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## **Influence of the Marketing Innovation on the Organizational Performance**

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### **Abstract**

It is well known that innovation has a significant impact on business performance, and for this reason, we are trying to find out what is the influence of a specific type of innovation, the marketing innovation, to the overall performance on an organization. The paper aims to contribute to the literature by providing a better understanding of the links between marketing innovation and market performance. We identified some of the useful elements and the main risks that need to be considered when discussing about implementation of the marketing innovation. For a better control of the marketing innovation performance, we proposed a set of measuring indicators. For a better connection with the practitioners in the field we conducted a survey where we test the importance of the indicators. The main idea behind this research is that marketing innovation is a prerequisite for improving market performance.

**Keywords:** marketing innovation, innovation, organizational performance, measurement indicators for innovation, marketing innovation performance

### **I. Introduction**

Innovation is a very relevant subject in the scientific literature and it is defined by both practitioners and researchers because of its relevance to the growth, success and survival of firms (Brad, 2008; Leitner, 2010; Grecu, 2016; Maier, 2018 a-e; Mohr, 2005; Milbergs, 2007; Leavengood, 2011). Innovation is something new that has no precedent. Innovation comes from the verb to innovate; the action to innovate and its outcome; renewal; innovation. Innovation involves making a change, introducing a novelty into a domain, into a system; to renew; to introduce, adopt or promote an innovation (DEX, 1998).

Innovation is the key engine of growth in the market economy. The ability to innovate is crucial not only for the survival of individual companies but also for the sustainability of the whole economy of modern society (Popescu, 2016; Maier, 2015; Kiehne, 2016; Olaru, 2016).

In the literature, the notion of innovation is presented in different ways, with two trends: when innovation is a result of the creative process in the form of new production and technology, performing technologies and methods, etc.; or as a process of implementing the new elements, aspects and principles by replacing the existing ones (Brad, 2006).

Innovation is defined as the implementation of a significantly improved product, service or process, a new marketing method, a new organizational method, new business models, etc. (OECD). It is a process that adds value or comes with solutions to existing problems in a new and original way (Maier, 2018a; Bodemann, 2015).

The wide range of innovation studies has encouraged some authors to provide a comprehensive definition of innovation. For example, Vakola and Rezgui (2000, p. 176) define innovation as "an idea, product or process, system or device that is perceived as new to a person, group of people or firms, or a society as a whole ". In simple terms, innovation can be defined as introducing a new thing (Sulistyo, 2016).

Innovation is a very big challenge for any business, but it is also the force behind the creation of sustainable values. Innovation can be understood as a creative opening to exceptional ideas, as a task of creating new products or improved products, and not ultimately as a business strategy (Maier, 2018b; Costin, 2010; Curtean, 2013). An organization's innovations do not only influence it, but they can shape the whole market - customer needs, the structure of the participants, the channels that bind them, the rules that they act on.

Marketing adds value to the sales interface and innovative performance of the company. Market innovation focuses on developing the mix of a target market, while determining how companies can serve the best target markets. It is also described as a breakthrough in the marketing mix. However, innovation and marketing must go hand in hand. Innovation reveals the buyer's needs beyond the product, while marketing innovation needs to assess customer value perceptions and generate opportunities for unsatisfied customers' needs, on the basis of which companies can offer new innovative products (Suraksha Gupta, 2016).

## **II. Marketing Innovation**

Innovation in marketing refers to significant changes in the way the enterprise's outlets accept changes in design and major changes in product design and packaging, new methods in product promotion and distribution, new branding, new methods of selling, new methods in pricing policies, new presentation methods, opening of new markets, etc. (Sandvik, 2003; Achrol, 2003; Zhao, 2007; Laforet, 2011).

First of all, marketing innovation must provide value to customers. If marketing innovation cannot satisfy customers or provide value to customers, it cannot be considered as a marketing innovation. Then, marketing innovation must be useful to competition and must be effective for the company. Companies should not make marketing innovation just for the aspiration of innovation. Every innovation program must be able to bring profit to the company, now or in the future. It is very important that marketing innovation be sustained. Fierce competition in the market is changing rapidly and compels companies wishing to survive to continue to innovate (Kraft; 1989; Hurley, 1998; Laforet, 2009).

