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**CUSTOMER KNOWLEDGE: A RESOURCE FOR INNOVATION? THE PSA CASE STUDY**

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**Principal Topic**

As underlined by Porter and Stern (2001), the concept of competitiveness has changed: the “reduce manufacturing costs and increase quality” approach has been replaced by “create new processes and market new products in less time”. Similarly, D’Aveni (1994) shows that, in hypercompetitive environments, the traditional cycle of competition based on price and quality leads towards a critical value position; a competitive situation in which no party has a competitive edge. **Innovation** represents the only means to free oneself from these constraints and build a new competitive advantage. It is based on two principles: accelerate new product time-to-market (*Time-based Competition*) and exploit new competencies to benefit from the “attacker’s advantage” (Foster, 1986). **The capacity to innovate** clearly appears as a core competency to hold on to, enhance or create a competitive advantage. Although it is relatively easy to qualify this as a separate competency, it is more difficult to understand its genesis. Consequently, according to Lamarque, “*studying competencies is often like infinitely declining, in other words, it is always possible to find an additional level of explanation for the existence of the advantage [...]. Each element contributing to its explanation may have its “genesis” at a much deeper level*” (Lamarque, 2001).

**An RBV (Resource Based View) conception of innovation** invites us to better understand how such a competency is forged. Its deconstruction is of fundamental interest: it can help a business become more innovative by enabling it to build (or buy) the resources (and the competencies) which determine innovation capacity. Among **innovation resources**, literature considers that **the customer** is at the origin of many innovations, either directly or indirectly. Von Hippel in his 1988 work, “*The sources of Innovation*”, stresses the importance of the customer in the new product development process: “*It has long been assumed that product innovations are typically developed by product manufacturers. Because this assumption deals with the basic matter of who the innovator is, it has inevitably had a major impact on innovation-related research, on firms’ management of research and development, and on government innovation policy. [...] In some fields, innovation users develop most innovations. In others, suppliers of innovation-related components and materials are the typical sources of innovation. In still other fields, conventional wisdom holds and product manufacturers are indeed the typical innovators*”.

But the consideration by which the customer is a major source of innovation is sometimes questioned. Dealing with the motor industry, Midler notes: “*it is impossible to say beforehand which model will work and which will not; it is impossible to say which one will last and which will just be a flash in the pan. This being the case, it is pointless to spend time and resources on trying abstractly to orientate the company’s creative efforts. If we take this logic all the way, the art of marketing here is a vain art. The only relevant indication of a particular market’s interest can be seen in the way products are welcomed. It’s like poker: you need to pay to see*” (Midler, 1993). **These two conceptions of innovation sources highlight a continuum at the extremities of which one can find an innovation competency approach based on customer awareness as a resource and an approach based on “pure” creation.** Consequently, the question of knowing whether customer

awareness enables innovations to be produced turns out to be essential for a better understanding of the genesis of this competency. Do businesses which invest in customer awareness innovate more? Is customer awareness really a resource for innovation competency? To deal with these questions, we shall begin by looking at the main contributions of innovation theories related to our research question. After this, we shall present the methodological choices chosen for the study. The last section will deal with presenting cases and findings. Finally, we shall conclude by assessing the theoretical and managerial import of this research work.

### **Methodology/Key Propositions**

For this qualitative research, two cases have been studied: PSA and Société Générale. We made 26 interviews with managers who were able to know what types of information about customers are collected and their use for innovation. The data have been analyzed with the Miles and Huberman's methodology.

### **Results and Implications**

This research underlines the role of customer knowledge for innovation. Customer knowledge can be considered as a resource for innovation. But the research shows that this resource is a major resource for incremental innovation. It doesn't play any role for radical innovation. The implications for the RBV are important. First, the result contributes to understand the genesis of the innovation capabilities. Second, the entrepreneur can collect and use customer knowledge to produce incremental innovation. He remains the main actor for radical innovation.

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