

POSSIBILITIES OF KNOWLEDGE MANAGEMENT IN SUPPORTING MARKETING ACTIVITIES OF FIRMS

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Abstract:

Contemporary societies are well aware that effective use of knowledge means to ensure long-term competitive advantages and a stable market position. It turns out that knowledge management involves a number of areas that cannot be ignored. One of them may be the usage of knowledge in the contemporary concept of marketing. The Purpose of this paper is aimed at contemporary findings in knowledge management and critical analysis of potential possibilities of marketing based on the current cognition of the academic space and its practical use in knowledge management in a successful business. The methodology of this paper is focused on the case study of a middle-sized company that explores the contemporary concept of marketing and possibilities of knowledge management in this company. The case study shows effective usage of marketing knowledge in knowledge management and using of synergic effect of marketing and knowledge management in a modern enterprise. The aim of this paper is to point out the possibilities of knowledge management with an emphasis on contemporary contingencies of marketing activities in the company and also find a growing potential in marketing in order to ensure the further development of knowledge management. The information received in scientific resources and real practice showed that principles of knowledge management are becoming a serious part in creation of a business strategy, which is mainly a privilege of transnational corporations. It is considerable to raise awareness about importation and effectiveness of knowledge management among other companies, especially small and medium-sized companies.

Keywords: knowledge management, knowledge and information, marketing, new trends of marketing, knowledge marketing.

1. INRODUCTION

It is evident that although knowledge management is a young and dynamic discipline, its implementation is meaningful and beneficial. It is obvious that knowledge management is primarily of interest on campus and publications on this topic from the corporate sector are still very rare (Marešová, 2010).

Němeček and Kocmanová say about knowledge and knowledge management: “Development of management is connected with the importance of quality and quantity of knowledge on which the economic activity depends. The knowledge and ability of economy to transform this knowledge into technical and commercial applications are the basis for increase of productivity and related changes of competition” (Němeček & Kocmanová, 2007).

Knowledge is becoming one of the strategic resources of organizations for the 21st century, which should ensure a stable growth of performance and competitive advantage. For this reason, knowledge management and related activities are used in different organizations, regardless of their core mission or business activities. Basic principles of knowledge management are to be applied in business organizations, manufacturing companies and educational institutions or government offices (Bureš, 2007).

2. DEFINITION OF KNOWLEDGE MANAGEMENT

Dealing with this modern concept in a broader context, it would be suitable to define this term. Generally speaking, the content of knowledge management is management based on the use of knowledge, which has become the new productive economic resource. For its application, it is necessary to choose appropriate forms of communication, involvement and sharing. In simple terms, it is an effective interconnection of those who know with those who need to know. There are many other definitions, which are connected with this term. These for example include:

“It can be also defined as a systematic and intentional creation, actualization and utilization of knowledge to maximize the organizational effectiveness. Knowledge Management can be viewed from various perspectives, namely: Conceptual, Processing, Technological, Organizational, Management and Implementation perspective. Knowledge-intensive work is usually based both on formal and informal team communication and cooperation” (Slavíček, 2011).

Knowledge management is about the acquisition, creation, sharing and using knowledge. It involves explicit and implicit knowledge. It is not a brief summary of what is known at a certain moment, but developing body of knowledge maintained in the current form of people who use it regularly (Collison & Parcel, 2005).

