
	New marketing activities	,022	,169	,866	,413	2,421	
	Capability to act	,001	,006	,995	,431	2,322	
	New opportunities	,101	,697	,487	,340	2,937	
2	(Constant)		31,606	,000			
	Information Source	-,193	-2,206	,029	,826	1,211	
	Information Method	-,295	-3,443	,001	,863	1,159	
	Usefulness	,011	,062	,950	,222	4,505	
	Customer expectations	,279	1,603	,112	,209	4,786	
	New marketing activities	,047	,333	,740	,325	3,079	
	Capability to act	-,197	-1,358	,177	,302	3,313	
	New opportunities	-,083	-,543	,588	,272	3,672	
	Source * Usefulness	,133	,831	,408	,249	4,012	
	Source * Customer expectations	-,081	-,543	,588	,283	3,533	
	Source * New marketing activities	-,292	-1,955	,053	,285	3,513	
	Source * Capability to act	-,314	-2,178	,031	,305	3,279	
	Source * New opportunities	,375	2,296	,023	,237	4,215	
	Method * Usefulness	,206	1,319	,190	,261	3,834	
	Method * Customer expectations	-,559	-3,149	,002	,201	4,965	
	Method * New marketing activities	-,163	-1,152	,252	,318	3,140	
	Method * Capability to act	,198	1,439	,153	,334	2,992	
	Method * New opportunities	,374	2,428	,017	,268	3,737	

a. Dependent Variable: The perceived value of customer insight

Among the ten hypotheses, only four made a statistically significant contribution to the model. *Capability to act* and *new opportunities* made a significant contribution on information source. *Customer expectations* and *new opportunities* made a significant contribution on information method.

Table 5: Summary of the ten hypotheses (See appendix 4-7 for plots)

Construct		Hypotheses	Sig.
<i>Usefulness</i>	H2a	Usefulness will have a positive impact on customer insight generated internally	$p > 0.05$
	H2b	Usefulness will have a positive impact on customer insight generated from observations	$p > 0.05$
<i>Customer Expectations</i>	H3a	Customer expectations have a positive impact on internally generated customer insight	$p > 0.05$
	H3b	Customer expectations have a positive impact on customer insight generated from observations	Not rejected
<i>Marketing Activities</i>	H4a	New marketing activities have a positive impact on internally generated customer insight	$p > 0.05$
	H4b	New marketing activities have a positive impact on customer insight generated from observations	$p > 0.05$
<i>Capability to act</i>	H5a	The capability to act will have a positive impact on internally generated	Rejected
	H5b	The capability to act will have a positive impact on customer insight generated from observations	$p > 0.05$
<i>New Opportunities</i>	H6a	New opportunities have a positive impact on internally generated customer insight	Not rejected
	H6b	New opportunities have a positive impact on customer insight generated from observations	Rejected

4.2.1.1. *Customer expectations*

Hypothesis 3b is *not rejected*, it proved to be statistically significant ($p = .002$). The assessment of customer expectations does have a positive influence on insight generated from observations. The beta value for information method is $-.295$, meaning that the observation as a source of information is seen as more important than direct questions. Since the value is negative, it is closer to the base value, which is information from observations (0). Customer expectations will strengthen that importance with a beta value of $-.559$. Managers in SMEs seem to prefer observations as opposed to direct questions where customer expectations

are concerned. It was expected that information generated through observations were more valuable for meeting customer expectations compared to solely relying on direct questions. Normative information is preferred over descriptive information, which may be since customers do not know exactly what they want (Ulwick 2002). SMEs highly value information from observations when it comes to understanding and meeting customers' expectations. The organization must know its resources and capabilities, and the external environment, to reach superior information on the market. Superior information in the market, on competitors, and on trends, seems to be of higher value to SMEs if it is derived from observations compared to direct questions.

4.2.1.2. *Capability to act*

Hypothesis 5a is statistically significant ($p = .031$); however, the hypothesis is *rejected*. The assessment of the organizations capability to act will not have a positive impact on insight generated internally. The beta value for information source is $-.193$, meaning that in general externally derived information is preferred over internally generated information. The beta value of *capability to act* is $-.314$, and has a negative impact on information source. SME managers tend to prefer externally generated information over internal. *Capability to act* has a positive impact on externally generated information, and thereby the hypothesis is rejected. The expectation was that companies' capability to act upon information will be perceived better if the information derives from internal sources. However, this is not true. Customer insight is valuable information on customers that the organization can act upon with current resources and capabilities (Zack 1999), but it seems that SME managers prefer externally generated information and insight generation. One major disadvantage of small firms are resource scarcity, both lack of expert knowledge and capital (Ghobadian and Gallar 1997). This may be the case; smaller organizations do not know what to look for. Externally generated insight provides solutions to those black holes that the organization needs to cover.

