IMPORTANCE OF INNOVATION IN MARKETING

Shivani Gupta*

Parul Sethi*

Dr. Surender Kumar Gupta**

ABSTRACT

Innovations take time to be absorbed – especially the really exciting innovations. Marketing is about speeding up adoption of innovations, beyond our natural social speed of adoption. Marketing and innovation produce results; all the rest are costs. Marketing innovation covers how the industry is evolving in the face of new technology and ways of communicating. Marketing is the distinguishing, unique function of the business." A business's ability to create and maintain consumers is directly dependent upon its ability to produce innovative products and/or services. In order for a company to maintain its market share, it must continue to outthink and out-produce its competitors not only in terms of the selection of products and services that it offers but also in terms of its prices. In essence, all companies must continually strive to discover how they can better satisfy the needs and wants of consumers. If marketers do their jobs correctly, meaning that they focus on their consumer and incessantly innovate, then all other aspects of the business should fall conveniently into place. Innovation has occurred in many aspects and levels in organizations and if studied closely, you will see that most of it takes place as an adjunct to something that exists. Over the decades we have seen firms innovate constantly in their products, business, process and technology. However, the most radical changes has been seen in the filed of marketing. In this paper, I will discuss the main drivers of these changes and a few concepts that have emerged. this pure twentieth-century technology and its emphasis on speed and versatility, has forced a change in the rules of competition. Internet marketing therefore, is a rapidly changing field. Something that works today may not work in the future. If you don't know about the change, you could go a long time with declining visits to your website and declining revenues. Internet marketing changes very quickly and no innovation mean no progress. That is why; innovation in marketing strategies is used extensively in setting trends and not just following them.

Keywords: *Innovations; consumers; competition; strategies.*

*Assistant Professor, VIT, Meerut

**Associate Professor, Maharaja Agrasen Institute of Management and Technology, Jagadhri.

1. INTRODUCTION

In marketing, managers should be, above all, real innovators. They have to be able to develop innovation procedures and manage to market the products in a profitable manner. It seems that modern managers have a number of joint characteristics, some of which can be seen below: 1) Ability to classify innovations, 2) Perception of the competitive advantage, 3) Understand innovation diffusion procedure, 4) Build communication channels, 5) Use of marketing strategy tools for the design, development and promotion of innovation, 6) Understand the key factors which lead to successful adoption of the innovation technology.

2. WHAT WE CALL INNOVATION

Innovation can be defined as the application of new ideas to the products, processes, or other aspects of the activities of a firm that lead to increased "value." This "value" is defined in a broad way to include higher value added for the firm and also benefits to consumers or other firms.

Two important definitions are:

• **Product innovation:** the introduction of a new product, or a significant qualitative change in an existing product.

• **Process innovation:** the introduction of a new process for making or delivering goods and services.

Innovation is not only a good idea, an invention. It is more like a procedure in which ideas are collected and the best ones enter the production process. T. Robertson [7] suggests a classification of innovations, using marketing philosophy, where consumer's needs must constitute the core interest of any company. He gives a cohesion based on the disruptive influence of the use of the product on the consumption models (figure 1).

A consumer can very often observe products or services, with slight differences almost imaginary. A very common marketing strategy, is when a slight alteration of an existing product or service, is marketed as innovation. This kind of innovations are known as constant innovations.(e.g. fashion).In constant innovations consumer's behavior is not affected. We also have dynamic constant innovations, where a change in consumer's behavior is needed (e.g. replacement of manual operated machines with electronic ones). More rarely, companies introduce interruptive innovations. In that case existing products are altered and adjusted in different markets [12].

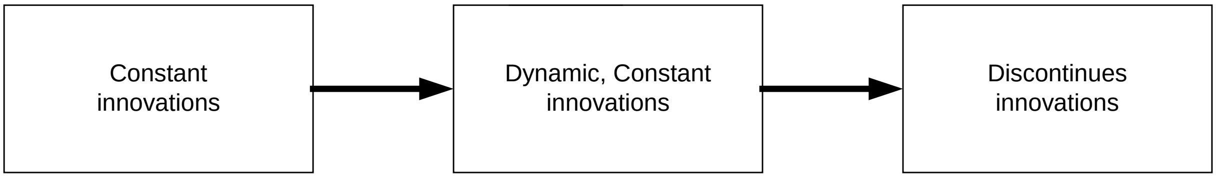


Figure 1: New Products

Using the above we can classify four categories of innovation [2]: 1) Improvement of the present products (constant innovation), 2) Improvement of production techniques, 3) Totally new products and 4) New production techniques. The interrelation between innovative products – procedure can be seen in figure 2 [12].

