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Marketing Innovation

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Abstract

In the present scenario innovation plays a vital role in the industry to sustain in the market. If the companies fail to adopt the new concepts may be they will loss the customers or market share. To survive in the market they have to focus on what is desirable to the users, what is viable in the market place and what is possible with technology. Organizational generally follow external and internal impetus as a sources of innovation. Management guru Peter Drucker 1909 has identified four internal and three external impetuses for innovation. Internal prompts include unexpected occurrences, incongruities, process needs, and industry or market changes.

At the present scenario authenticity, net promoter scores, buzz tracking, From segmentation to insights, Green, Grey, Co-creation, Experimentational budgets, The return of the soap, More CGA prevails in the market. Mr. Gerber referred to this marketing methodology as the E-myth which was comprised of: innovation, quantification, orchestration, and documentation. The innovation has been implemented in many companies and they are running their business successfully. They are IBM, P&G, APPLE,Toyota Motors etc.

To conclude if you're trying to enhance your marketing program, or create one from scratch, keep this methodology in mind: innovation, quantification, orchestration, documentation. This process will ensure constant growth and improvement in your marketing results Michael Fleischner, March 05, 2007.

I. Marketing Innovation

Introduction

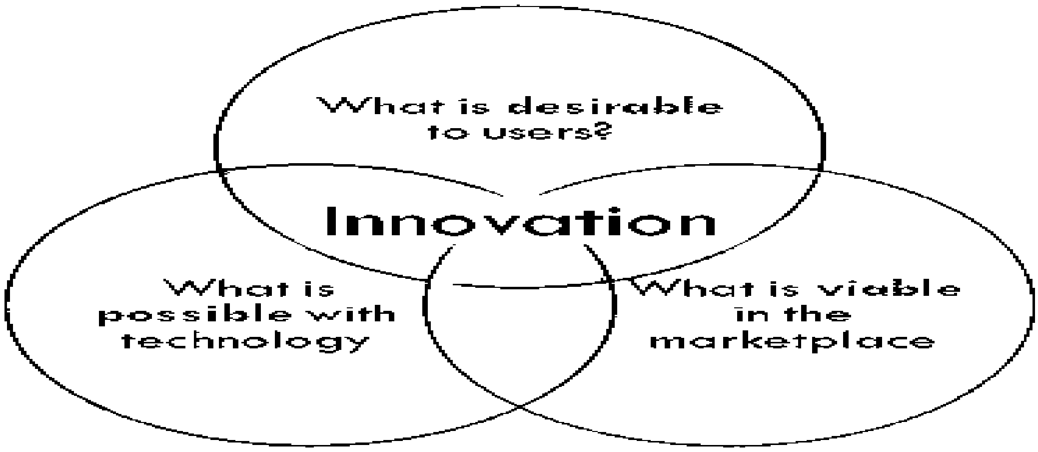
The term **innovation** derives from the Latin word *innovatus*, which is the noun form of *innovare* "to renew or change," stemming from *in*-"into" + *novus*-"new". Although the term is broadly used, innovation generally refers to the creation of better or more effective products, processes, technologies, or ideas that affect markets, governments, and society. Innovation differs from invention or renovation in that innovation generally signifies a substantial change compared to entirely new or incremental changes.

Marketing innovations are aimed at better addressing customer needs, opening up new markets, or newly positioning a firm's product on the market, with the objective of increasing the firm's sales.

The distinguishing feature of a marketing innovation compared to other changes in a firm's marketing instruments is the implementation of a marketing method not previously used by the firm. It must be part of a new marketing concept or strategy that represents a significant departure from the firm's existing marketing methods. The new marketing method can either be developed by the innovating firm or adopted from other firms or organizations. New marketing methods can be implemented for both new and existing products.

Importance of Innovation

The definition and description of innovation, as the Literature review shown, clearly indicate that impact of innovate thinking in the marketing activities is considerably high. Innovation and creativity, the combination of originality, divergent thinking and risk taking, is expected element used for creating guerrilla marketing campaigns. The necessity of applying innovate concepts in the marketing is supported by findings of the Primary research where 53% of the respondents stated that their companies´ marketing



Activities are interesting, eye-catching and differ from the campaigns of competitors. Moreover, 11% of the respondents describe their marketing activities as "unexpected, shocking and completely different than what people would expect".