In addition to product, price, promotion and channel, public relations strategy must also be innovated. New public relations must promote marketing innovation programs through cooperation between businesses, the community, government, intermediaries and the media. What is most important in the public relations strategy is launching on the market the marketing plan according to the clients' emotional requirements to stimulate the acquisition. Another important aspect is the organization's innovation. In order to provide the best environment for

marketing innovation, changing organizational structure and human resources will sometimes be necessary and useful.

The positive relationship between marketing innovation and market performance is supported by a vast literature, starting from the idea that marketing innovation is an integral component of company success. SME marketing performance focuses on marketing innovation as a key to competitiveness. SMEs adopt marketing in a competitive environment. Given their size, innovation is the most important factor that can be used by SMEs to address disadvantages. When SMEs continue to develop their current products and services to meet customer needs and focus on market performance, they face market-based innovations. As such, SMEs should introduce marketing strategies for innovation to deliver better results.

Marketing innovation is supposed to (Gupta, 2016):

- innovate in our marketing programs to stay ahead of the market;
- we try to find new ways to build and improve customer relationships;
- sales techniques are always reviewed and new methods are tried to find them;
- we implement innovative marketing programs;
- we are looking for ways to develop new business models;
- product design is constantly renewed according to the needs of our customers and competitive products;
- we are looking for ways to improve our methods and promotional tools.

Marketing Innovation is defined as the plan to incorporate advances in science, technology or engineering to increase marketing efficiency and effectiveness to gain competitive advantage and increase the value of the actions. When we talk about using it to improve business activity, aside from marketing, we are talking about improving strategy, research, communications, operations and data analysis.

When we talk about shareholder value, we are talking about raising customer value, improving their likelihood of word-of-mouth spreading, increasing their commitment, loyalty, and chances that they share ideas for new products and services, along with us. The answer cannot always be just a revenue-boosting way, but one that improves customer experience and can improve margin or performance in better use of working capital (\*\*\*, 2018).

Some of the useful elements that need to be considered when discussing about implementation of the marketing innovation, are:

- ⊕ *Attention should be paid to neglected market.* Competition is fierce on the main market. If we focus on the main market, the company's benefits will be weakened and the cost will be high. Opportunities in neglected markets can bring unexpected results.
- ⊕ *Segmentation of markets.* Appropriate segmentation methods can help to collect and analyze data more reasonably and clearly, and managers can make better-targeted strategies.
- ⊕ *Information.* Market and customer information is important for the strategy-setting process. Lack of information will cause unpredictable problems and waste of resources.
- ⊕ *Relationship with the public.* The relationship with customers, wholesalers, traders and other institutions is very important. A company can survive only when its customers exist; so give value to customers!
- ⊕ *Marketing channels.* Each channel should be exploited.

⊕ *Technology*. Technology is not only important for product and process innovation, it is also very important for marketing innovation.

Risks are different and many of them are unpredictable, some of the risks can be:

⊖ *The cost* is not a new risk in the field of innovation but it is indeed a big problem.

⊖ *Market uncertainty*. Market shifts cannot be avoided, and some of them are hard to anticipate. This makes the implementation of marketing innovation more difficult.

⊖ *Information leakage*. This is a big problem for marketing innovation.

⊖ *Imitations*. We find many imitators to marketing innovation if it is successful and often imitators have lower costs than the initiator. For this reason, continuous innovation is very important.

⊖ *Experience*. A rich experience is a good thing but to have marketing innovation, there must be something that no one has done successfully before.

### **III. Prerequisites for developing a framework for measuring the degree of innovation in marketing**

The development of an innovation measurement framework provides a valuable opportunity for companies to assess their degree of marketing innovation and the discovery of gaps in knowledge.

Starting from the definition of the indicators, we proposed a set of indicators for measuring an organization's innovation degree in marketing, which we prioritized, thus obtaining a final set of indicators. Prioritization has been made on the basis of the main innovation performance requirements that are of general interest to SMEs.

