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## The Use of Knowledge Management in Marketing Communication of Small and Medium-Sized Companies

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### Abstract

The article is involved in the application of knowledge management in marketing communication of small and medium-sized companies. The focus of presented article is given on communication of shops selling outdoor apparel in the territory of the Czech Republic. In consideration of popularity of outdoor apparel among Czech customers small and medium-sized producers and retailers should use their knowledge, should co-ordinate such knowledge purposefully, thus addressing their customers more precisely. The reason of our focus on small and medium-sized companies is also the fact that large store chains, selling sport clothing, represent a strong competition, liquidating both local producers and retailers. Manufacture and distribution of outdoor apparel does not concentrate on consumer market; industrial market represents a strong share, too. Therefore, monitoring of individual markets is rather important, as well as implementation of completely new approaches into the company processes. Based on this fact the authors focus on competitiveness of small and medium-sized companies, which are recommended to communicate with maximal use of knowledge management. Results of the marketing communication research with subsequent connection of the use of knowledge management principles add a new dimension to the area of this focus. Research carried-out in the area of customers in the outdoor apparel segment and knowledge management form the base for the elaboration of this article. The outputs of said article are based on the internal research of marketing communication of suppliers of apparel and retailers active in the outdoor apparel segment in the Czech Republic.

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## 1. Introduction

The resource searching of competitive advantages forces the companies to develop permanently new approaches. The fact, that about the value of competitive advantage eventuality to a great extent decides all above the sight of the customer, besides the competing business abilities, implies considerable potential of conception of value co-production by the customer. The value co-production is still used very well not only for designs and production of new products. Thanks this the perceived value is increasing, which is brought to it. The space for using also offers marketing communication. It stands also in the segment of outdoor clothing. Here the customer is expecting the definite value, which the bought thing will bring him and is able to co-create on the production. The starting frame of this value co-production is the knowledge of both the producers and the customers. In some cases, on the industrial market, the knowledge of product co-creating, is necessary.

Many producers agree to requests of customers and adjust them to their needs. It is also in the case, which is notable in present days. The customers would like to use the clothing, which was designed for use in the nature in extreme conditions, for common using in the town. By the thing, that outdoor looking cloths are worn and outdoor marks are becoming more fashionable, many producers are coming to market, who are trying to obtain their places in this segment. The outdoor clothing combines technical maturity (used materials and also the final product), high usable value, fashionable trend, image etc. At all of these areas it is possible to use the co-creation by the customers. For the product value increasing are participating suppliers/material producers, clothes producers and sellers. Their marketing communication built on mutual co-operation and the co-producing with the customers can bring synergistic effects notable at customers.

The article was inspired and partly also uses the data from one of the authors' dissertation thesis.

## 2. Experimental

For the article needs was needed to perform a research in some areas. The first information gaining about the customers rose from the analysis of secondary data. Further the questionnaire was used in the area of customers. For an exact understanding, systematic observation and shopping mystery was used. These methods were targeted to find out, if and how the customers and sellers use their knowledge.

### 2.1. Secondary data analysis - customers

The Czech people use outdoor clothing also for common everyday activities. The popularity rises mainly from the universality of this clothing. According to the research by the company Ipsos Tabor realized for the company Veletrhy Brno in February 2010, Czech people like touristic trips not only in the frame of the Czech Republic, and that is why they are willing to spend their money for equipment, which is connected with this activity. Significant and more active group, according the research, are young people between 20-34 years and people with higher education. In shopping decision the supplementary criteria have a significant role here. For example, the offer of sold products is important for 44% of Czech people. The closeness of the shop from the place of living is important for 35% of Czech people. 22% of Czech people consider to be important also the customer advantages like vouchers, discount coupon and big price reduction. According to Horák they are not the main reason, but they have some type of attractivity. The Czech people are mostly attracted by advantageous sales. At 67% from them, they are able to influence the loyalty to the shop, where they go shopping (Barometr Cetelem 2010).

### 2.2. Questionnaire inquiry – customers

The aim of a questionnaire inquiry was to find out, where the respondents buy their clothes the most, where they gain the information about the clothes the most, which factors influence the respondents at shopping the most, perception of marketing communication of particular parts in the relationship of respondents, the relationship of respondents to outdoor, their age and sex. Among the aims of the questionnaire inquiry belongs also the findings of respondent behaviour in relation to outdoor clothes shopping.