4.2.1.3. *New opportunities*

Hypothesis 6a is statistically significant ($p = .023$) and *not rejected*. The assessment of new opportunities has a positive impact on customer insight that is generated internally. The beta value for information source is $-.193$, and every unit

of new opportunities .375 can be added to the perceived value of customer insight. Managers in SMEs seem to prefer internal sources of information when *new opportunities* are important. Since each organization defines, frames, and characterizes, customers in a unique fashion, and forms the basis for the ongoing business and marketing efforts on those perceptions, the outcome will be rare and unique (Dickson and Ginter 1987). Since new ideas often are generated through a unique way of interpreting the market and developing solutions based on a specific frame of references, it is expected that SMEs highly value internal generated information to external generated information, when developing new opportunities. Stokes (2000) stress that marketing in small firms are used for the needs of the moment. That less attention is paid to plans, strategies, and analysis of information, which could favor internal sources for information.

Hypothesis 6b is statistically significant ($p = .017$); however, the hypothesis is *rejected*. The assessment of new opportunities does not have a positive impact on customer insight generated from observations. The beta value for information method is -.295, and for every point of new opportunities, .374 can be added to the perceived value of customer insight. Direct questions seem to be rated as more important than observations when it comes to *new opportunities* for the organization. It was expected that information should come from observations rather than questions, since new opportunities come from inspiration rather than solutions from customers. This was not the case. SME managers tend to favor questions for their marketing efforts, which may be in line with ease of information, and a shorter perspective of business. The CEO plays an important part in information integration, however, does not necessary recognize the need for information (Reijonen and Laukkanen 2009). Information from direct questions may be easier for the organization to interpret, and implement in the ongoing business, and thereby preferred over more complex information.

5. Conclusion

From the analysis in the previous chapter, it was found that SME managers perceive the value of externally generated customer insight to be higher than internally generated customer insight. The results were significant, however, against the expectations. Managers in SME may see resources and capabilities as shortcomings internally, that the insight needed is hard to generate by the organization itself, and thereby externally generated insight is more valuable. Managers in SMEs place more value on observations as source of information, compared to only asking questions to customers. The result is in line with the expectations, and statistically significant.

In addition to information source and method valuation, factors affecting the relationship between source/method and the perceived value of customer insights were found. Two factors – *customer expectations* and *new opportunities* – made an impact on information method. While *customer expectations* made a positive impact on observations as a method for generation of customer insight, *new opportunities* made an impact on questions as a method for information. The two factors making a significant contribution on information source were *capability to act* and *new opportunities*. While *new opportunities* made a positive impact on internally generated information, *capability to act* had an impact on externally generated information.

5.1. Critics

This study is an attempt to bring further knowledge in the research area of customer insight. It can be argued that customer insight demands a multifaceted approach, while this research focuses on a two-by-two approach, where two sources and two methods are presented. Customer insight can arguably be deeper than that. This suggests further research, with different approaches. A quantitative approach, in a subject that is not too widely studied, can be questioned. This study builds on perceived values of the phenomenon, with factors developed for the area of market orientation as a foundation for independent variables. There are other potential variables which are not included in this study, and a qualitative approach could have been a better option. This could have opened up new perspectives on the subject, and been a foundation for a quantitative approach.

5.2. *Implications for further research*

It would be interesting to see a qualitative study, with the aim at finding factors affecting customer insight. A qualitative study can give new insight in the area of research, and provide new information on what managers' value in customer insight. It would also be interesting to know how organizations work in order to develop customer insight. This study is aimed at SMEs, which are companies with limitations; research on larger enterprises would also be interesting. Research on customer insight in companies with high scores on customer satisfaction would be highly interesting, since such companies are successful in fulfilling customer needs and demands.

In addition, to find out how larger enterprises work with customer insight, and how they work with the customer being the center of attention. Which processes and methods that are used to develop new, unique, and company specific, customer insight. Performing such research demands resources and access to company information on much deeper level. This presents many hurdles and difficulties for a student to grasp.