The interest of respondents on innovation in their Internet marketing activities is expressed by 20 out of 28 respondents who positively answered that they would like to have some unexpected and interesting application on their website which would increase significantly the attention of the target audience. Therefore, as the research shows, use of innovation is necessary presumption for creating any guerrilla marketing campaign both offline and online

Innovation is the act of introducing something new or doing something in a different way. Innovation in business differs from creativity in that the latter is generally associated with the generation of new ideas. In contrast, innovation refers to taking those new ideas and actually implementing them in the marketplace. Thus, creativity is simply one element of the innovation process through which new ideas lead to new products, procedures, or services. Business scholars often attribute company success to innovation. Because of growing **international competition,** innovation became even more vital for companies toward the end of the 20th century.

Innovation usually results from trial-and-error experimentation and sometimes occurs incidentally where researchers produce something other than what they intended. Nevertheless, because of the growth of and accessibility to knowledge and information through the technology and information revolutions, researchers of the late 20th century generally could move from ideas to innovations much more quickly than their predecessors. A confluence of factors contributes to innovation in the business setting, including the research environment, market need, company strategy, and company resources.

II. History Of Innovation In Business

While innovation has existed as long as the species has, early innovations penetrated society and became established more slowly. For example, printing technology, various transportation innovations, and the use of gunpowder took centuries to reach most levels of society and become part of everyday life, according to Basil Blackwell and Samuel Eilon, authors of *The Global Challenge of Innovation.*

The penetration and acceptance of various innovations began to accelerate with the gradual collaboration and cooperation of science and assorted crafts and industries, especially in the 19th century. The partnership between science and industry allowed scientists to produce practical, reproducible technologies, which businesses could reasonably afford. Because of this collaboration, innovation grew quickly.

Despite the partnership, however, science and businesses still remained separate entities. Researchers worked either independently or as members of companies that specialized in developing, producing, and **marketing** innovations during this period. Consequently, many of these innovations failed to make it to the market.

Companies, however—especially power, chemical, and communications companies—began creating in-house **research and development** divisions early in the 20th century. In addition, they enhanced and marketed the innovations of others, breaking down the barrier between innovator and company. As a result, companies, not individuals, began controlling the **patents** to new inventions. Furthermore, teams of company researchers, not lone inventors, became the primary innovators.

III. Sources Of Innovation

Innovation is occasionally the result of a stroke of genius. More often, though, it occurs in response to a problem or opportunity that arises either inside or outside of an organization. Management guru Peter Drucker (1909) has identified four internal and three external impetuses for innovation. Internal prompts include unexpected occurrences, incongruities, process needs, and industry or market changes.

Internal Impetuses.

Unexpected occurrences include mishaps, such as a failed product introduction. It is often through such unexpected failures (or successes) that new ideas are born from new information brought to light. For instance, Ford's failed Edsel gave the company new information about marketing that allowed it to achieve stellar gains with succeeding products.

Incongruities result from a difference in a companies or industry's perception and reality. For example, although the demand for steel continued to grow between 1950 and 1970, profits in the steel industry fell. This incongruity caused some innovators to develop the steel minimill, a less expensive method of making steel that was also more conducive to changing market demands.

Innovations inspired by **process needs** are those created to support some other product or process. For example, advertising was introduced to make mass-produced newspapers possible. Newspaper publishers devised ads to cover the expense of printing the newspapers on the new equipment that made such printing possible.

Industry and market changes, the fourth internal impetus to innovate, often result in the rise (and decline) of successful innovators. For example, innovation and business savvy allowed International Business Machines Corp. (IBM) to effectively dominate the computer industry during the 1970s and early 1980s. It failed, however, to respond to a market switch during the 1980s from mainframes to smaller computer systems, particularly workstations and personal computer networks. As a result, IBM's share of the computer market plummeted and profits plunged as more innovative newcomers emerged.