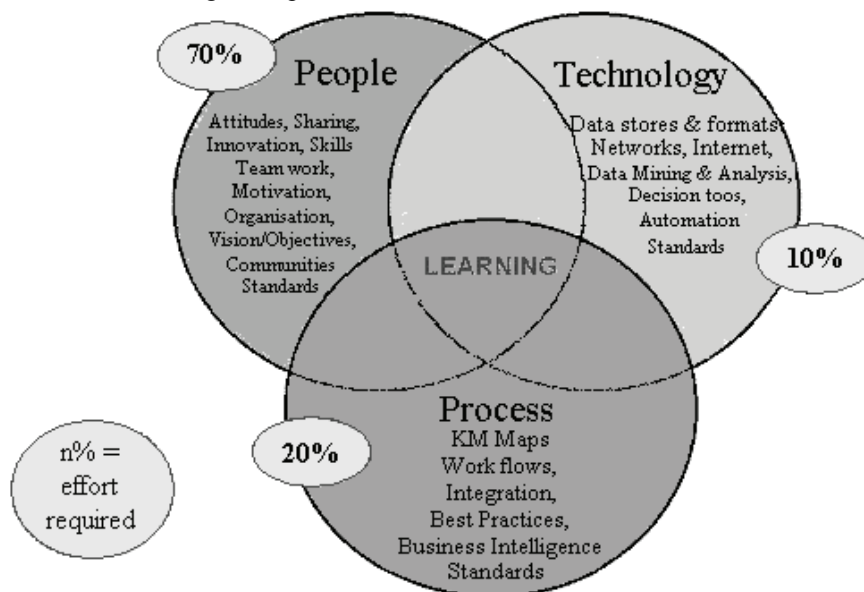
“Knowledge can be viewed as value strategic asset with potential for influencing organizational future actions. KM is defined here as the management discipline concerned with the systematic acquisition, dissemination and responsiveness of knowledge in organizations, aiming to improve a firm’s performance” (Hu, 2010).

For knowledge management is also possible to use a definition that is presented as an art creating value from intangible assets. Processes, in which these values are created, have influence on the cycle of knowledge in the company. Knowledge management aims to build

new and powerful competitive advantages. It is work with each type of mental resources. It can be also imagined as a combination of human and social capital.

Knowledge management is also seen as a set of knowledge components that ensures effective knowledge management process with their synergy and effective action. The following Figure 1 shows the interaction of these components in the form of knowledge of technology, processes and people and their percentage of importance in the this knowledge system.

Picture 1: Knowledge Components



Source: Bhatt, 2000.

The conclusions of various surveys have shown that although this is a very perspective area, there are still substantial reserves. These include lack of preparation of the technical infrastructure for work with knowledge, overload useless knowledge, workers' unwillingness to share knowledge or disagreement about the benefits of knowledge management in leading of organizations. Another important problem is in finding efficiency of the implementation of knowledge management (Marešová, 2010).

“According to Karl-Erik Sveiby’s research, companies that are currently perceived as leaders within their fields (Microsoft, IBN, Ford Motor CO., McDonalds and Coca-Cola), all contribute to the intangible assets at 30–90 % of their company market price. Such arguments are reasons for which companies should predominantly focus on the concept of knowledge management” (Nováková et al., 2005).

Knowledge management is seen primarily as a process that consists on number of steps to optimize its use in the enterprise. The basic steps are:

- *Stimulating growth and acquisition of knowledge* - it should create the necessary incentives for all the interested workers to acquire new knowledge.
- *Selection and accumulation of important information* - information must be carefully selected for the certain industry and for the company.
- *Classification and sorting of information* - data can be classified by importance and sorted for further use.
- *Retention of knowledge* - for the data it is necessary to ensure appropriate media and means for their preservation to use.

- *Transformation and ensuring the availability of knowledge and data* - it must be granted a good and fast access for all who need them in company.
- *The use of knowledge in decision-making process and management* - it is very important to use all resources of information for effective business management in a period of rapid development and change.
- *The use of knowledge in all production processes* - knowledge is useful across the organization to increase the productivity.
- *The use of knowledge in business processes and marketing* - it is no longer fundamental problems only in manufacture products but also to ensure their sales, therefore all available knowledge should be used in the field of marketing and sales.
- *Knowledge and data protection* - data and knowledge have gained further importance as regards price, with these facts there is a growing need to protect them against theft and misuse.

The basic functions of knowledge management solutions include:

- sharing, organizing and creating an automated system for storing data and knowledge,
- categorization and classification of corporate know-how,
- well-organized access to information,
- facilitation of information retrieval using sophisticated tools,
- building capacity for information and data storage,
- saving time in searching of information,
- sharing knowledge and experience of all company employees or department,
- centralization of know-how,
- reducing costs for information systems,
- building reports and information outputs,
- taking the reduction of business risk.

