
INNOVATION IN MARKETING – MARKETING INNOVATION

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Abstract

Authors address the issue of the contribution of innovation as well as their interaction with marketing. It is stressed the importance of innovation as a tool for competitive struggle and the need for innovative marketing projects. Marketing in this respect plays an integrating function. Authors note in particular changes that occur in the interaction between marketing and innovation. Authors give particular attention to the use of knowledge in the innovation process. It also aims to influence the innovation process as well as marketing tools is changing the focus and structure of the marketing mix as well as its basic strategy.

Keywords: knowledge, marketing concept, product, process, organization

1. Introduction

Globalization and development of information – communication and other technologies, sometimes dynamically leads to the fact that the environment in which firms operate is dynamically evolving and changing. It brings opportunities and risks and marketing activities must aim at not only avoiding risks but mainly to taking advantage of opportunities available on the market – provided that with increasing competition we are introducing something innovative – a new product or process.

It is the innovation which by differentiation from competitors increases corporate competitiveness, mainly by more effective corporate processes and by improved or new products. Innovation is defined as both quantitatively and qualitatively changes in the functioning of the enterprise's system covering any area of activity which brings benefit [1]. Succeed in tough competitive struggle on the market is possible by continuous innovative high quality process and most importantly with the substantial level of added value for the customer.

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2. Innovations as a part of firm's processes

A firm of any size can expand into new markets, but in any period such growth depends on the firm's internal resources [2]. Innovation has been conceptualized in many different ways. At the organizational level, it has generally been defined as the generation (development) or adoption (use) of new ideas or behaviours [3]. Firm's innovations and their ability to do so are currently one of the most basic assumptions not only for surviving on the market, but also for their further strengthening and developing in sometimes difficult market conditions. In this context, it is appropriate to mention that part of firm's innovative process must be an innovative thinking of the firm's employees and customers as well as overcoming customers distrust in innovation and their fastest acceptance of an improved or new product. Firm's innovation strategy becomes a plan that positions an organization in its external landscape and also guides its performance development over time. Managers should translate organization's innovation strategy into what by them led teams should actually be doing. This means to adjust integrated planning of long-term strategy's intents implementation to schedule of day-to-day operations [4].

Successful and effective realization of innovation process assumes proper understanding innovations' nature, their importance and structure. It is necessary to ensure that the results of research and development and the importance of Science and technology for society were taken to the attention, thus providing significant potential for the acquisition and inserting money into research and development and then use the results [5] into innovation process.

“Pioneering example of firm's innovation is company Dell, which in 1997 started business without middlemen. Dell started out as a direct seller, first using a mail-order system, and then taking advantage of the Internet to develop an online sales platform. Well before use of the Internet went mainstream, Dell had begun integrating online order status updates and technical support into their customer-facing operations. By 1997, Dell's Internet sales had reached an average of 4 million dollars per day. While most other computers were sold preconfigured and pre-assembled in retail stores, Dell offered superior customer choice in system configuration at a deeply discounted price, due to the cost-savings associated with cutting out the retail middleman. This move away from the traditional distribution model for computers sales played a large role in Dell's formidable early growth. Additionally, an important side-benefit of the Internet-based direct sales model was that it generated a wealth of market data the company used to efficiently forecast demand trends and carry out effective segmentation strategies. This data drove the company's product development efforts and allowed Dell to profit from information on the value drivers in each of its key customer segments.” [6]

Innovations are often confused with inventions. It is necessary to highlight the basic qualitative difference of innovation which arises by its market's assumption. Innovation arises on the market at the moment of sale, while inventions do not have to be realized on the market.

What do the innovations represent? There are many definitions which are based on various opinions about the content of innovations. We point at ones in which we are able to show changes which occur in innovation process also as a result of applying Science and technology knowledge and using knowledge itself as the production factor.

Founder of the theory of innovation, J.A. Schumpeter was analyzing entrepreneurial conditions in which firms have an interest or are able to realize “new combination of developmental changes” – innovations [7]. These are based on developmental changes in production and on the market and result in expanded reproduction of a manufacturing process. Schumpeter defined 5 instances of innovation’s formation:

- production of new estate,
- introduction of new production method,
- opening of new sale’s market,
- acquisition of new raw materials sources,
- realization of new organization.