External Impetuses.

External impetuses to innovate include demographic changes, shifts in perception, and new knowledge. **Demographic changes** affect all aspects of business. For instance, an influx of Asian and Mexican immigrants into the United States has created new market niches for companies. Likewise, an increase in the level of education of Americans has resulted in a dearth of qualified workers for some low-paying jobs, causing many companies to develop new automation techniques.

Changes in perception also open the door to innovation. For example, despite the fact that health care in the United States has continually gotten better and more accessible, people have become increasingly concerned about their health and the need for better and more accessible care. This change in perception has generated a huge market for health magazines, vitamin supplements, and exercise equipment.

Finally, one of the strongest external impetuses for innovation is **new knowledge, or technology**. When a new technology emerges, innovative companies can profit by exploiting it in new applications and markets. For example, the invention of Kevlar, a synthetic material, has spawned thousands of new product innovations, ranging from improved canoes and bulletproof vests to better tires and luggage.

IV. Innovation Strategies

Two types of strategies for innovation in business are internal and market-based approaches. Internal strategies include programs and initiatives implemented by companies to foster a creative and innovative environment, whereas market-based strategies—such as the leader, quick follow, and slow follow strategies—refer to different approaches to delivering innovations to the market.

- **Internal Innovation Strategies.**

Internal strategies usually seek to develop and nurture the attributes of innovative corporations, such as prioritizing and encouraging innovation. Specific approaches to encouraging innovation differ by company and industry. For example, an integral aspect of Dow Corning Inc.'s strategy is to form "research partnerships" with its customers that solicit creative input from consumers and help the company benefit from new market opportunities. Other companies that employ customer-partnering programs include Black & Decker Corp. and General Electric.

One of the most innovative firms in the United States, 3M Company, sustains its creative environment by following a set of simple rules. By keeping its divisions small, division managers know the first names of all their subordinates, and, moreover, the company splits up divisions before their sales surpass $250 million to $300 million. It tolerates failure by promoting risk taking and experimentation. In fact, divisions must derive at least 25 percent of their profits from products developed during the past five years.

One of the most renowned strategies to generate innovation in organizations is the "Office of Innovation" model developed by Eastman Kodak Company in the late 1970s. It has since been implemented by several leading organizations, including Amoco Corp., Union Carbide, the U.S. Air Force, and Bell Canada. The Office of Innovation provides a mechanism for drawing people together to brainstorm on ideas that may not even be related to their departments or expertise. In fact, its chief benefit is that it promotes cross-fertilization and free-flow of ideas within a company.

Although implementation varies, the model prescribes the use of a decentralized network of individual offices located in different functional areas, such as marketing, finance, and production. Staff members are encouraged to seek employees in other sectors who will come to the office and provide feedback on new ideas.

- **Market-Based Strategies.**

Even companies with the most innovative organizational environments will languish if they fail to effectively market their innovations. For example, just because a firm improves its product doesn't mean that it should necessarily take the improvement to the market. From a strategic standpoint, the company could lose money if it has invested a lot of resources in marketing the original product because the improved version might cannibalize sales.

Although there are a number of product- and industry-specific strategies that companies may employ to promote their innovations, three of the most common market-based innovation strategies include the leader, quick follow, and slow follow (or no follow.

The **leadership strategy**, however, also may provide a variety of different benefits. For instance, companies often introduce an innovation to an existing product or service, calling it "new" or "improved," to breathe new life into it. Or they may bring out an improved product to discourage the competition from trying to steal market share, or to "leapfrog" their competitors. In the case of completely new products or ideas, a company may introduce the innovation in an effort to establish market dominance and attain leadership status.

The **quick-follow strategy** is often used by established competitors that already lead an industry or market niche. Rather than assume the risk inherent to the leadership strategy, the company will simply wait for one of its competitors to introduce an innovation. Shortly thereafter, the company will follow the leader with a substitute or improvement of the innovation. Quick followers are usually relatively sure of their ability to crush the competition with their established reputation and marketing and distribution channels.