2.1. The Usage Knowledge in Company

Knowledge re-records the various explanations and definitions. According to Bureš, knowledge can be defined as (Bureš, 2007):

- organized usable information to solve a problem,
- the information that is organized and analyzed in order to become understandable and usable for problem solving or decision making,
- consideration of data and information for active proliferation of performance, problem solving, decision making, learning and teaching.

Knowledge and its production can be divided into three basic types:

- 1) *Improvement of existing knowledge* - existing skills, knowledge and practices can be continually improved, so to speak, turn the good to better.
- 2) *Exploitation of existing knowledge* - it is the use of existing knowledge in new areas which have not been applied yet. They can be used to develop new products, services or procedures as a result of exploitation of knowledge - the economic exploitation in other fields or for other customer segments.
- 3) *Innovation of existing knowledge* - the use of entirely new skills and knowledge to achieve very significant and groundbreaking innovations. To identify totally new directions and practices which have not been used.

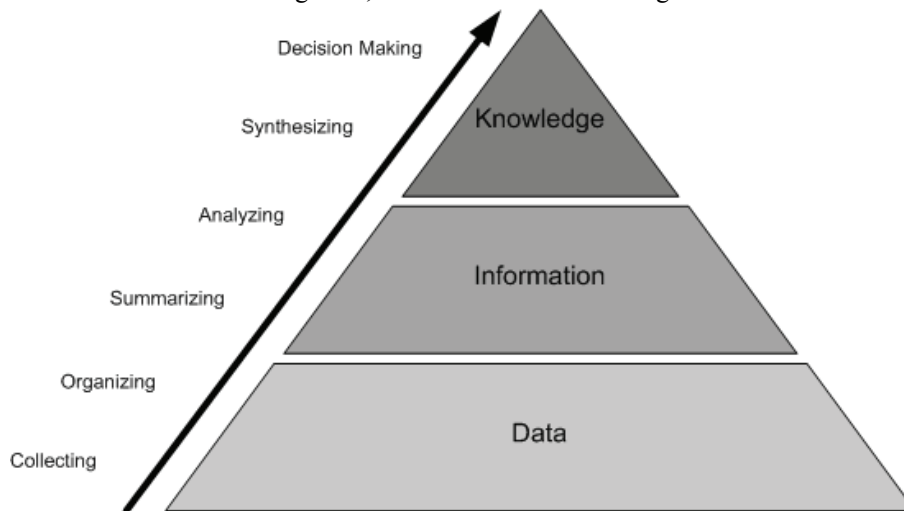
An essential principle of the three basic types is not based on separating, but developing together.

Systematic, which distinguishes among data, information and knowledge, is as follows:

- Data are symbols that are not interpreted or translated into the context of having the sense.
- Information is data that got its meaning.
- Knowledge is what allows human beings to establish the importance of data and create new information. (Karlöf & Lönvingsson, 2006)

The following Figure 2 illustrates the relation among data, information and knowledge as a pyramid of contingencies, which in the process of knowledge management streamlines the various business activities.

Picture 2: Relations among Data, Information and Knowledge



Source: Fink, 2005.

2.2. Knowledge Management As A New Trend

The issue of knowledge management is a matter of a relatively new and dynamically developing. You can take a glance at it for at least two points of view. First, it can be seen as an organized management system, which uses the facts, principles, theory and information, and knowledge of all products available for further usage in practice. You can also use a second point of view that knowledge management is perceived as a procedural action. It is the action, which addresses emerging issues and discovers its regularity. Processes produce cognizance and then transform them into knowledge. However, it is clear that in practice these two perspectives are not so strictly separated, but usually intertwined and complementary.

It is undisputable that the present era is fast and places considerable demands on the branch of knowledge. Companies, competing in contemporary markets, are forced to continuously improve their performance, improve quality and raise the value of their products. For this purpose, they must continually improve the processes of management control. On that basis of knowledge management, companies can build up their knowledge, including the best known practices. Their implementation solves the problem of organizational structures and

their relation to knowledge management. It is obvious that the management of each organization, both production and trading ones, but also institutions in the public sector needs to manage their processes in order to enhance their efficiency and competitiveness permanently. Only then, it is possible to come to market with new products that can encourage customers to purchase.

