MARKETING INNOVATIONS IN INDUSTRIAL FIRMS

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Abstract

Based on the influence of the environment, which acts on the companies, whether in a positive or negative sense, companies are forced to process information, adapt to the market and achieve a variety of changes, such as developmental processes in the company. All changes begin after some stimulus, an idea that will help to develop the innovation process, and the result should be a competitive advantage of the company. The emergence of a thought is caused by the environment, whether impulse of customers, competitors, the media, but also on the basis of the activities of employees in the company. Flexible and high-quality innovative policy is fundamental for the development of companies in a hyper-competitive environment. Countries with advanced innovative politics are more successful in a global scale. This article explores marketing innovations in industrial firms as for their benefits that further affect competitiveness of the companies.

Keywords: Innovation, marketing innovation, information, competitive advantage.

1. INTRODUCTION

Industrial firms are exposed to enormous pressure of innovation problems. The trends that are causing this pressure can’t be simply dismissed as "more and more" (more and more competition, more and more new technologies, more and more demanding customers, etc.). There are more and more new technologies to be applied in product development. At the same time, thanks to the globalization and the IT revolution, the competitive conditions have intensified. Despite the present saturation of the markets, new additional needs are created and the product demands, which companies see as new market opportunities for innovation of product and the concepts for survival, are increasing. [1]

Czech industrial companies will have to flexibly respond to the changing customer and market requirements, using the benefits of new ideas, unique know-how and the effort to be faster than the competition. The main theme of this article is marketing innovation that brings new ideas resulting from a different way of thinking. The aim is to explore new ideas, to deal with new methods, processes, innovations in order to find and apply competitive advantage as an effort to maximize the company’s market value.

2. MARKETING OF INNOVATIONS

Management of innovation has become an independent branch of management. The reason is that the findings and methods leading to the knowledge that a large part of the variation of success and failure is caused by factors that may in the broad sense be associated with marketing. Many positive and negative examples from company innovative practice gradually gave signal to recognize the specific part of innovation management as a sub-discipline of management, namely as the marketing of innovations. This branch is now a part of both the management of innovations, and of marketing. Innovative companies like to use marketing of innovations as a management support. Marketing of innovations deals with strategic and operational decision-making within the scope of marketing of new products. If operative marketing of innovations may largely draw on the knowledge and methods of general operative marketing, there are
fundamental differences between general strategic marketing and strategic marketing of innovations. This refers particularly to the information supporting strategic decisions of marketing of innovations. This information is composed of several generalising legal statements, especially the knowledge of the factors of success and failure in product innovation, and also of the specific own information depending on the situation, which must be obtained for the innovation intention. [1]

2.1 Definition of marketing innovation

Marketing of innovations provides a sequence of work tasks, which, if applied to existing products, lead to the creation of new products or new services satisfying new needs, bringing new application areas, new situations or discovering new target groups of consumers. It is therefore a process that offers a great opportunity to create entirely new product categories or to form completely new markets. [2]

2.2 Subject of marketing innovation

Marketing innovation provides answers to many questions and problems. They include areas like what other needs might our product satisfy so that a consumer perceives it differently; what sphere of new customers we could address if we had made changes to the product; what news we could offer to our existing customers or what other purpose our product could serve. [2]

2.3 Importance and stimuli of marketing innovation

The competitive success of a new marketing idea is based on a different way of thinking, not just on a simple market definition and its segmentation, but it is a new approach to innovative thinking. Marketing of innovations does not only mean the focus on advertising and sales, but on the market, which is connected with logistics, communications, leadership, influencing corporate activities.

Customers represent an important aspect for companies when they are deciding about the introduction of any innovation, whether it is a product or a service, which means a market research focused on the requirements of customers, competition, new products and looking for a new business opportunity. Other sources of information include fairs and exhibitions, where the latest news and ideas are presented. Finally, there are foreign trade fairs where companies can acquire new impulses and ideas that may be applied in the Czech market. It is the scarcity of information that creates new opportunities for business.