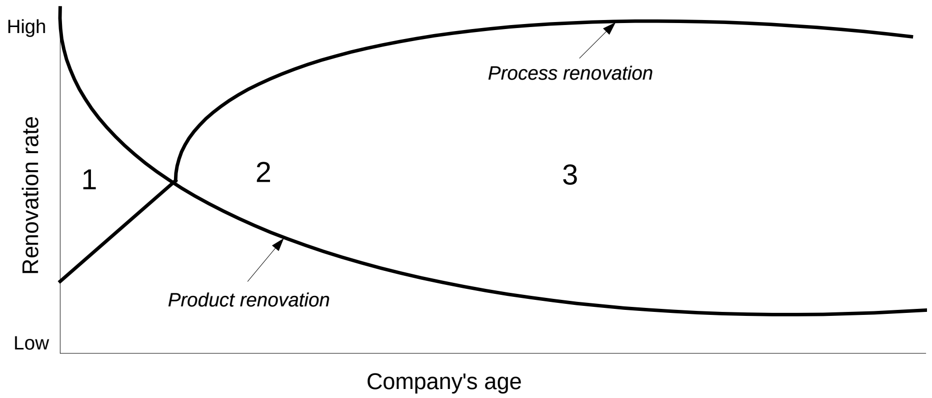


Figure 2: Relation between product /procedure

Where in point 1 innovation is introduced, in point 2 intense competition in price. The product is mature and production costs are highly lowered and in point 3 procedure has reached its limits. New innovation is needed both in product characteristics and productions processes.

According to Abernathy and Townsed [1] product innovation and innovation of the procedure interact each other. This argument stands on the opposite side of what most scientists believe that the market imposes innovations and they are applied mainly to the products and to a less extent to the procedures. According to Axel Johne [4] renovations of products and procedures they are nothing else than variations of technological innovation.

3. FIGURE ANALYSIS MARKET/PRODUCT

Innovation plays only one important role. To improve the competitive position of the company in the market. Many marketers use Ansoff's chart to draw marketing strategies (figure 3).

Increasing technical renovation

Increasing the renewal of the market

	Existing products	New products
Existing markets	**1**	**2**
New markets	**3**	**4**

Figure 3: Figure analysis market /product

As far as area (1) is concerned insinuation in the market takes place, either by aggressive pricing policy or better distribution. In area (2) technological innovation focuses on the product, in area (3) aim is to implement innovations in new market segments and in area 4 diversification is the prevalent component here, where new products are introduced in totally new market segments.

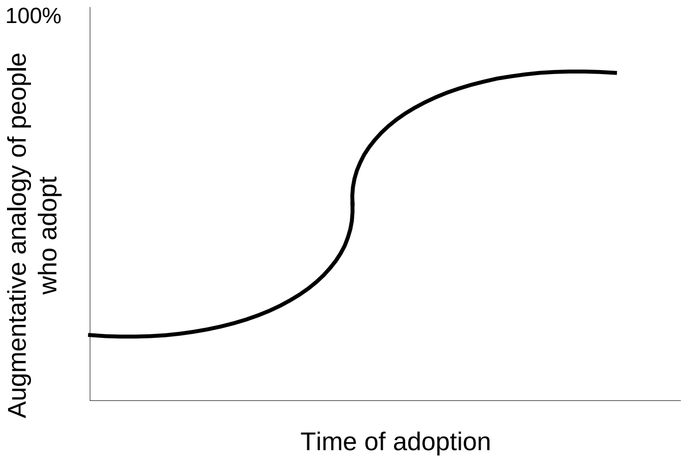
It is taken for granted that certain companies are more active than others in introducing new products. This depends upon whether company is willing to take advantage of the changing conditions of the market or chooses to remain in its current status quo (figure 4)