A company that adopts a **slow- or no-follow strategy** may do so for a number of reasons. It may feel that existing competitive pressures or lackluster market growth make an investment in following an innovation unappealing. Or, the company may realize that it simply lacks the resources or technology necessary to compete with the new innovation. Some companies refuse to introduce or adopt an innovation because they fear that they will lose customers.

V. **Trends In Marketing Innovation**:

Authenticity:

Authenticity, honesty, ‘realness’ should have been at the top of this list for the past 10 years – but it seems as if it is actually breaking through now. Too many great examples of how companies enhanced their image and standing with either the general public or a relevant group of advocates have emanated recently – Scobleizer has probably generated billions worth of goodwill for Microsoft.

Net Promoter Scores

Sell your shares in market research agencies – their extensive research methods will go the way of the dinosaurs. Turns out, it all comes down to one question: "On a scale of 0 to 10, how likely are you to recommend brand/product X to someone else?" As the results of this research can be directly tied to revenue growth, instead of intangible (and not-boardroom safe) fuzzies like brand recognition, watch the corporate world being taken by storm by NPS, following the likes of GE and Philips.

Buzz tracking

`What's being said about me? Why is nobody talking about me? These are becoming core issues for every company. With the advent of ever better tracking tools for online conversations, it's becoming indispensable to listen into those conversations, be it to monitor bad things happening out there so you can jump in and call corporate 911, or to find out that nobody really cares about you (which is actually even worse).

From segmentation to insights

'Hey Cathy, I know you have a long distance relationship and are working only part-time to care for your newborn baby (which by the way has done it for your disposable income, for good), but I will still treat you the same as two years ago, when you were a job-starting, free-spending party animal. After all, you are still a 25-29 year old highly educated urban single female, aren't you?'

Green

It may be a cynical choice by many companies, but green awareness is the trend-du-jour. If even Wal-Mart is starting to promote eco-friendliness, where will it stop? As there is a lot of revenue waiting in this market – be it from selling eco-friendly goods at marked-up margins, or actually providing eco-technology, this one won't go away.

Grey

Marketers the world over are waking up to the fact that the older demographic is a major opportunity – and needs to be addressed in a different way then the 18-34 year olds. Mind you, different doesn't mean being patronizing and playing on old age. We're talking people who went to Woodstock and did all kinds of naughty things in their youth – don't talk to them as if they are senile.

Co-creation

The lazy developers dream – let your customers come up with your products for you. The power of harnessing your customers' insights is amazing. Once again you are connecting directly to the insights, wishes and beliefs of your customers, ensuring that you will hit a home-run with the rest of the world too.

Experimentational budgets

Following the leaders like Unilever, P&G and Heineken, marketers realize that they will have to set a portion of their marketing budgets aside for well structured experiments. Developments in the digital domain are so fast and furious it's not always possible to wait for full understanding. By experimenting in a controlled way companies can get insights at very attractive cost – and sometimes even strike gold.

The Return of the Soap

As the consumer's aversion to traditional 30" spots is starting to hurt, TV channels and advertisers alike have to look for different models. Product placement and branded entertainment are starting to take up a serious position in their portfolios. A major advantage is that the convergence of TV and online is almost built into this model, as there are far less objections to the re-distribution of branded content throughout the internet then with traditional advertising-funded models.

More CGA

Not only developers have their lazy-dream, marketers too: Consumer Generated Advertising. Let your customers not only be your Promoters, but actually make your advertising for you. As this advertising will always be based on what they REALLY love about you, it's sure to strike home with other consumers.

Marketing Innovation: How To Improve Marketing Roi

There are a number of basic marketing fundamentals that everyone needs to know in order to generate attention, interest, desire and action among prospects. But to be successful in today's competitive environment, you need more than a basic understanding of a traditional AIDA model and the 4 P's (product, place, price, promotion).

A number of years ago, I discovered a marketing methodology made popular by Michael Gerber. For those of you who have never heard of him, you can still find his books on Amazon or your local bookstore. Mr. Gerber referred to this marketing methodology as the E-myth which was comprised of: innovation, quantification, orchestration, and documentation.

