

Market Knowledge: Use It or Lose It

Companies act on the basis of market knowledge: the knowledge of customers and competitors as garnered by individual employees. An organization's ability to recognize the value of new information, assimilate it, and use it strategically accounts for its success in performance and innovation.

Research conducted at Case Western Reserve University and published in the *Journal of Marketing* explored how a company's market knowledge and strategic actions drive its innovation and performance over time.



Knowledge for Improvement ... and Apathy

Intelligence about the market is necessary to satisfy customers better than the competition can. However, researchers discovered that when decision makers find a useful nugget of knowledge, they tend to rely on it and avoid updating it to accommodate new developments. ([Read our interview with Donald R. Lehmann.](#)) In many instances, it's counterintuitive, let alone time-consuming, resource-zapping, etc., to update knowledge that works.

Similarly, decision makers may resist reconsidering their individual market knowledge after communicating with others in the organization. This is particularly troublesome when you consider that new and improved products get to market only by swapping information and surfacing new know-how.

They also found that changes in the quantity of market knowledge are likely to intensify the need to adjust marketing and general business strategy. Marketers may say, "Whoa, we don't have that data anymore? We'd better make some changes." Or they may draw inward: "We have no new data. We'd better stick with our current product line-up and marketing strategy. Anything new would be a shot in the dark, and we certainly don't want to risk whatever good we have going now." Worse yet, they may delight in a data deluge and push to use the new information somehow to a competitive advantage.

Smarts Alone Don't Count for Much

Knowledge is interpreted information — beliefs, understandings, commitments, etc. We create meaning by distinguishing and valuing information.

In the research, decision makers' knowledge about customer preferences was assessed through a series of questions that they answered immediately after they had made decisions but before they had seen the performance outcomes. They marked the location of various customer segments' ideal points on a perceptual map. The accuracy of their knowledge was judged by the distance between the points they specified on the map and the ideal points for each customer segment, provided by a simulation tool.

The results confirmed that if there is little shared knowledge in a firm, an increase in an individual's overall market knowledge has no impact on innovation effort. On the flip side, more dynamic shared knowledge environments act as catalysts for higher individual levels of market knowledge, generating significantly greater levels of innovation.

The results also suggest that innovation effort takes shape over time under the influence of opposing forces: market knowledge diffusion, which propels innovation, and a "complacency" with past performance, which hinders it.



For the whole story, check out "Actualizing Innovation Effort: The Impact of Market Knowledge Diffusion in a Dynamic System of Competition" by Detelina Marinova from the July 2004 *Journal of Marketing* at www.marketingpower.com.