The generation of good customer insight is very valuable, and often critical, for businesses in today's marketplace. In saturated and mature markets, competition deepens and becomes more intense – which is why rare and unique insight in customers becomes very valuable. It would be interesting to see different approaches on how companies work with insight generation, how they develop knowledge on their customers, and how they refine it within the organization. How information is generated depend on whether the insight is for innovation and development of new ideas, or for the ongoing business and customer relationships. Investigation on those differences would be interesting to read, and are recommended paths for future research.

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Appendix 1

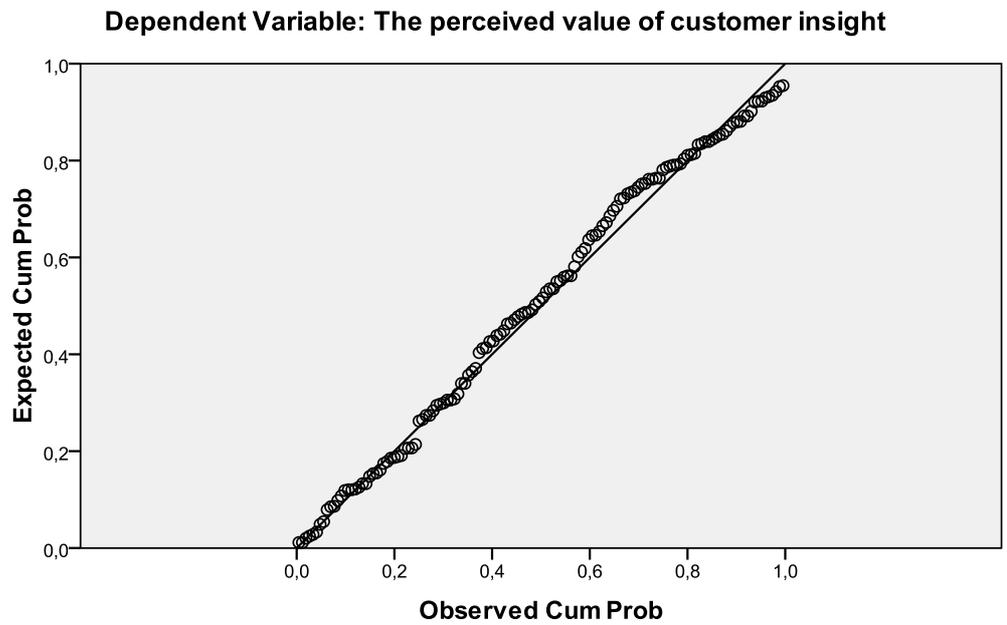
Residuals Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2,7415	7,3778	5,2005	,95917	138
Std. Predicted Value	-2,564	2,270	,000	1,000	138
Standard Error of Predicted Value	,345	1,460	,630	,203	138
Adjusted Predicted Value	3,1140	7,2160	5,2054	,97567	138
Residual	-4,16484	3,09995	,00000	1,71362	138
Std. Residual	-2,275	1,693	,000	,936	138
Stud. Residual	-2,316	1,801	-,001	,994	138
Deleted Residual	-4,31777	3,55263	-,00491	1,94136	138
Stud. Deleted Residual	-2,360	1,818	-,002	,999	138
Mahal. Distance	3,860	86,163	16,877	12,285	138
Cook's Distance	,000	,063	,008	,011	138
Centered Leverage Value	,028	,629	,123	,090	138

a. Dependent Variable: The perceived value of customer insight

Appendix 2

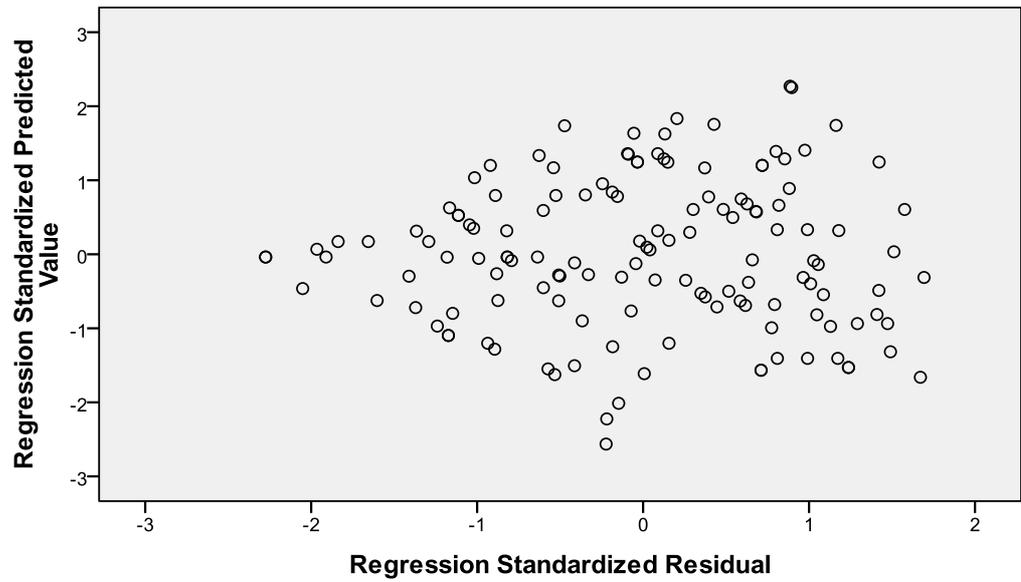
Normal P-P Plot of Regression Standardized Residual