To acquire a more comprehensive view of innovation, we present additional innovations characteristics. Innovation is an entirely new product, conception or idea, creating something new as a result of employee’s creativity. It must always be aimed at customer and it must bring him higher value. We can understand innovation as a comprehensive set of activities from creating a new idea until its use in practice. This characteristic is very similar to one of the marketing’s definition – so there is a significant relation between innovation and marketing.

Peter Drucker characterized innovation as a specific entrepreneur tool and a source which can be used as an opportunity to distinguish its entrepreneurship and services offered [8].

According to OSLO manual, which represents a set of instructions for creating internationally comparable innovation indicators within EU (OECD), we distinguish 4 types of innovations:

1. **product innovation** – it represents the launch of a new or significantly improved product on the market. Novelty or refinement is apparent in technical parameters, its components, in materials used or in increasing the overall value of the product. Product innovation is based on using of new knowledge, technologies but it could also be based on the new product utilization.
2. **process innovation** – it is based on a change of product creation method. It affects all firm’s processes which finally contribute to a better satisfaction of consumers needs. It is for example accounting, facilities’ maintenance, and other support operations.
3. **organizational innovation** – it provides changes in manufacturing process organizational support, sets out production, innovations, supplier – purchaser relations, distribution channel organization and change of firm’s marketing organization too.

4. **marketing innovation** – it represents changes, respectively usage of new marketing activities and procedures. It could contain changes in product's nature, in used marketing communication tools, new brand launch in the market, new method of pricing and using new methods in marketing research. Marketing innovations target at better reaction to needs and wishes of consumers, change the way how to satisfy customers in general or they can even be helpful when entering the new markets. The main objective of marketing innovation is increasing demand for firm's products [9].

We can point at correlation of marketing and innovations by splitting innovations according to motivation of their formation:

- Innovations pushed by technology (new technologies) – it is a kind of innovation based on materialization of scientific and technological knowledge or firm's technical skills. One of the most important firm tasks is to find demand and creating new need for demand as well.
- Innovations pulled by demand - it is caused by changing consumer needs. Market asks for new and improved products on the basis of consumers needs and it asks it from producers and vendors. Firm's task is to find and prepare technological, organizational and marketing solution to satisfy consumer needs.

We have outlined some framework relations between innovations and marketing. For closer characteristic of its correlation, we use the definition of Peter Drucker: "Firm's goal is to generate the customers, so the firm has got only two basic features: marketing and innovations" [8, p. 58]. Through the innovations there is an introduction of the new products on market, its development and improvement. There is an increase of work efficiency, cost reduction, and increasing in quality. Marketing creates basic assumptions for firm's success in the competitive market and with supply exceeding demand. When analyzing relation between marketing and innovation according to previous knowledge, we can conclude that marketing has an integration function. Marketing integrations functions lead in marketing activities innovations. Within this function we can notice some common features and tools between marketing's innovation and marketing of innovation. Within marketing of innovation we can state that realization of each innovation project asks for an effective marketing support. Innovative products require specific methods which can distinguish importance and meaning of traditional marketing methods and tools. Important finding is that quality of all the parts involved in innovative process determines success of the new product or process.

We can define marketing of innovation as a creation, sustainability or a change of an attitude to the substance of innovation. What changes are the most important when relating marketing and innovation?

- a) In regards to function and importance of marketing within a firm, it provides transition to marketing as a main firm's innovative process function. At the same time there is an operational management function of