3. INNOVATIVE CAPACITY OF COMPANIES AND TYPES OF INNOVATIONS

The analysis of innovative activities of Czech companies is mainly based on data from the Innovation Survey of Companies in the years 2008 - 2010. This survey was carried out on the basis of a harmonized questionnaire of EU member states associated with the common union innovation survey CIS2010 (Community Innovation Survey 2010).

All types of innovation activities are realized by the largest share of big companies with 250 and more employees. Large companies much more often use organizational changes to streamline and develop their activities (60%). In companies in the Czech Republic, the highest number of innovation activities is generally realized through organizational innovations. Organizational innovations are important for development of the company and are focused on reducing costs, but they usually don’t represent any technological change or a creation of new products, but they rather contribute to a better organizational management of the company or better business practices. Technological innovations - i.e. product innovation, when new and significantly improved goods or services are introduced, and process innovation, which is characterized by the implementation of a new or significantly improved production process - are realized by over half of large companies. This type of innovative activity is relatively expensive for small and medium-sized companies and requires very good information and a well thought-out realization plan with the necessary know-how to
ensure that the investment into this type of innovation activity pays off. In the category of product innovations, a larger part of firms in all size categories provides innovation of products rather than services. It does not mean that Czech firms don’t perform innovations of services, but the fact is that innovations in services are more difficult to define and measure and they are also rapidly changing. It is interesting that service innovations are performed by a higher proportion of small firms than medium or large companies. Minor innovations of services can be performed relatively quickly by flexible small firms. It is generally accepted that process innovations bringing new methods and techniques of work are the most commonly realized types of innovations in practice. This is because, even with a relatively small investment in process changes in the activities of the company, you can achieve significant improvement of the activities and a reduction of overall costs. [3]

3.1 Marketing innovation

New media and techniques of promotion were the most commonly used aspects of marketing innovations by companies in the Czech Republic in the period of 2008 – 2010. This type of innovation was implemented by 72.5% of companies with marketing innovation. The remaining types of marketing innovation were considerably behind. Almost identical figures were recorded by companies introducing significant changes of design or packaging (40.3%) and applying new methods of valuation of goods and services (40.2%). New methods of product placement were the least common innovation (31.7%). Large firms, when compared with small and medium-sized ones, put greater emphasis on significant changes in design or packaging. The share of this type of innovation in large companies innovating marketing has reached 54.7%. The share of new methods for product placement and the new methods of valuation of goods and services were balanced in large companies. Firms under foreign control also put greater emphasis on significant changes in design or packaging (50.6%) than domestic firms (37%). Marketing innovations by type and size in 2008 - 2010 are presented in chart. [4]

![Marketing innovations by type and size 2008-2010](image.png)

Fig. 1 Marketing innovations by type and size 2008 - 2010 [4]

The most important aspects of companies innovating marketing was the use of new media or techniques of promotion. The highest share of use of marketing innovations was recorded in the production and distribution of electricity, gas, heat and air conditioned air (93%). The most important marketing innovation in manufacturing industry was the use of new media and techniques of product promotion (68.3%). The share of marketing innovation as a significant change of design or packaging amounted to 45.3%. The least important focus of manufacturing companies within the frame of marketing innovations was the use of new methods for product placement (28.6%). The new methods of valuation of goods and services were in the centre of attention of companies engaged in mining and extracting (64.6%). The highest increase in the
share of utilization of new methods for product placement was observed in medium-sized companies. [4] According to the analysis of innovation activities of firms in the Czech Republic performed by ČSÚ, we can design matrix A (see Figure 2) which shows the percentage use of marketing innovation depending on the importance of changes from the point of view of the company.

![Diagram showing the percentage use of marketing innovations, the importance of changes to firms](image)

**Fig. 2** The percentage use marketing innovations, the importance of the changes to firm

### 4. STRATEGIES LEADING TO SUCCES

Competitiveness of industrial companies is mainly based on the ability to create and exploit innovations. Minimal knowledge of a customer, of the market environment and a negligible awareness of the weaknesses of the company represent a major problem of companies. Introduction of a new product in the industrial market will not guarantee the marketability and satisfaction of customers. The main points include identifying customer requirements, existing competition, market conditions, strategy and implementation of corporate competitive advantage. The necessity of innovations arises in situations when the current medium-term or long-term plan doesn't achieve the desired targets of the company and doesn't maintain its competitive advantage. Any innovation should contribute to the application of the strengths of the company and to the elimination of business risks. Innovation can be classified according to the degree of novelty into four categories.