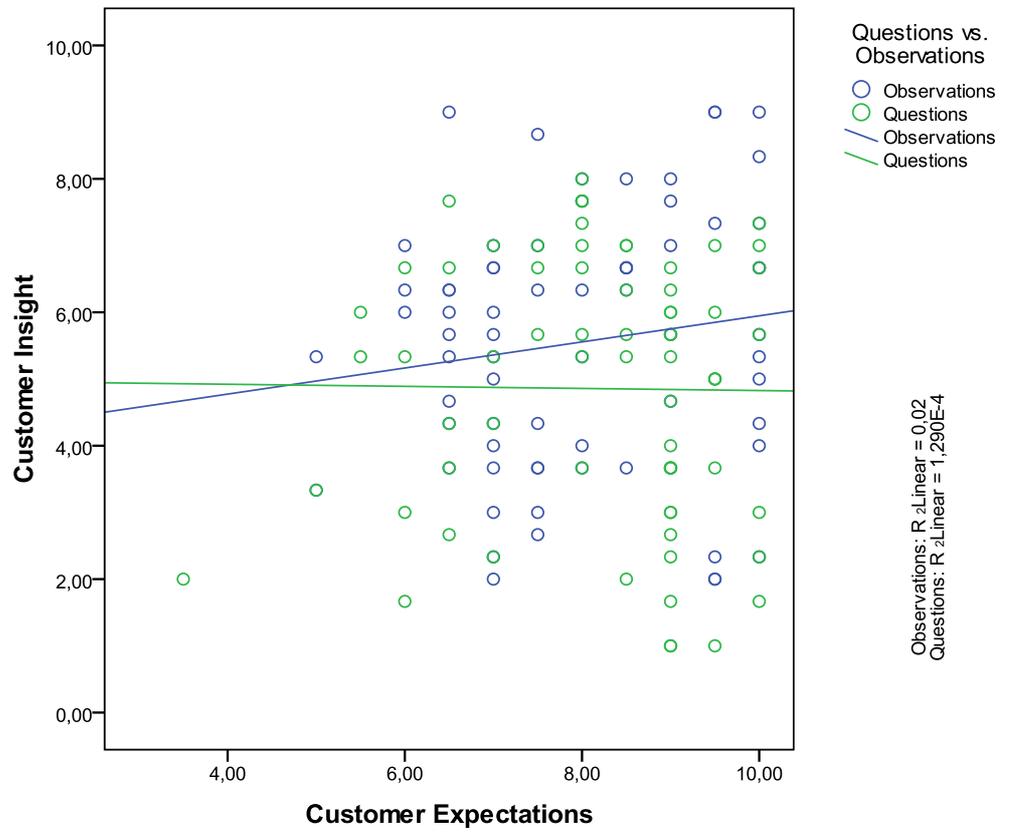
Appendix 3

Scatterplot

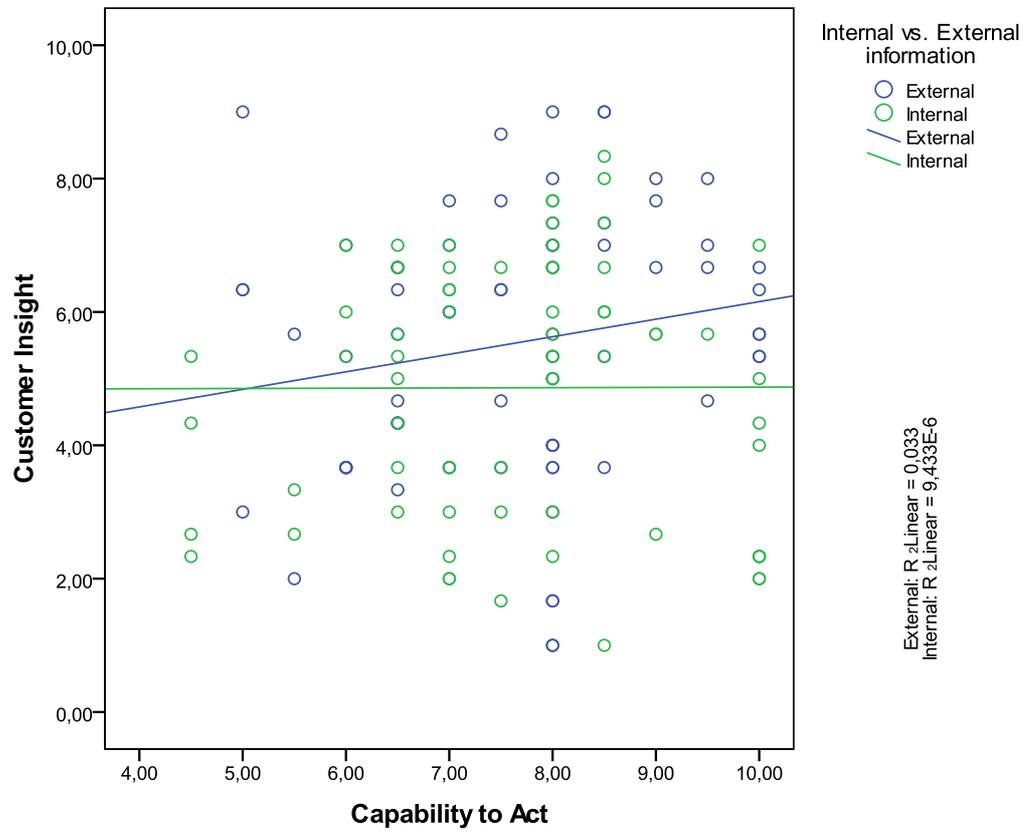
Dependent Variable: The perceived value of customer insight