The questionnaire inquiry proceeded by electronic form. The questionnaire was saved on google documents, were the answers of respondents were recorded. The propagation of questionnaire was ensured by publication on three sellers' s websites, by specialized outdoor portal and on facebook profiles of three outdoor equipment sellers. The questionnaire was made from 15 main questions, whereas some of them were perforated to subquestions.

**310 respondents** filled out the questionnaire wholly. Totally the questionnaire was filled out by 338 respondents, but 6 questionnaires were selected out because of incompleteness. For the sample representativity ensuring, 22 questionnaires were displaced, which were filled out by respondents younger than 20 years and older than 34 years. This range was determined on the basis of gained secondary information. The questionnaires were correctly filled out by **184 women (59%)** and **126 men (41%)**. **The average age of respondents was 24,7 years** and the median 22 years.

In the questionnaire inquiry were determined i.a. following hypotheses:

*H1: The customers notice the prestige of used material brands as a probability of their quality.*

*H2: The customers prefer the concrete information source at the decision at outdoor clothes shopping.*

### Hypothesis H1 verification

Hypothesis H1 sounds: The customers notice the prestige of used material brands as a probability of their quality. Hypothesis H1 was confirmed below.

Has been conveyed a supposition, that the customers notice the brand of used materials as a quality guarantee at outdoor clothes shopping. For the verification of this supposition, data from questionnaire were used, on its basis were gained information/counts about the noticing the brand of used material by customers.

Regarding to gained counts was possible to formulate the conveyed supposition so that if it were not any significant difference among the found counts, the customers do not notice the brand of used materials as a supposition of their quality. On the contrary, if there were a significant difference among counts, the outdoor clothes shopping customers notice the used material brand as supposition of their quality. Whereas at this part of research was emitted from the selected customer files, we performed the verification of the supposition by the help of statistic test. Regarding to the fact that it was necessary to verify the significancy of differences among the found counts  $\chi^2$  test was used. Zero hypothesis said, that there does not exist statistical significant difference (the customers do not notice the brand of used materials as a supposition of their quality). Against this hypothesis we pose an alternative hypothesis, which says, that the difference among counts is statistically significant (the customers notice the brand of used materials as a supposition of their quality). Information gained from the questionnaire inquiries and the theoretical counts (counts at which do not exist significant differences among particular sorts), are visible in the following table (Table 1).

Table 1. Theoretical and gained counts for hypothesis H1 verification

	certainly yes	rather yes	rather not	certainly not
Practical counts	19	235	47	8
Theoretical counts	77,5	77,5	77,5	77,5
Test criteria	438,568			
Critical value	7,815			
Prestige level	0,05			

source: own processing from questionnaire inquiry

Consequently the test criteria was counted 438,568, which was counted as a difference among the counts found on the basis of questionnaire inquiries and theoretical counts (the same counts for every type of shop). For the prestige level 0,05 a critical value was defined (fractile of Pearson dividing) 7,815. By the reason that the test

criteria value is higher than the critical value, the zero hypothesis is rejected and the alternative hypothesis accepted, whereas you can mistake in 5% of cases. So **it is confirmed, that** there exists statistically significant difference among the counts (i.e. **the customers notice the brand of used materials as a supposition of their quality**).

From the answer counts is evident, that in most cases (255, i.e. 82,3%) respondents notice the brand of used materials as a guarantee of their quality. Only 55 respondents (17,7%) do not notice the brand of used materials as a guarantee of quality.

### Hypothesis H2 verification

Hypothesis H2 sounds: The customers prefer the concrete information source at the decision at outdoor clothes shopping. Hypothesis H2 was confirmed below.

Has been conveyed a supposition, that the customers do not prefer a definite information source at decision in outdoor clothes shopping. For verification of this supposition were used questionnaires, on which basis were gained information/counts about the used information sources.