Innovative companies Modernizing companies with wide range of products Such companies prevail by presenting new products in various relevant sections in the market	Less innovative companies Reacting ones Such ones present new products in order to correspond to the pressure of competition
Modernizing companies of a restricted range Such companies prevail through presenting new products in specific sections of the market	Defensive companies Such companies protect the existing products mainly through the innovation of the process (i.e. reducing the cost of production)

Figure 4: Different Strategies of Product Innovation

4. INNOVATION DIFFUSION

Diffusion refers to the acceptance of the innovation by the market. A fast innovation diffusion results to large market share and big profits. Empirical studies show the figured number of adopters is like an S (figure 5).



E. Rogers [5] depicts four basic elements for diffusion:

1. Innovation: a new product, which is regarded as really innovative, will have fast diffusion.
2. Communication : communication Channel serve fast diffusion.
3. Social system: all social characteristics that affect diffusion process.
4. Time: people adopt an innovation at different times.

T. Robertson [8& 9] agrees with Rogers and determines diffusion like this: “The adoption of new products or services beyond the normal limits by the consumers through social systems is wrongly encouraged by the activities of the market…” So Robertson emphasizes on the ability of the manufacturer to influence both time and speed of adoption. He also emphasizes in consumer’s personal influence (i.e. imitation).

Another theoretic, Gold, [3] claims that inventions should be considered as individual descriptions rather than general applicable ideas. He also suggests an augmentative diffusive curve (figure 6)

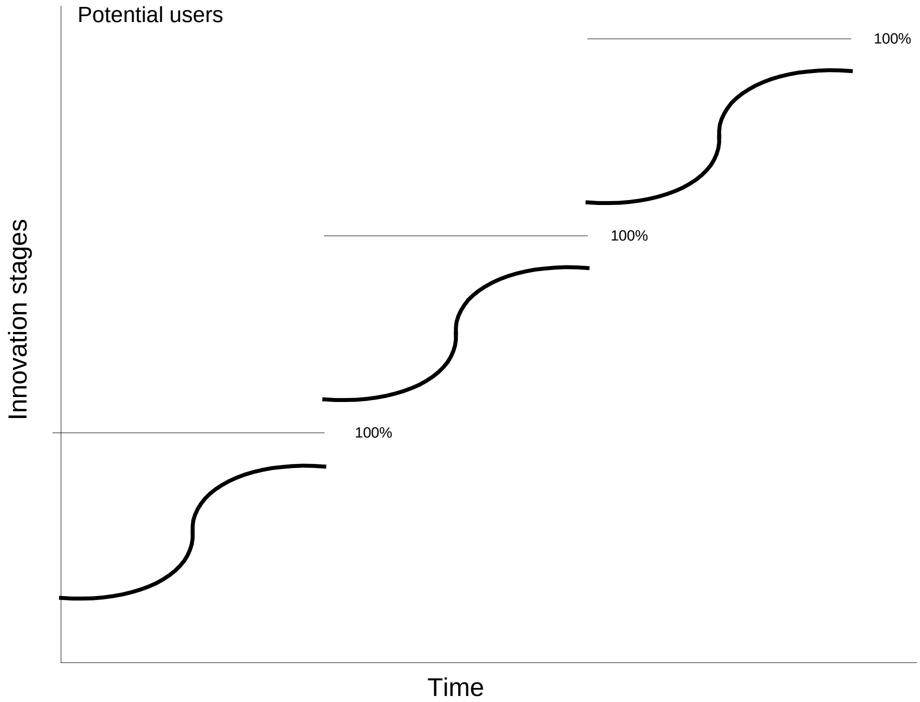


Figure 6: Increasing Diffusive Curve

The repetitive process of modernization and constant improvement of the market has been dealt by Rothwell, Schutt, and Gardiner [10]. During the development process of an idea, it is subjected to judgment so as to overcome all the problems that come up. Yet, the procedure does not end up here. Innovation is modified during promotion as well, so as to result to a product, which is a result of cumulative experience (figure 7). Innovation diffusion curve is nothing else but a general guide, which predicts what is possible to happen in the market. For any company it is really important to understand completely the consumer's needs and characteristics, in order to achieve greater sales. As we have already mentioned, consumers differ at the point of the adoption speed of innovation. Therefore, marketing strategies should correspond into this.