To achieve maximum efficiency in today's hectically changing environment, it is absolutely necessary to interconnect various areas of management. This fact should contribute significantly to knowledge management. The role of knowledge management is not based only on discovering of new knowledge, but also on having in mind the existing ones and converting them into life. Knowledge management is about the ability to integrate and find ways to control and connect these different disciplines.

Knowledge management cannot exist by itself but it must be involved in the management process. New segments of management can be divided into different sets and subsets without having to make these separate parts connected and integrated into the process management. Implementation of knowledge management techniques into management structures may arise from the possible migration of workers. It is also possible to ensure their consistent increase in qualification of employees. In some cases, it happens that knowledge management is seen as a discipline within the range of information technology. However, it is necessary to rectify this mistake and note that it is a separate branch, which only uses its IT operation.

2.3. The Aims of Knowledge Management

Knowledge management is a relatively young field but is slowly becoming an integrated science that includes many elements such as strategic management, human resources, marketing, economics, computer science, organizational development, information systems, innovation etc. It is not only the research of individual components, but also their interaction and mutual influence. The current development of information technology opens up new possibilities for the field of effective knowledge management. However, there are risks of failure. One example can be a technical approach that ignores human individuality and creativity. The human potential for knowledge management plays an indispensable role. The task of knowledge management is to achieve the following objectives:

- Improve the organization within the company to operate with an integrated system capable of modification and adaptability.
- Create conditions so as to preserve the three main priorities for the management objects - business, information and people.
- Implement professional and personal abilities of the human potential in the maximum possible extent.
- Constantly build and strengthen competitive advantage.
- All knowledge transfer to the marketing and promotion in order to raise the image of the company and sales of products.
- Create the knowledge management system and use knowledge management.
- Create diagnosis and analysis of knowledge such as control effectiveness.

Knowledge management can help to solve the management of corporate know-how. Well secured data networks are important in this case as they allow all users to access all the necessary information. It is known that the value of information increases with its sharing. Surveys show that up to 40 % of working time is spent on searching for information and documents. This time becomes even more inefficient if the data is not sorted correctly and

consequently the search becomes difficult. Knowledge management should become a unifying element in the information systems that can manage information based on uniform models.

3. THE USAGE OF MARKETING KNOWLEDGE IN KNOWLEDGE MANAGEMENT

It should be noted that knowledge management is not a matter of focusing on only one area or some areas. On the contrary, it should be presented in all the structures from the development production to distribution and final sales. Production should know the requirements of marketing and marketing should be perfectly acquainted with the possibilities of production. All segments should cooperate and complement to each other. That is put very simply but it is the foundation of knowledge management. It is obvious that no one can know everything perfectly but at least the basic knowledge is essential. It may lead to misunderstandings, which unnecessarily weaken the performance of the company as a whole.

From the marketing perspective, it is very basic knowledge, without which any good marketer cannot work. It is important to know what the market wants and also what is not interested in, what is sufficient on the market or even excess, or what is missing. It is probably necessary to note that the last-mentioned parameter - what is missing - is a rare variable in the market because the market is overloaded more than elements that show the deficiency. It needs to be mentioned because one of the marketing tasks is finding market niches.

It is undoubtedly said that marketing is a key activity of any organization. It has an essential meaning for corporate success. Marketing reveals the customer's needs, designs and products based on the requirements and demand, and it consequently creates a support system aimed at ensuring customer satisfaction (Crainer, 2000).

The success of companies depends not only on how well each department performs its work but also on how well the activities of various departments are coordinated in order to implement key business processes. These include:

- *The process of emphasizing to the market situation.* All activities involving the collection of information about market situation, its dispersion in the company and acting upon such information.
- *The process of leading to the new offer.* All activities related to the research, development and rapid deployment of new high-quality offerings within budget.
- *The process of acquiring customers.* All activities related to building a deeper understanding, relationships and offers to individual customers.
- *The process of customer relationship management (CRM - Customer Relationship Management).* All activities related to defining target markets and finding new customers. (Kotler & Keller, 2007)

The key concept of marketing is the analysis of the customer in the broadest sense. The company, which gets deeper insight into customer needs, perceptions, preferences and behaviour, has undoubtedly a competitive advantage. Firms are increasingly gathering information about previous purchases of its customers, demographic and psychographic data in an effort to truly understand each customer. The most important data of all the types of information are the about the client's previous purchases because they are estimating preferences in the best way (Kotler, 2005).