#### 4.1 Radical innovations

Radical innovations are described as fundamental, radical changes, through which entirely new products or services are created. Radical innovations often require changes in user's habits of consumers. The development of this type of innovations requires high investments in research and development. [5]

#### 4.2 Incremental innovations

Incremental innovations are defined as gradual small changes continuously performed by the company, for example within the scope of the quality management system. This kind of innovation doesn't require high cost of research and development of new technologies. This is a very frequently used type of innovation in firms. [5]

#### 4.3 Technical innovations

Technical innovations are those innovations that bring significant changes in technologies, technological procedures and in the production process or the technical properties of the product. The end customer usually doesn't see any significant benefit in the new product, unless the change of the production process leads to a reduction in production costs with the subsequent effect of the product price reduction. [5]
4.4 Application innovations

Application innovations bring such a change of the product or service that leads to a change in their use by the customer. Traditionally, the products or services are offered in a different market than before. [5] In terms of the degree of novelty, it would be realistic to include marketing innovation here as well, which would extend the number of categories to five.

4.5 Marketing innovations

Marketing innovation is the introduction of a new marketing method, which wasn’t previously used by the company and which is part of a new marketing strategy. This may be a significant change in product design, in its packaging, in product placement in the market through new sales channels, in significantly changed product support using the tools of communication mix, in new pricing strategy, etc. [6] A model, which is based on the degree of novelty as perceived by an industrial company and by customers, is designed according to the scope of the above mentioned changes, see Figure 3.

![Fig. 3 Model of strategies according to a degree of novelty](image)

The most significant contribution in the development of the professional practical marketing of innovations is the progress in strategic research of innovations. Strategic marketing of innovations defines the objectives and scope of tactical-operative marketing measures. It is responsible for long-term planning of major product innovations in industrial companies. [1] If we move towards the process of migration of the distribution channels, which are often perceived as positive changes, they are often irreversible. It is very important for an industrial company to think about its strategy very thoroughly before embarking on any radical changes. For industrial companies, the marketing innovation can be found in the introduction of efficient online shops (e-shops), which already exist in the market, but many companies aren’t using them yet.

5. ADVANTAGES AND DISADVATAGES OF INNOVATIONS

The benefits of the implementation of marketing innovation include the image of the industrial company in the eyes of its consumers, the acquisition of a competitive advantage, the consolidation of its position in the market during the selection of distribution channels, the lower cost than in radical or technical innovations and the maximization of the market value of the company. [7] The implementation of a marketing innovation doesn’t bring only benefits, but it also carries disadvantages that may arise among consumers, if the company fails to convince them that the given product is just the one they need. Another disadvantage is the technological progress that is constantly changing and evolving, which means that the competitive advantage of an industrial firm exists only for a short period of time.
A positive change is usually traumatic for the company. It forces the people to think and act differently. Due to the human nature, those who are negatively affected by the change either put up active resistance and oppose it or they will adopt a passive attitude "I’ll wait and see." [8] This encourages the management to choose such a strategy that will motivate the human resources in a positive direction towards the innovative activities of the industrial company.

6. CONCLUSION

In today's busy world, the industrial companies are trying to innovate in order not to lose a competitive advantage and to cope with the competing firms. Continuous innovation in the global environment is a must.

If we want to join the real market players, we have to plan product innovation in advance; in time when clear or even urgent signals of innovative needs can’t be identified yet. [1] The creation of a new market or a new category is the most effective way how to keep your ground in the saturated markets. [9] Linking innovations and marketing leads to mutual interaction of the innovation system and the economic area. The objective is the effort to increase the competitiveness of products, which is related to strengthening the position in the market. [10] It is absolutely essential in the future of metallurgical companies, which want to maintain their competitiveness, to be able to predict the development of costs in connection with the decision-making process in the company. [11] It is important to realize that marketing knows the requirements of consumers and product innovations can realize these requirements, so it would be useful to apply and use both these fields in order to maximize the market value of the company.

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REFERENCES