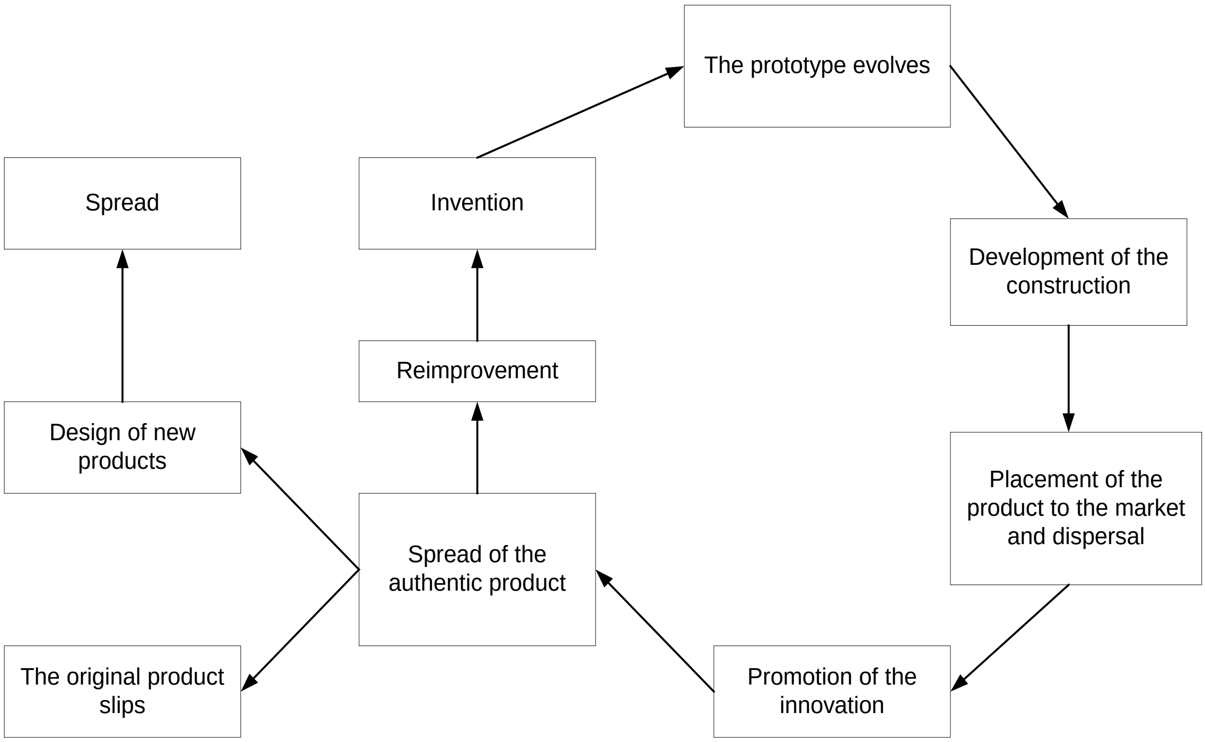
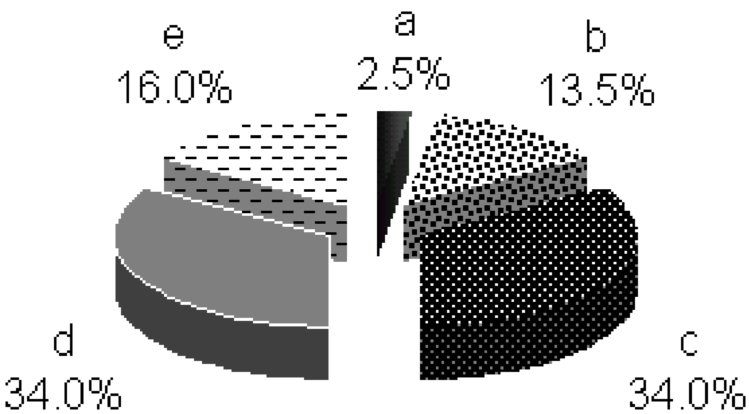