Regarding to gained counts, was possible to formulate the supposition, that if there were not a significant difference among the found counts, the customers do not prefer the definite information source at outdoor clothes shopping. On the contrary, if there were a significant difference among the counts, the customers prefer the definite information source at outdoor clothes shopping. Whereas at this part of research was emitted from the selected customer files, we performed the verification of the supposition by the help of statistic test. Regarding to the fact that it was necessary to verify the significancy of differences among the found counts  $\chi^2$  test was used. Zero hypothesis said, that there does not exist statistical significant difference (the customers do not prefer a definite information source at outdoor clothes shopping). Against this hypothesis we pose an alternative hypothesis, which says, that the difference among counts is statistically significant (the customers prefer a definite information source at outdoor clothes shopping). Information gained from the questionnaire inquiries and the theoretical counts (counts at which do not exist significant differences among particular sorts), are visible in the following table (Table 2).

Table 2. Theoretical and gained counts for hypothesis H2 verification

	used materials by producer	introduced clothes by producer	specialized webs and magazines	specialized sellers - spec. outdoor shops	friends recommendations	others
Practical counts	22	61	54	62	107	4
Theoretical counts	51,67	51,67	51,67	51,67	51,67	51,67
test criteria	124,121					
critical value	11,070					
Prestige level	0,05					

source: own processing from questionnaire inquiry

Consequently the test criteria was counted 124,121 which was counted as a difference among the counts found on the basis of questionnaire inquiries and theoretical counts (the same counts for every information source). For the prestige level 0,05 a critical value was defined (fractile of Pearson dividing) 11,070. By the reason that the test criteria value is higher than the critical value, the zero hypothesis is rejected and the alternative hypothesis accepted, whereas you can mistake in 5% of cases. So **it is confirmed, that** there exists statistically significant difference among the counts (i.e. **the customers prefer a concrete information source at outdoor clothes shopping**).

According the found counts it is possible to assert, that the most preferred source by respondents is a friends recommendation. This source was chosen by 107 respondents (35%). Practically in the same way, the other information sources are evaluated from the specialized sellers (62 respondents, 20%) and from the clothes producers (61 respondents, 20%). A very interesting finding is, that the information from specialized webs or magazines are on the fourth place with 54 respondents (17%). At the decision of outdoor clothes shopping only 22 respondents (7%) pay heed the most to information from the used materials producer.

### 2.3. *Systematic observation and Mystery shopping*

By the aim of systematic observation was the founding of information if sellers of outdoor clothes sell knowledge in the place of selling to customers. In the same time it was also found out if the sellers gain knowledge from the customers.

Systematic observation was repeatedly in 12 different specialized shop of four different shopkeepers. Whereas this observation is both about sellers and customers, observer in the position of customer, who only came to see the product assortment. The obviousity was, that neither the seller nor the customers knew, that it is an observation. In the case, that the seller or the customers were showed any suspicion and nervousness, the observer would leave the place. In the shop he observed, how the sellers act with customers and to what measure they share their knowledge. The observation always took about about 15 minutes. Then the researcher made a list of his perceptions.

For more accurate findings of which knowledge the sellers use, the Mystery shopping was consequently joined to systematic observation. The Mystery Shopping was made in every shop twice – it means that there were 8 Mystery Shoppings together.

At Mystery Shopping the researcher was in the role of customer. As a fictive shopper 'Mystery shopper' was a man in the age of 24 (he was chosen on the basis of results in research in the area of customer). The fictive shopper that a task to visit the particular sellers and act as a common customer, who needs to buy an outdoor jacket, which is suitable in the nature, is waterproof and permeable. At his fictive shopping, he had to concentrate to assortment clarity and to the sellers themselves and their acting against the customer (communication and argumentation). After finishing his fictive shopping he made a list about his perceptions.

## 3. Theory

### 3.1. *Competitive Advantage*

Provided that the competitiveness is generally understood as an attribute to the company, facilitating it to achieve the success in the competitive environment with the perspective of the long-term development, then such competitiveness is established by the competitive advantages (Zich, 2010). For such advantages can be accepted Porter's characteristics that as such they offer the company the advantage before the competitors (Porter, 2004).