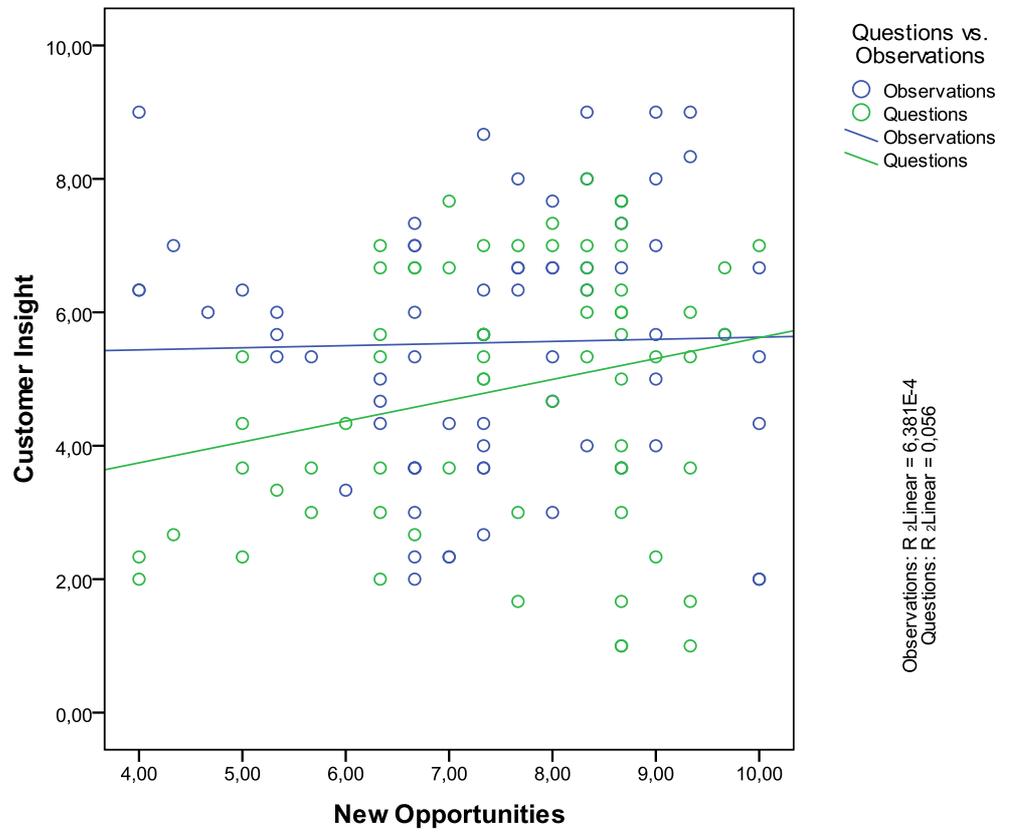
Appendix 4



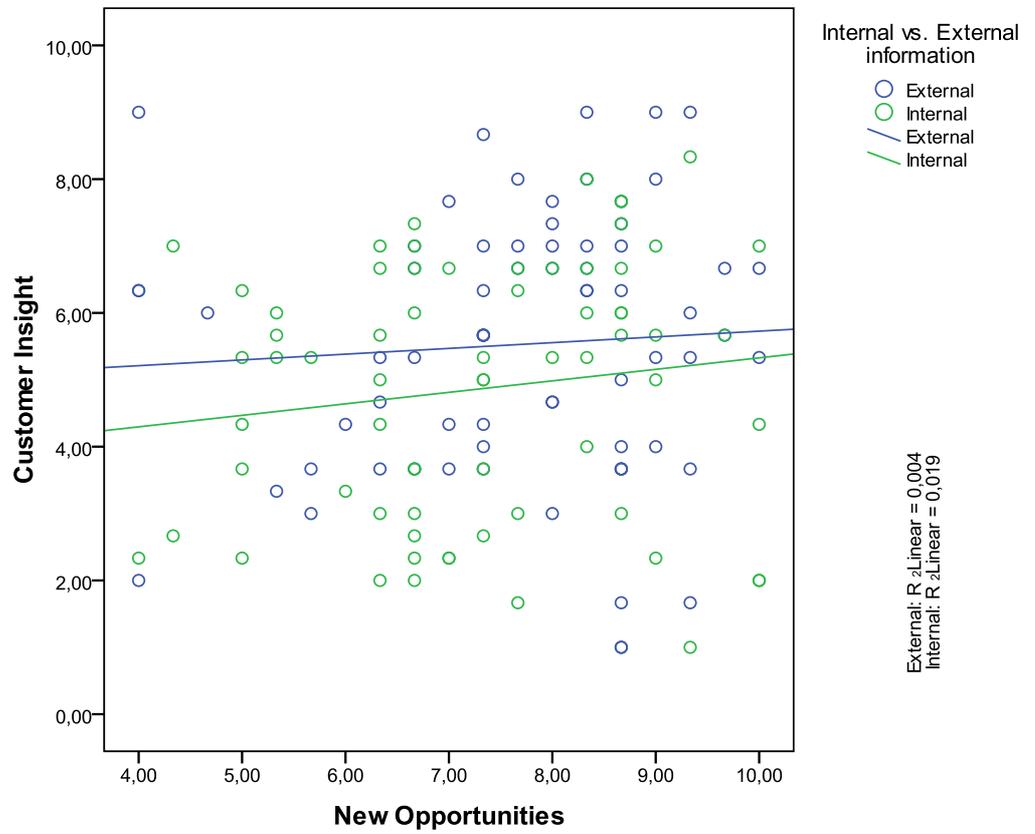
Appendix 5



Appendix 6



Appendix 7



Appendix 8

Reliability Statistics – Perceived Value of Customer Insight

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,936	,936	3

Reliability Statistics - Usefulness

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,706	,712	2

Reliability Statistics – Customer Expectations

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,651	,653	2

Reliability Statistics – New Marketing Activities

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,835	,836	2

Reliability Statistics – Capability to Act

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,574	,674	2

Reliability Statistics – New Opportunities

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,740	,743	3

Appendix 9

Table 6: Pearson Correlation over main effects

	1	2	3	4	5	6	7	8
1	1,000	-,170	-,177	,041	,045	,059	,090	,121
2	-,170	1,000	-,087	,090	,003	,083	,004	-,132
3	-,177	-,087	1,000	,027	,091	,045	-,081	,040
4	,041	,090	,027	1,000	,801	,630	,604	,622
5	,045	,003	,091	,801	1,000	,637	,606	,649
6	,059	,083	,045	,630	,637	1,000	,620	,699
7	,090	,004	-,081	,604	,606	,620	1,000	,701
8	,121	-,132	,040	,622	,649	,699	,701	1,000