Figure 7: Cycle of re-improvement

5. INNOVATION ACCEPTANCE BY CONSUMERS

5.1 Characteristics of consumers who accept an innovation

E. Rogers in his work [5], has classified consumers into five categories, using the time it takes to accept an innovation: (α) Modernists (2,5%), (b) Consumers who accept early an innovation (13,5%), (c) Majority of consumers who accept an innovation (34%), (d) Majority which accepts it later(34%) and (e) Very late adopters (16%)



As marketing sees it, the first category is the most important of all. That is because those are the people that lead to success or failure of an innovation. Fast accepters are the more sociable ones. They are what we call «*opinion leaders*» [6]

5.2 Acceptance process

E. Rogers [6] is considered a pioneer also in the matter of acceptance of process, suggesting a procedure compiled by five stages: 1) *Acquaintance* 2) *Interest* 3) *Evaluation* 4) *Testing* 5) *Acceptance*

This model, as many others of the 60's, regard the market and the acceptance process as successive learning processes. Later, Rogers [6] modified his initial model, so as to develop acceptance process and he called it "innovative decision process". Consequently, the acceptance decision is of a great importance for every marketing manager. It is accomplished with the transmission of technical messages and marketing messages through appropriate marketing channels.

Roger explains in more detail his model like this,

1. Acquaintance comes when an individual is subjected to the presence of innovation and acquires some information of its functions.
2. Persuasion comes when a person forms a positive or negative opinion about an innovation
3. Decision comes, when a person is involved in activities which lead to a choice of accepting or rejecting the innovation
4. Acceptance comes, when a person uses the innovation
5. Certification comes to support any consumer who searches information so not to change his purchasing behavior.

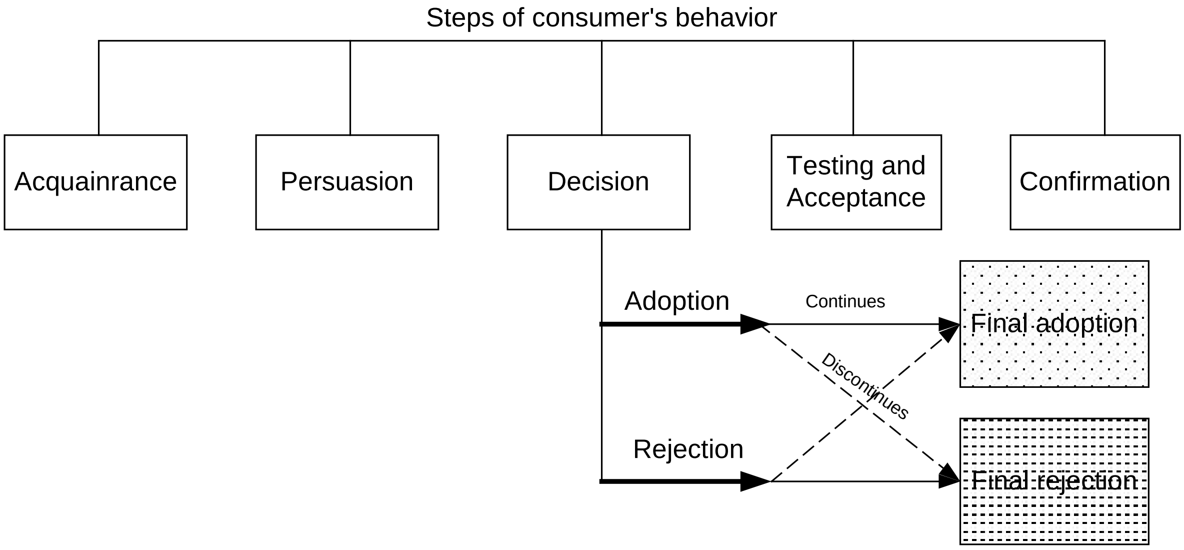


Figure 9: Decision making model

5.3 Factors encouraging acceptance percentage

Marketing is trying to persuade as many people as possible to consume, as frequently as possible. Marketing is also able to analyze the adoption procedure of an innovation. A perfect innovation is not enough to secure fast adoption and large market share. There are many factors that affect the adoption rate (figure 10).