Nevertheless, according to Zich (2010) such delimitation represents only a certain logical framework, in which the competitive advantage can be perceived. The competitive advantage is perceived as a factor, which helps, resp. facilitates the company to achieve the success, but it is not necessarily its guarantee. We can not understand and identify the competitive advantage unless watching the company as a complex. Its source is the quantity of the independent activities, which the company performs when designing, introducing to the market and supporting its product (Porter, 2004). These individual activities can be drawn (according to Porter) in each company by the so-called value chain, characterized by the depicting of the historical development, strategies, approaches to these strategies and the economy of the individual activities. One of the primary activities is the marketing and sales, being defined by the activity which should enable the customers to buy a particular product and to attract them for the buy, for example advertising, promotional events, activity of the sales managers, various offers, distribution routes etc. (Mráček and Mucha, 2011)

We understand the competitive advantage as the partial activities of the company processes; however, the know-how is perceived as the output of the overall impression. Therefore, in the level of the functional strategies the analyses, planning, organizing, supervising, evaluation and effective utilization of the technological processes, which besides the managerial activities support the accomplishment of the company objectives, is necessary (Jemala, 2010).

In this sense can be understood the communication with the customers and obtaining feedback in the form of knowledge sharing.

### 3.2. Knowledge management

It presents a systematic approach for searching and using knowledge in the interest of value making. It already involves the single beginning, selection, processing, formalization, transformation, knowledge saving into memory, but the mass center is in spread to other knowledge development and their effective use.

Knowledge management supposes, but in the same time uses and develops the abilities of people to exploitation of knowledge and experience, to new experience and knowledge development, to deeping the potential of workers and also to use the projection into efficient and high – quality features, increasing the final value of product for the customer (Barták, 2008).

Other, more practically aimed approach to knowledge management speaks about connected spectrum of activities of knowledge management, where on one end is 'interception' and on the other part 'communication' of people (Collins, Parcel, 2005).

Knowledge management is also possible to describe as a collective knowledge organization. It involves the knowledge, which are placed inside the company, as well as the knowledge, which are chosen and obtained from external sources. Knowledge management is more than information gaining and inserting to computer databases or internet websites. A correct knowledge operating insures, that the persons on every organization level, have an approach to information, which they need to fulfill their tasks and at the same time helps fulfill aims of all organization (Shockley, 2000).

The process of knowledge management, according to Zaim and kol.(2013), consists of four activities. They are production and development of knowledge, knowledge writing and saving, knowledge transmission and sharing and the last activity is their usage. On the other hand exists a knowledge process, which is defined from eight activities. These knowledge activities are production, gaining, capturing, setting, sharing, integration, influence and usage (Nielsen, 2006).

Liebowitz and Wilcox (1997) are describing processes of knowledge management regarding to the company and regarding to the markets. The people develop ideas in every possible situation and some of them have a hopeful perspective in the knowledge area. Some of the ideas, in good conditions, turn into a key areas of company knowledge.

According to an approach of authors Wiig, Hoog and Spes (1997) the core of knowledge management is the study process, which involves four aspects – revision, conceptualization, reflection and acting.

## 4. Results and Discussion

The research result from a customer area was the following:

The customer in the segment of outdoor clothing in the Czech Republic for the product familiarization the most frequently use the information of producer or specialized outdoor shop, whereas he is the most effected by friends 's recommendations. The brand of used materials is very important for him, by which he can suppose both a quality and perfect properties. The brand of clothes is little bit less important for him and the lowest sense for him is the image of the seller. At outdoor clothes choosing also insists on the possibility of every day use. His decisions are influenced by fashion trends in the area of outdoor clothing. For the buying he choses a specialized outdoor shops or chains with sport products. Sales and actions enacts him (Mráček, 2012).

Systematic observation and Mystery shopping revealed, that the sellers, in the most cases, are able to sell information to the interested people and aslo try to suitably recommend for the customers to gain information about themselves. Only in some cases was noticed 'disinterest' in the customer.

From the found information it is possible to deduce a result, which is shown in the picture (Fig. 1).