This methodology is the key behind major marketing successes like McDonalds, the Four Seasons, and many other well-known brands. Let me explain his methodology and illustrate how it can be applied to your business to deliver significant ROI.

Innovation if you do what everyone else is doing, you'll get the same results – if you're lucky. Most often, those who excel in any market are the innovators, those who are continually trying new things, creating new methods of doing business, or standing for something unique.

The example of innovation in a sales/marketing sense gives you the ability to try something new. This 'something' can take a variety of different formats, but most importantly it is something that can move you towards a greater ROI. Especially if you understand the next step which is quantification.

Quantification with each innovation, an action is taken – a product sampled, research conducted, a new sales pitch or value proposition delivered. To be truly effective with your marketing you must measure your results.

The most successful marketing programs are always working to improve their return on investment (ROI). The key is to measure each independent element that could possibly influence your result. Using our example of the retail establishment, you wouldn't want to ask all of your sales reps to start using a new pitch and change their dress code. Doing so might dilute your ability to measure the effectiveness of a new sales script. Additionally, you wouldn't want to change other store elements like the music or store layout at the same time – doing so would make accurate measurement next to impossible.

Orchestration after trying something innovative, and measuring the result, you now know what works and what doesn't. The key is to keep innovating in small ways, continually testing and evaluating the results. Once you have your successes identified, you need to roll them out in a systemic fashion.

All sales and marketing personnel should be utilizing and implementing the latest innovation in all they do. This methodology now becomes your control. Your next innovation is only effective if it produces better results than your control.

Improving your process of orchestration is also extremely important. The faster you implement your innovation across the business – in a consistent fashion, the better your results become. Wal-Mart is a master of this. If there is an innovation in one store, it is quickly shared and implemented with all store managers across the U.S. The result is innovation on a massive scale which has a direct and positive influence on ROI.

Documentation The top innovators do this last step extremely well. Documentation doesn't mean creating reams of manuals that are esoteric or difficult to navigate. Rather, documentation is the development of a guide, procedure, or system that allows consistent implementation of the innovations you develop.

As new personnel come into your business, you want to make sure that the innovations and enhancements you've made to your sales and marketing practices are fully implemented. The best way to do this is to not expect an employee to memorize a 700 page employee instruction manual. Rather, they should become familiar with your way of doing business - which needs to be documented in a simple, easily understandable format.

Innovative Companies:

Seven of the top 10 innovators were not among the top 10 spenders on innovation. Many of those identified by their peers as top innovators actually spent well below their industry averages on R&D, as a percentage of sales. And, most important, the top 10 innovators turned in better financial performances than the top 10 spenders. The top 10 innovators listed below:

- **Apple** (AAPL - news - people),
- **Google** (GOOG - news - people),
- **3M** (MMM - news - people),