Studies have shown that the costs of replacing lost customers are five to seven times higher than the cost of increasing the value brought by existing customers. Care of relationships with customers is essential to the health of the most companies and there are indications that in the future become even more important (Karlöf & Lönvingsson, 2006).

The company must strive for a high degree of loyalty of its customers. For example, loyal consumers of packaged goods are generally worth to company 7 to 10 more than disloyal customers. The company should therefore inspire their customers, not only to satisfy (Kotler, 2003). In this context, it is crucial knowledge to effectively target customers. Peter Drucker said the company could not operate in too many areas simultaneously. They must decide and focus on the area in which it is one of the best (Bělohávek, 2001).

3.1. Review of New Marketing Trends and Knowledge

Knowledge management and its components can easily use the knowledge that modern marketing offers. This can be achieved by the interaction of knowledge management and marketing and in contrast marketing elements in knowledge management can ensure a strong and strategic position in the market. Moreover, it is important to monitor the processes of change and new trends to which the organization must adapt sooner or later. Learning about new trends in marketing, the company can follow to ensure competition or even a competitive advantage. An experienced marketer should have a broad knowledge in their field. It is the only way to succeed in today's market. Key marketing skills include:

- *Knowledge of the market with regard to the geographical conditions* – it is necessary to know the geographic location of the market plays a key role. It should be noted that each market can have a number of specifics that affect demand and may not be at first sight so obvious. The task of knowledge management is to have all these things well mapped.
- *Knowledge of own products, services and their options* - all marketing staff should be thoroughly familiar with the products it offers. Knowing the production technology, quality, technical and utility properties, supporting services, etc.
- *Knowledge of the competition* - you need to know the whole situation in a market where the product ranges. Closer said what competition offer, for how much, under what conditions, if their offer is better or worse, what the benefits and conditions of sale offers, etc.
- *Knowledge of market trends* - you need to know the prognosis. Whether the market stagnates or there is an expansion in any direction. What competition prepares or what are the latest scientific findings or discoveries that could affect this development. It should be noted that the development is going fast forward and the time from development to the practice is reducing, so you need time to react.
- *Knowledge of customers* – it is equally important to know the customers, both existing and potential. The needs and wishes of customers are variable, which under certain circumstances it may be steady and conservative, but it cannot rely indefinitely. A good marketer should constantly monitor the demand and its fluctuations and flexibly respond to them. Development of supply and demand can vastly vary depending on the type of goods offered. A clear example may be the clothing industry, which is built on the rapidly changing fashion trends.
- *Knowledge of the effects of advertising and marketing tools* – marketer should be perfectly aware of how the various mechanisms of promotion operate. What its impacts on the designated target group of customers are. Due to the saturation of the advertising market this aspect of knowledge is very important. Personnel of marketing

departments are forced to constantly seek and find new forms of promotion, or working on modifications of existing ones.

- *Knowledge of laws and regulations* – it is necessary to know all the laws and regulations associated with the offered products and services. This knowledge must be regularly updated, as well as laws and standards are subject to change. In case of neglect or omission of some important provisions of the laws and standards, there can be a damage of customers, and then the court proceedings can follow, published in the media and the subsequent loss of confidence and flow of customers.
- *Knowing and complying with ethics* - not everything can fit into the norms and laws affect. There are also the unwritten laws and rules that create ethics by society. Some types of conduct are not punishable by law though they are not socially permissible and acceptable. For example the forms of promotion that would touch the ethnic or religious sensibilities. It is also possible here to include ways of promotion that can operate beyond taste, such as associated with death, health or general morality, or threaten the moral education of youth (sex, drugs, etc.).
- *Knowledge of communication and communication tools* - it is important to learn good communication skills for understanding the customer. Basically we can say that a good marketer should have knowledge in psychology of sales and productions methods and forms by which it is possible to lead a productive dialogue with customers. Anyone who moves in this branch knows how difficult it is to get customers and vice versa, how easy it is to lose them.
- *Knowledge of process innovation* - companies face a dilemma. If they do not innovate die. When they will innovate and their innovations are not successful, they may also perish. “Given that only 20 percent of new products and consumer packaged goods meet with response and new offers of products for businesses are only about 40 percent successful, the odds do not look too favourably. Though it is more secure to innovate than to stay in place” (Kotler, 2003).