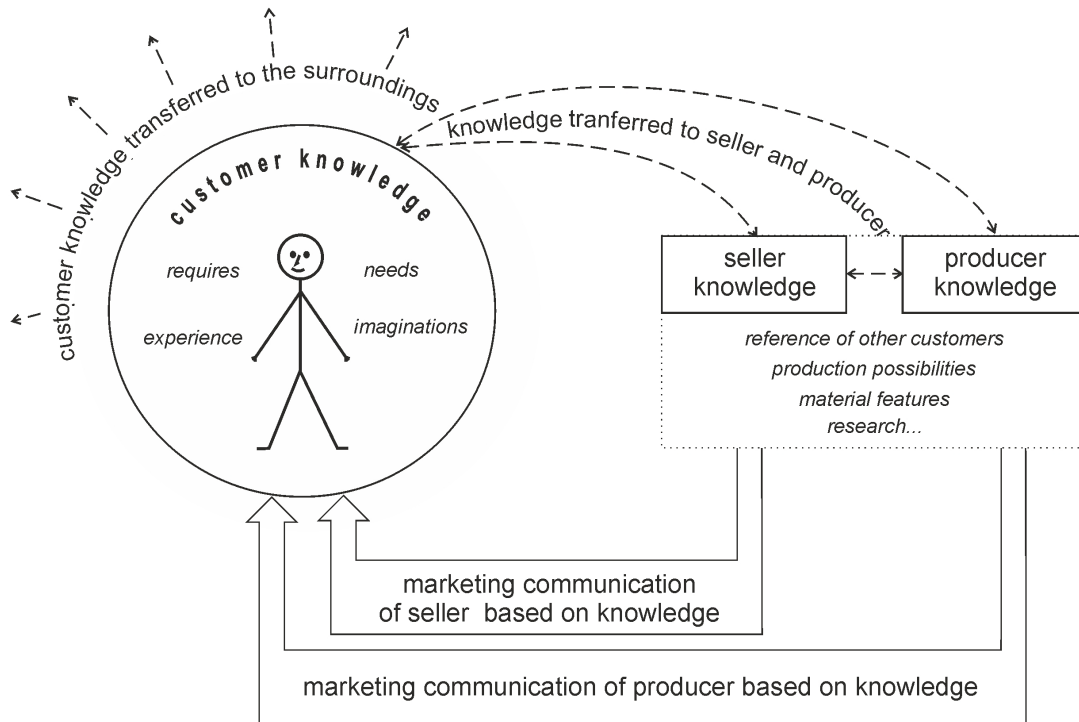


Fig. 1. 'knowledge circle' source: own processing

For the successful communication of small and medium-sized outdoor clothes sellers (but also in other branches) is very suitable to use not only our knowledge, but also use the knowledge gained from the producers in the combination with the knowledge gained from the customers. It is very important to try hard to obtain a feedback from customers and in the same time to be inspired by their needs coming from knowledge of used materials or the possibilities of complete products. The feedback is possible to call also as 'customer knowledge transfer back to the seller and the producer.' These obtained combined knowledge can be suitably used for marketing communication and also for the new product producing, which should be more accurate aimed to concrete customers. In the same time this way of communication could help to obtain new customers, and also to show the possibilities of co-creation of customer values. The message acceptor (customers) are extending these knowledge into their surrounding, among others also as a recommendation to their friends. A knowledge circle is created, but also a knowledge transfer in the direction to other possible customers. The obtained knowledge and the following communication can be suitably used in the combination of communication strategy push-pull, where it is possible to mark the message impact to the final acceptor (customer) as the highest.

The right use of knowledge of all involved elements can be a clear competitive advantage not only for the small sellers but also for the producers of outdoor clothing. This approach is applicable also in other branches.

## 5. Conclusions

The article dealt with a problem of knowledge usage, in the frame of knowledge management, in marketing communication of producers and mainly of the outdoor clothes sellers in the Czech Republic. It was found out, that the customers and also the sellers use knowledge at their communication, and they attach higher meaning to some of the knowledge. For example, the knowledge about the mark. The active use of these knowledge is the basic

supposition for the successful realization of knowledge management. Later it should systematically lead in strengthening of a competitive advantage of small and medium-sized companies in the before mentioned segment. When we come closer to a 'knowledge circle', we are finding out, that the space, which is situated as an intersection of customer knowledge on one hand and a producer knowledge or seller knowledge on the other hand, it is possible to define as a starting area for future products. This product can be noticed as a result of co-creation.

The research from the given area and the defined conclusions are an inspiration for further research activities tending to the area of management knowledge using at value co-creation with customers. The thematic topic is for example a reason, why the producers of outdoor clothes in the Czech Republic like to use at their marketing communication links to 'alpine' product origin. Evident is here the use of knowledge, providing a space for other research activities. The authors suppose the future research in the mentioned areas, which offers a space for realization.

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