Table 7: Pearson Correlation over interaction effects

	1	9	10	11	12	13	14	15	16	17	18
1	1,000	-,157	-,165	-,162	-,164	-,137	-,162	-,173	-,143	-,129	-,126
9	-,157	1,000	,989	,970	,982	,970	-,047	-,077	-,077	-,093	-,108
10	-,165	,989	1,000	,970	,976	,972	-,053	-,068	-,076	-,099	-,109
11	-,162	,970	,970	1,000	,963	,970	-,075	-,096	-,061	-,116	-,108
12	-,164	,982	,976	,963	1,000	,975	-,096	-,124	-,121	-,124	-,142
13	-,137	,970	,972	,970	,975	1,000	-,069	-,092	-,071	-,101	-,095
14	-,162	-,047	-,053	-,075	-,096	-,069	1,000	,983	,961	,968	,967
15	-,173	-,077	-,068	-,096	-,124	-,092	,983	1,000	,966	,968	,969
16	-,143	-,077	-,076	-,061	-,121	-,071	,961	,966	1,000	,962	,975
17	-,129	-,093	-,099	-,116	-,124	-,101	,968	,968	,962	1,000	,978
18	-,126	-,108	-,109	-,108	-,142	-,095	,967	,969	,975	,978	1,000

Table 8: Correlation variables

	Main effects		Interaction effects
1.	Perceived value of customer insight	9.	Source * Usefulness
2.	Information source	10.	Source * Customer expectations
3.	Information method	11.	Source * New marketing activities
4.	Usefulness	12.	Source * Capability to act
5.	Customer expectations	13.	Source * New opportunities
6.	New marketing activities	14.	Method * Usefulness
7.	Capability to act	15.	Method * Customer expectations
8.	New opportunities	16.	Method * New marketing activities
		17.	Method * Capability to act
		18.	Method * New opportunities

Appendix 10

Questionnaire (Manipulation 1 of 4, Internal/Questions)

You are a company manager currently working on a plan to strengthen your company's position in the next year. Your main challenge is that your most profitable customers in recent years have started to leave you.

In order to turn the negative trend you have been suggested to sponsor a local event with nationally well-known and appreciated artists. In connection to this event you invite your most profitable customers for a presentation of your company and preview of services and products that you will offer in the future. The customer will be offered dinner and an exclusive opportunity to meet the artists. The solution is based on this customer insight:

“Even though your most loyal customers are satisfied with the services/products you offer, they feel less appreciated for the effort they add to your relationship. Not necessary a monetary reward is needed; a symbolic initiative to prove your company's commitment is enough. The compensation is more valuable to the customer if it gives an opportunity to bond and learn more about your organization. Also, the possibility to bring the family to enjoy the event is seen as highly valuable.”

The customer insight is developed internally by **your own organization**, and the information is based on answers that the employees received when **asking questions to customers**. Please mark your impression on the statements related to the customer insight that the solution is based upon.

1. What is your impression of the solution that has been derived from customer insight?

Bad 1 2 3 4 5 6 7 8 9 10 Good

2. How valuable would you say the that the solution is?

Low value 1 2 3 4 5 6 7 8 9 10 High value

3. How much would you be willing to invest in the solution?

Little 1 2 3 4 5 6 7 8 9 10 Much

Consider the following statements about customer insight, and indicate how well you agree with them:

4. To what degree would you say that the data that sets the foundation for customer insight must be reliable

No degree 1 2 3 4 5 6 7 8 9 10 High degree

5. To what degree does the customer insight help you to understand the expectations of your customers

No degree 1 2 3 4 5 6 7 8 9 10 High degree

6. To what degree does customer insight help you organization design new marketing activities

No degree 1 2 3 4 5 6 7 8 9 10 High degree

7. To what degree would you say that the data that sets the foundation for customer insight must be useful

No degree 1 2 3 4 5 6 7 8 9 10 High degree

8. To what degree is it important that customer insight give new information

No degree 1 2 3 4 5 6 7 8 9 10 High degree

9. To what degree is it important that customer insight can be acted upon by the organizations present resources

No degree 1 2 3 4 5 6 7 8 9 10 High degree

10. To what degree does customer insight offer your organization new opportunities

No degree 1 2 3 4 5 6 7 8 9 10 High degree

11. To what degree does customer insight help your organization to meet the expectations of your customers

No degree 1 2 3 4 5 6 7 8 9 10 High degree

12. To what degree does customer insight give you new information for developing new marketing activities

No degree 1 2 3 4 5 6 7 8 9 10 High degree

13. To what degree is it important that customer insight can be acted upon by the organizations present capabilities

No degree 1 2 3 4 5 6 7 8 9 10 High degree

Spørreskjema (Manipulasjon 1 av 4, intern/spørsmål)

Du er foretaksleder og arbeider for tiden med en plan for å styrke ditt foretaks posisjon de neste årene. Din primære utfordring er at dine mest lønnsomme kunder de siste årene har begynt å forlate dere.