4. CASE STUDY

Practice shows that the integration of knowledge management takes place mainly in large international companies, small and medium-sized businesses are still getting used to this concept. The above mentioned shows that the efficiency of knowledge management is ensured by active participation of other disciplines that are necessary for successful operation in the marketplace - one of these contingencies are current possibilities of marketing. The case study focuses on an undisclosed Czech e-shop, which has been operating in the pharmaceutical market since 2003 and is one of the leaders. This firm does not wish to publish its name or further information about its business activities. This company focuses its marketing activities mainly on the Internet promotion. Its marketing strategy is based on closer relationship and loyalty of its customers. The information about marketing of the company has been surveyed by means of a controlled interview with the company management.

Marketing activities in communication and product policy are focused on effective discount events, loyalty programmes, convenient packages promoted on their website or other portals intended for promotion. With the next purchase, customers can get a discount. Every week the “campaign of fulfilled wishes” takes place where customers can buy a product for their best price. The company refused to disclose any information about possible marketing plans or other innovations. The marketing mix of the company is also focused on the distribution policy in the form of discounted shipping or free delivery (in campaigns). The pricing policy

is focused mainly on the competition-oriented prices, which are determined by other competitors active on the Internet. In the controlled interview with the management of the firm it was found out that they have already heard about the concept of knowledge management but the management can not precisely define the term, let alone the concept of knowledge management to be implemented to the corporate strategy.

4.1. Solution

The identified information about marketing and other information in the company confirm that knowledge management is a matter mainly of large corporations, or studies on campus. Massive expansion of knowledge management among small and medium-sized enterprises is in distant future. The examined company should focus on comprehensive knowledge of marketing, which was described in the previous chapter with emphasis on the target group of its customers. The company is the market leader, it is necessary to continually work on maintaining its position on the market. The concept of knowledge management is one way to succeed. Given the limited amount of information that the company was able to provide to the author of the article, we can only offer general recommendations that are applicable to companies with a similar focus.

The company uses various options of the current concept of corporate marketing; it is proved by attractive offers and communication with customers. However, it is necessary to work on continuous innovation in marketing activities to get the most detailed knowledge about their customers, competitors and the whole market. Subsequently, it should realize the importance of this knowledge, which is a prerequisite for effective implementation of knowledge management to the corporate strategy. The company should realize that knowledge management requires a thorough training in the corporate culture, learning this concept, interaction with stakeholders and its integration into other business activities. Using elements of knowledge management and marketing knowledge in the company can bring a synergistic effect of these modern disciplines, thereby enhancing the status of the company in the market or its further expansion. Professionals should inform entrepreneurs of the increased importance of knowledge management in conjunction with the marketing knowledge that can be essential for the development of this field.

5. CONCLUSION

When carrying out the procedures described above, companies can receive great benefits of competitive advantage and offer better products or services on the market. From a marketing perspective, it is possible to use knowledge management to achieve a better status and visibility of the company. From the internal point of view, there will definitely be improved relationships and communication among employees, among managers and mutually among superiors and subordinates. This will certainly improve understanding the needs of other employees or departments. If they all have plenty of clear information, they will all better understand and know what to do in order to achieve the best possible business results.

For an organization, it is of the utmost importance to carry out activities such as planning, knowledge management, auditing knowledge, classification and mapping of existing knowledge, organization and preservation of information, choice and selection of information technology and implementation of all new knowledge in marketing strategies. The company can gain valuable knowledge management and profit management to get a step higher if all these elements are coordinated appropriately. It cannot be overlooked that knowledge

management can work well without constant monitoring and renewal of knowledge. It is necessary to ensure the smooth functioning of the system from the beginning, i.e. from production preparation to final treatments, such as marketing, promotion and sales.

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