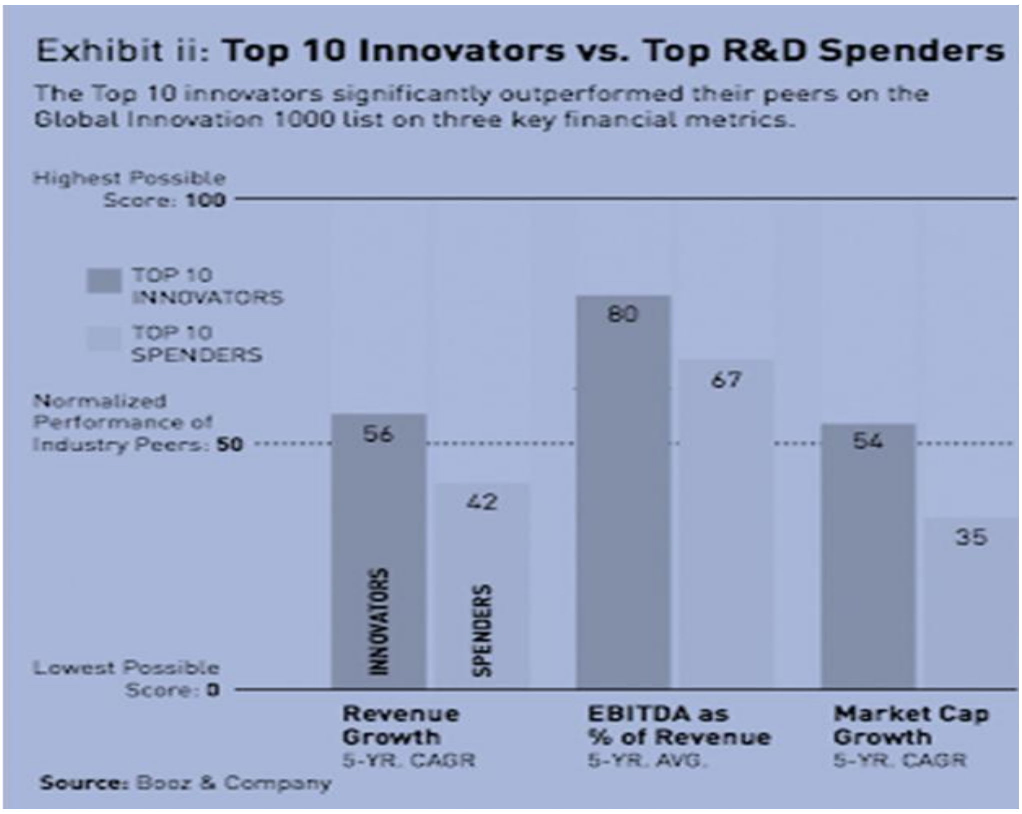
- GE,
- **Toyota** (TM - news - people),
- **Microsoft** (MSFT - news - people),
- **P&G** (PG - news - people),
- **IBM** (IBM - news - people),
- Samsung and
- **Intel** (INTC - news - people)

Exhibit i: **Top 10 Most Innovative Companies**

Innovation executives we surveyed votes overwhelmingly for Apple, Google, and 3M as the most innovative companies. Votes for the next seven were much more modest.

		R&D Spending 2009 $US mil.	Rank	Sales 2009 $US mil.	Intensity (Spending as % of sales)
1	Apple	$1,333	81	$42,905	3.1%
2	Google	$2,843	44	$23,651	12.0%
3	3M	$1,293	84	$23,123	5.6%
4	GE	$3,300	35	$155,777	2.1%
5	Toyota	$7,822	4	$204,363	3.8%
6	Microsoft	$9,010	2	$58,437	15.4%
7	P&G	$2,044	58	$79,029	2.6%
8	IBM	$5,820	12	$95,759	6.1%
9	Samsung	$6,002	10	$109,541	5.5%
10	Intel	$5,653	13	$35,127	16.1%

Source: Booz & Company



The "table-stakes" set of innovation capabilities: the ideation stage, an ability to gain insight into customer needs and an understanding of the potential relevance of emerging technologies. At the product development stage, an ability to engage actively with customers to prove the validity of concepts and to assess market potential and risks, and the ability to leverage existing product platforms into new products. At the commercialization stage, an ability to work with pilot users to roll out products carefully but quickly, and to coordinate across the entire organization for an effective launch. But even more important, the best performing companies develop additional capabilities that are very specific to their chosen innovation strategies.

The most successful companies, we found, are those that focus on a particular, specifically aligned set of common and distinct capabilities that enable them to better execute their chosen strategies.

VI. Conclusion

For those companies that are struggling with their innovation efforts concludes by suggesting three key things they should consider doing right away:

- Diagnose their innovation efforts: take a step back and see where innovation efforts are strong and weak.
- Research five similar-sized firms: go completely outside of the industry and look for successful innovators that are the same size as their organization. What are they doing successfully that can be adopted.
- Get a meeting with those that matter: begin talking about ‘‘strategy’’ and ‘‘process’’ with the relevant people in the organization. The conversation about the important things in innovation can start from anywhere, but ownership must finally come from the top.

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