There is a special interest in the factors that affect approval and buying of an innovation among an organization. That is because specific changes are demanded in organizational and management structure. Managers' reaction to a possible innovation's approval may differ deeply as personal, economical and company protection factors occur. There may be a thousand motives for (dis-) approval of an innovation in an organizational environment. Here, Three major ones are depicted here: Insecurity, Economic factors, socio-psychological factors (figure 10)

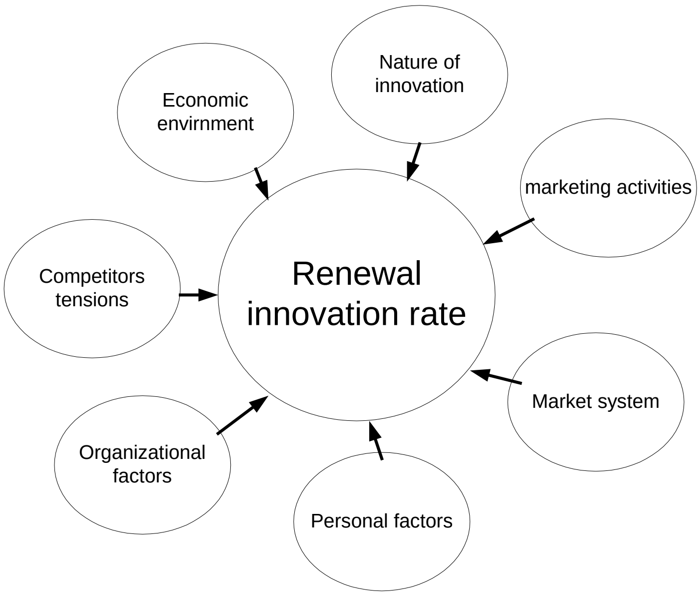


Figure 10: Factors encouraging acceptance percentage

CONCLUSIONS

Every product has its life cycle. This life cycle is affected by changes in market environment. Products mature and demature. Therefore, every company needs to develop constantly new products in order to diminish all negative effects of product dematurement and, as a result, gain long-term success.

Yet, long-term success is not something easy to achieve. Successful innovations only occur after careful understanding/analysis of consumers' needs and designing/programming of the product.

Concluding, a company should take into account five points before starting the production of an innovation, as shown below:

- Innovations should aim at the consumer/user's needs and NOT at technical superiority.
- Innovations market introduction should be accompanied with useful information regarding the product/service, so that people can understand why it is good for them.
- Before market introduction, a deep market analysis should take place.
- An innovation will not be successful, if it does not take into account present technology.
- Marketing should emphasize the competitive advantages of a product/service.

REFERENCES

[1] Abernathy, W.J and Townsend, P. (1975): *Technology, productivity and process change*, Technology Forecasts and Social Change, vol. 7, no. 2, Jan

[2] ACARD (1978): Industrial Innovation, HMSO

[3] Gold, B. (1985): *On the adoption of the technological innovations in industry*, S. Mac-Donald, D.

[4] Johne, A.F. (1985): *Industrial Product Innovation*, Croom Helm

[5] Rogers, Everett. (1983): *Diffusion of Innovations*, pp 270, Free Press

[6] Rogers, Everett. (1971): *Communication of Innovation*, Free Press

[7] Robertson, T. (1967): *The process of innovation and the diffusion of innovation*, Journal of Marketing, vol. 31, Jan., pp 14-19

[8] Robertson, T. (1971): *Innovation, Behavior and Communication*, Holt, Rinehart and Wiston

[9] Robertson, T.; Gatignon, H. (1986): Competitive *effects on technology diffusion*, Journal of Marketing, vol. 50, no. 3, pp. 1-12

[10] Rothwell, R.; Schutt, K.; Gardiner. (1983): *Design and Economy: the role of design and innovation in the prosperity of industrial companies,* Design Council

[11] Williams, G.E. (1969): *Changing systems and behavior*, Business Horizons, August, pp. 6-35

[12] Utter back, M.J. Abernathy, J.W. (1975): A *Dynamic Model of process and product innovation*, Omega, vol. 3, no. 6, pp. 639-56