- customer in innovation process. During an innovation process, marketing approach should be applied in each and every stage of the process.
- b) Choose a firm marketing management concept that is based on the firm's specific advantages and is often dependent on scarce resources available to the firm. It is essential that a firm provides an effective input and operates on the market with long terms goals while respect strategy and its own basic objectives. Within accepted concept of marketing activities, innovations are very important to create needs and demand for new products and transform occasional buyer to a regular one.
 - c) Within the relations managed by customer system and firms' transition to overall relationship management – customer relationship management (CRM). CRM manages and directs all processes at the organizational philosophy, including its policies and procedures, customer service, staff training, marketing and systems information management [10]. It is also a rational reason for innovative process and factor of firm's increased competitiveness. It is also an impulse to increase performance of all marketing and communication activities. CRM is a trend based on effort to maintain customers in long term and develop of durable, mutually beneficial relationships through an attractive offer which is value. The concept of customer value is critical to CRM. It refers to the economic value of the customer relationship to the firm, expressed as a contribution margin or net profit [11]. Value is a general advantage obtained by customer who purchases firm's product or brand and it also means active customer integration in the innovation process, from obtaining suggestion for new products to their launch, and product acceptance in the market.
 - d) Within the corporate social responsibility, using knowledge in innovative process is the most productive unlimited economic source, which is an assumption for an increase in innovation process efficiency. A morally responsible attitude of the companies towards the community is that which businessmen are not always aware of, in the interest of their own business development [12]. In recent years, there has been an increased consensus that corporate social responsibility (CSR) is significant for the sustainable development of companies and society as a whole [13].

3. Innovative marketing mix structure

Marketing is one of the issues that are subject to change, due to market changes in consumption patterns and tastes of individuals. Population growth, urban expansion and changes in community structure and diversity of products and advance knowledge, generation changes, etc. are factors that will determine market variables [14]. The structure of marketing mix is changing too as a result of innovation process and marketing tools used in the process. Like many other concepts, marketing mix concept seems relatively simple, once it has been expressed [15]. As time lapsed, many management practitioners and thinkers suggested new models as a fit for their respective times. As a result many new

models came to light [16]. Traditional marketing mix concept from the firm's perspective – 4P's is transformed marketing mix tools from the customer perspective – 4C's. These represent instead of product Customer Value, instead of price Costs related with product acquisition and its usage, then instead of place customer Convenience and instead of marketing communication mutual Communication with customer.

This marketing mix tools change is a consequence of the fact that meeting firm's strategic objectives should not lead only to firm's prosperity, additionally it must provide lead to maximal value to customer. Currently customers are more demanding, and well informed. They often know more about a product than the seller does. An important role is also played by the actual quick way of life [17].

These basic marketing mix tools are expanded in innovation process and their internal structure is changed as well. For example, it is the extension by people who create market, processes, partnership. Some authors expand the field of marketing mix tools to Public Relations. As we outlined, the internal structure is being changed – when looking at product there is an increased emphasis on design, service of the product and rebranding. Within the distribution there is an increased importance of vertical marketing system and of e-Commerce as well, which means that the company transacts or facilitates the online selling of products and services [18]. There is an increasing meaning of integrated marketing communication as well as new trends in marketing communication like events, product placement or communication through social networks about marketing communication.

At the level of marketing mix we can use two strategies:

- a) To realize an existing variant approaches in marketing mix. Within this strategy is used often substitution principle. It means to use marketing mix for various products. We use pricing, communication, and distribution policy which were applied with other existing products.
- b) To seek for new approaches in marketing mix – application of new pricing, communication and distribution policy.

When speaking of innovation in marketing mix, we cannot skip new marketing mix structure. For example Tomek and Vávrová in their publication 'Marketing od myšlenky k realizaci' are paraphrasing 4P's respectively 4C's due to the importance of innovations as a 4I's [19]. Those 4I's represent:

- **Innovations** which represent the factor of future in complex products and processes understanding and marketing activities;
- **Information** related to planning and controlling – structure of company's brain and marketing information is crucial for marketing management, in particular selected areas of time, accuracy, and the value [20];
- **Internet** – connection and mutual influencing of direct and indirect market subjects with open options for new activities. Internet is a communication space characterized by fluidity and plasticity [21];
- **Investments**, brand value awareness, care for image and the standard of marketing activities.

Within the innovation process it is necessary to mention some other possible marketing mix innovations, for example according to the nature, importance and efficiency of individual innovation activities. Other innovation activities should create conditions for application of social marketing concept aimed at supporting the relations towards the customer.

4. Conclusions

Relation between innovations and marketing will depend on the result of how long would last a competitive advantage created as a result of innovation process realization. It will also depend on the level of competitive fight in the market and on the level of relationship with customers in following ways:

- create new needs for customer,
- the degree of the Economy knowledge development level,
- the internal changes in firm and changes in the thinking of employees.

Everyone who wants to be successful in the market must understand innovations as the most important tool in the competition fight and marketing as a way to push the innovation result through the complicated market conditions.

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