For å snu den negative trenden har blitt foreslått å sponse et lokalt arrangement med nasjonelt velkjente og verdsette artister. I samband med dette arrangementet inviterer du dine mest lønnsomme kunder for en presentasjon av ditt foretak og en forhåndsvisning av tjenester og produkter som du kommer til å tilby i fremtiden. Kunder vil bli tilbudt middag og en eksklusiv mulighet til å treffe artistene.

Løsningsforslaget er basert på følgende innsikt om deres kunder:

”Selv om dine mest lojale kunder er fornøyde med de tjenester og produkter du tilbyr, kjenner de seg mindre og mindre verdsatt for det arbeid og den energi de legger ned i deres relasjon. De forventer seg ikke en økonomisk kompensasjon (lavere priser, bonuspoeng etc.), men et symbolsk initiativ for å vise ditt foretaks engasjement ville blitt verdsatt. Initiativet er mer verdifullt for kunden om det gir en mulighet til å utvikle deres relasjon med dere, samt lære seg mer om foretakets organisasjon. Dessuten ses det som verdifullt om kundens familie får være med og ta del i arrangementet.

Den innsikt om deres kunder som nevnes ovenfor har blitt utarbeidet av foretakets egen organisasjon, og informasjonen er basert på svar som de ansatte fikk da de stilte spørsmål til kundene. Vennligst marker hvilket inntrykk du fikk av den kundeinnsikt som forslaget er basert på:

1. Hvilket inntrykk har du av den løsningen som har blitt hentet fra innsikten av kundene?

Veldig dålig 1 2 3 4 5 6 7 8 9 10 Veldig bra

2. Hvor verdifull vil du si at løsningen er?

Ikke verdifull 1 2 3 4 5 6 7 8 9 10 Veldig verdifullt

3. Hvor mye ville du være villig til å investere i løsningen?

Små ressurser 1 2 3 4 5 6 7 8 9 10 Store ressurser

Tenk over følgende påstander om kundeinnsikt, og marker hvor enig du er:

4. Til hvilken grad vil du si at den informasjonen som utgjør basen for kundeinnsikt må være troverdig

Til ingen grad 1 2 3 4 5 6 7 8 9 10 Til høy grad

5. Til hvilken grad vil du si at kundeinnsikt hjelper din organisasjon å forstå de forventninger kundene har

Til ingen grad 1 2 3 4 5 6 7 8 9 10 Til høy grad

6. Til hvilken grad vil du si at kundeinnsikt hjelper deres organisasjon å utforme nye markedsaktiviteter

Til ingen grad 1 2 3 4 5 6 7 8 9 10 Til høy grad

7. Til hvilken grad vil du si at den informasjonen som utgjør basen for kundeinnsikt må være anvendelig

Til ingen grad 1 2 3 4 5 6 7 8 9 10 Til høy grad

8. Til hvilken grad vil du si at er viktig at kundeinnsikten gir ny informasjon

Til ingen grad 1 2 3 4 5 6 7 8 9 10 Til høy grad

9. Til hvilken grad vil du si at det er viktig at kundeinnsikten kan ivaretas av de ressurser foretaket har tilgang til i dag

Til ingen grad 1 2 3 4 5 6 7 8 9 10 Til høy grad

10. Til hvilken grad vil du si at det er viktig at kundeinnsikt gir nye muligheter

Til ingen grad 1 2 3 4 5 6 7 8 9 10 Til høy grad

11. Til hvilken grad vil du si at kundeinnsikt hjelper din organisasjon å møte de forventninger kundene har

Til ingen grad 1 2 3 4 5 6 7 8 9 10 Til høy grad

12. Til hvilken grad vil du si at kundeinnsikt gir deres organisasjon ny informasjon for utforming av markedsaktiviteter

Til ingen grad 1 2 3 4 5 6 7 8 9 10 Til høy grad

13. Til hvilken grad vil du si at det er viktig at kundeinnsikten kan ivaretas av den kompetansen som finnes i foretaket i dag

Til ingen grad 1 2 3 4 5 6 7 8 9 10 Til høy grad