We have proposed the following set of indicators to measure marketing innovation:

*The number of significant changes to the design and packaging of the products*

*Number of new methods of sale*

*Number of new presentation methods*

*Number of studies on market competition*

*Number of new ways to improve image on the market*

*Number of new advertising methods or techniques to promote the product*

*The number of new distribution channels*

*The number of new ways to serve target markets*

*Number of new brands*

*Percentage of advertising budget*

*Number of new markets*

*Number of new customers*

*Number of new contacts*

*Number of new external / internal partners*

*Number of new providers*

*Number of innovations on how to increase market share*

*Percentage of profit growth from marketing innovation*

*Number of collaborations with other businesses for innovation in marketing*

*Number of employees in marketing innovation / total employees*

*Number of questionnaires to get customer feedback*

*Number of new approaches or ad styles*

*Number of new studies / concepts / approaches / on consumer psychology*

*The number of new ways to increase the creativity of marketing specialists*

*Profitability of marketing innovation (earnings / invested capital)*

### *3.1. Methodology of research*

Measuring innovation performance is necessary because it has the ability to determine the extent to which objectives have been achieved, to assess performance and to develop future initiatives to improve performance. The role of a system of organizational performance measurement is to verify the organization's progress in achieving the set goals. Another important role of a performance measurement system is to bring to the attention of individuals the issues that are of particular importance to the success of the organization and the identification of the areas that need to be improved. A performance measurement system allows the development of efficient and effective development strategies because no matter how favorable the results are for the organization is always room for improvement (Brătian, 2010)

This study aims to examine the importance of marketing innovation. The data are collected through the survey method through interviews and questionnaires. The results from the data analysis demonstrate that there is a significant and positive influence of marketing innovation on innovation and performance. In order to study the degree of innovation, we used the multistage random sample method by identifying the group of participants in the questionnaire used for the analysis.

In order to establish the sample, we used primarily the data provided by the Romanian Statistical Yearbook in 2016, in an attempt to establish the total volume of the statistical population in the northwest region. Knowing the volume of total collectivity, we tried to establish the optimal number of statistical units, which must be included in the survey so that the sample is representative. For this purpose, we calculated the sample size based on the formula Taro

Yamane. Considering a probability of 95% and a maximum admissible error of +/- 5%, so for our population of 7,988 companies we obtained a sample of 381 firms. We decided to ask the managers of these companies to get data that are more specific on measuring the degree of innovation within the firm and 104 organizations have responded.

The elaborated questionnaire is structured in two parts, the first part is dedicated to identification data and information about the respondents and the second part contains questions regarding the identification of the degree of innovation within the firm. Organizations with headquarters in Romania were selected as participants in the study. There were companies both in the production and in service sectors with more than 50 employees.

The questions asked for the interview were:

1. *How important to your business is the innovation process?*
2. *Please appreciate the importance of the following types of innovations for your business (Marketing Innovation, Product Innovation, Process Innovation, Innovation in Network Development, Innovation in Human Resources, Administrative Innovation, Strategic Innovation and Policy Innovation)*
3. *Please appreciate the importance of each indicator of marketing innovation*

### 3.2. Results analysis

Below we will present the results for each proposed indicator that reflects the practices of the firms surveyed.

A 58% of the 104 firms interviewed considered the innovation process (Table 1) to be a very important one, and 17% of those interviewed considered the innovation process to be of no importance to their organization.

Table 1. The Importance for the Firm of the Innovation Process

| Appreciation        | Very important | Important | Average importance | Unimportant |
|---------------------|----------------|-----------|--------------------|-------------|
| Percentage of firms | 58 %           | 17 %      | 8 %                | 17 %        |

All of the 104 companies appreciate (Table 2) the product innovation as the most important (92%) followed by marketing innovation (75%) and the development of human resources for innovation (75%), process innovation (67%) and innovation in network development (67%); strategic innovation (50%) and innovation of the vision and policy (50%) and the lowest percentage giving it administrative innovation (42%).

Table 2. Importance of the types of innovation for the firm

| Type of innovation                | Appreciation | Important | Average importance | Unimportant |
|-----------------------------------|--------------|-----------|--------------------|-------------|
| Marketing Innovation              |              | 75 %      | 25 %               | 0 %         |
| Product innovation                |              | 92 %      | 0 %                | 8 %         |
| Process innovation                |              | 67 %      | 25 %               | 8 %         |
| Innovation in network development |              | 67 %      | 33 %               | 0 %         |
| Innovation in human resources     |              | 75 %      | 25 %               | 0 %         |
| Administrative innovation         |              | 42 %      | 50 %               | 8 %         |
| Strategic innovation              |              | 50 %      | 50 %               | 0 %         |
| Innovation of vision and policy   |              | 50 %      | 42 %               | 8 %         |

Through a regular control of its activities, companies are able to support innovation and thus remain competitive on the market. The 104 firms interviewed appreciated the importance of indicators for marketing innovation (Table 3).

Table 3. Business Importance for Marketing Innovation Indicators

| Indicators  | Appreciation | Important | Average importance | Unimportant |
|---|--------------|-----------|--------------------|-------------|
| <i>Marketing Innovation</i>   |              |           |                    |             |
| The number of significant changes to the design and packaging of the products |              | 25 %      | 67 %               | 8 %         |
| Number of new methods of sale   |              | 50 %      | 42 %               | 8 %         |
| Number of new presentation methods  |              | 67 %      | 25 %               | 8 %         |
| Number of studies on market competition                                       |              | 33 %      | 58 %               | 8 %         |
| Number of new ways to improve image on the market                             |              | 58 %      | 25 %               | 17 %        |
| Number of new advertising methods or techniques to promote the product        |              | 92 %      | 8 %                | 0 %         |
| The number of new distribution channels                                       |              | 67 %      | 25 %               | 8 %         |
| The number of new ways to serve target markets                                |              | 50 %      | 50 %               | 0 %         |



|  |      |      |      |
|--|------|------|------|
| Number of new brands   | 8 %  | 67 % | 25 % |
| Percentage of advertising budget   | 25 % | 75 % | 0 %  |
| Number of new markets  | 73 % | 27 % | 0 %  |
| Number of new customers  | 92 % | 8 %  | 0 %  |
| Number of new contacts   | 83 % | 17 % | 0 %  |
| Number of new external / internal partners                                 | 73 % | 27 % | 0 %  |
| Number of new providers  | 46 % | 27 % | 27 % |
| Number of innovations on how to increase market share                      | 42 % | 50 % | 8 %  |
| Percentage of profit growth from marketing innovation                      | 92 % | 8 %  | 0 %  |
| Number of collaborations with other businesses for innovation in marketing | 17 % | 58 % | 25 % |
| Number of employees in marketing innovation / total employees              | 17 % | 66 % | 17 % |
| Number of questionnaires to get customer feedback                          | 27 % | 50 % | 23 % |
| Number of new approaches or ad styles                                      | 34 % | 58 % | 8 %  |
| Number of new studies / concepts / approaches / on consumer psychology     | 28 % | 36 % | 36 % |
| The number of new ways to increase the creativity of marketing specialists | 17 % | 42 % | 42 % |
| Profitability of marketing innovation (earnings / invested capital)        | 50 % | 50 % | 0 %  |
| Analysis of a possible failure / failure / error rate                      | 50 % | 42 % | 8 %  |

The number of new advertising methods or techniques for promoting the product (92%), the number of new clients (92%), the number of new distribution channels (67%), the number of new presentation methods (67%) sales methods (50%) and customer feedback (27%) allow companies to know their position on the market and increase profits from marketing innovation (92%). As a rule, innovative ideas are loaded with a high risk and thus much easier to fail. An important aspect is the analysis of the cause of failure (50%). However, failure here has to be seen constructively because it can be learned from failure and it is certain that the same mistake will not happen again a second time.



#### 4. Conclusion

Given the specific traits of the current economic, social and technological context, we believe that marketing innovation is the current concept of business orientation, beneficial to the organization, individual or organizational consumers and society as a whole.

Interviewees have argued that such information allows companies to improve their offerings by rethinking and redesigning their products to better fit changing market demands. Doing things differently can mean differentiating similar businesses from your industry by adopting unusual routines.

By identifying the main areas and risks that the marketing innovation can have on an organization we were able to develop a set of measuring indicators that can help any organization to evaluate and to improve their overall performance by maximizing the effects of the marketing innovation.

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