

2010

## Marketing Innovation: The Unheralded Innovation Vehicle to Sustained Competitive Advantage

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### Scholarly Commons Citation

Tinoco, J. K. (2010). Marketing Innovation: The Unheralded Innovation Vehicle to Sustained Competitive Advantage. *International Journal of Sustainable Strategic Management*, 2(2). Retrieved from <https://commons.erau.edu/db-management/5>

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**Marketing innovation:  
the unheralded innovation vehicle to sustained competitive advantage**

**Abstract:** Apathy by both industry and academia continues to linger with respect to the role marketing innovation plays in corporate success, made visible by the overwhelming concentration of organizational and scholarly research on product innovation. This study introduces marketing innovation as another innovation vehicle that can lead to sustained competitive advantage, particularly when synergistically combined with product innovation. In this paper the dynamics of marketing innovation throughout the industry life cycle are examined, along with the implications of marketing innovation for firm sustained competitive advantage and performance. It is proposed that the positive synergy created by marketing innovation and product innovation leads to greater competitive advantage and, subsequently, firm success than either innovation alone. Lastly, the study draws innovation for sustainability into the multidimensional mix as a new key ingredient for sustained competitive advantage in today's environment.

**Keywords:** innovations, marketing innovation, sustainability, competitive advantage, dynamics of innovation, strategy, synergy, industry life cycle

## 1 Introduction

For many years, researchers have espoused the positive economic role that innovation has on firm performance. Product innovations reap competitive advantage benefits through differentiation while production process innovations increase efficiency of manufacturing operations and decrease associated production costs. While each exerts a positive influence on firm performance, the *synergistic* effect of the two provides the greatest competitive advantage (Kotabe and Murray 1990).

The overwhelming majority of research in innovation has been with respect to product innovation, followed by production process innovation. While some research imparts insight into other areas of innovation, particularly organizational or administrative innovation (cf. Damanpour 1996), there continues to be a paucity of research that scrutinizes innovation outside the conventional context of product or process, yet many recognize the existence of these non-conventional innovations as being crucial to sustainable competitive advantage and should be a critical element of any firm's innovation strategy.

In 1960, Theodore Levitt wrote a ground-breaking conceptual article on *marketing innovation*, expounding the necessity and presence of this type of innovation for increasing firm performance. Regardless of the apparent positive influence of marketing innovation, he observed that firms traditionally focus on product innovations and production process innovations. He stated, "But while management is enthusiastically aware of the profit possibilities of creating entirely new and novel product and production processes, it acts strangely unaware of the profit possibilities of creating new customer value satisfactions through entirely new and novel marketing schemes" (Levitt 1960, p.2). He discerned that organizations either completely ignore marketing innovations, develop such innovations on a "hit-or-miss basis," or they materialize by accident, frequently as cross-overs from other industries.

Similar can be said of academia where the research focus, for more than a half of century, was on product innovation, its antecedents and consequences, followed by production process innovations. More recently, researchers are finding this approach incomplete and superficial, arguing that innovation success lies in the marketplace (Lin and Chen, 2007), suggesting that firms must extend beyond the reach of product innovations. For academia, a multidimensional approach must be taken when studying innovation and its implications for firm performance and sustained competitive advantage. This conceptual study attempts to fill the gap by introducing marketing innovation as another dimension of innovation that warrants extensive analysis. Specifically, this research promotes a dialogue on the implications of marketing innovation on sustained competitive advantage by addressing the following key questions: 1) What is marketing innovation and at what frequencies should it occur for each stage of the industry life cycle? 2) What are the consequences of marketing innovation on firm performance and sustained competitive advantage? Lastly, as sustainability efforts have entered the strategic business arena, the author discusses the implications of innovation in sustainability on firm performance and sustained competitive advantage.

With this backdrop, the study proceeds as follows: First, a practical definition of marketing innovation is developed. Next, the dynamics of marketing innovation is analyzed across the “product life cycle” at the industry level, examining the change in frequency of marketing innovation over the industry life cycle and comparing it to the frequencies of product innovation and production process innovation as proposed by Utterback and Abernathy (1975) and, again, by Utterback (1994). The second part of this study examines the firm performance consequences of marketing innovation alone, followed by a proposed positive interaction of marketing innovation and product innovation. This is followed by a

discussion on innovation in sustainability and implications for firm performance. The study ends with managerial implications and future research avenues.

## **2 Background**

Product innovations often require the employment of novel marketing methods as the old methods are no longer applicable to the particular product innovation in question. The successful launching of new products may be dampened by the use of old marketing tools and techniques. Additionally, increasing the level of marketing innovation along the value chain can lower the distribution costs and increase customer-perceived value in new products and services (Magrath and Higgins, 1992). Furthermore, marketing innovations can de-mature an aging industry.

With the past focus on product and production process innovations, citations of the phrase “marketing innovation” in key academic research areas are sparse and sporadic. When it is cited, it is often vague or inappropriately merged with product or process (production or administrative) innovation (cf, Arrighetti and Vivarelli, 1999; Johannessen, Olsen, and Lumpkin, 2001; Levitt, 1960, 1962). However, examples of marketing innovations are present throughout the business world as part of an organization’s marketing activities in creating, communicating, and delivering value and in managing customer relationships. Examples of these marketing activities and the resultant marketing innovations are shown in Table 1.

[Insert Table 1]

The marketing innovation definition developed in this study is a result of an extensive literature review on innovation and on marketing. The literature on innovation exposes a varied set of definitions, but clarity can be found if one focuses on the unambiguous commonalities and relevancies that surface from the different definitions. All innovation definitions embrace the concept of generation and implementation of something that is *new*.

For example, both Thompson (1965, p.2) and Pierce and Delbecq (1977, p.28) state that innovation is the “generation, acceptance, and implementation of new ideas, processes, products, and services.” Similarly, Damanpour and Gopalakrishnan (2001) and Damanpour (1996) refer to innovations as the generation, development, and implementation of new ideas, pertaining to a product, service, device, etc.. This commonality of newness, as well as the generation and implementation of new ideas, are evident regardless of whether the innovation being defined is all-encompassing or is restricted to product, production process, administrative, or organizational. Moreover, the concept of *new*, when measured as a degree of newness, establishes a continuum that includes both radical and incremental innovations.

Similar to the innovation literature, the marketing literature is diverse on what encompasses marketing (cf, Bartels, 1974; Hunt, 1976; Stidsen and Schutte, 1972). Again, a focus on commonality and relevancy for today’s marketing was in order. During the course of analysis, it became quite apparent that there is a shared understanding of what marketing is and is not. For instance, the practitioner and academic communities agree that marketing creates customer value (Levitt, 1962). It is sophisticated and multifaceted, and has spread beyond the notion of selling (Levitt, 1986). Additionally, there is agreement that the scope of marketing is broad, spanning such varied areas as consumer behavior, pricing, packaging, communication, distribution, marketing research, and marketing management (e.g., Bartels, 1974; Hunt, 1976) and clearly extends beyond the four P’s so well-known to marketers world-wide. In defining marketing innovation, ensuring that the marketing innovation examples, shown in Table 1, fell within the definition was crucial for practicality.

Drawing from the literatures outlined above and the marketing innovation examples, this study defines marketing innovation as the generation and implementation of new ideas for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization. By defining marketing innovation in this

manner, it has practical value and steps away from pure philosophical approaches by offering the innovation activities of new idea generation and implementation with the marketing activities of creating, communicating, delivering value and managing relationships. Historical marketing activities, such as selling, pricing, promotion and advertising, and distribution are included, along with marketing research and customer relationship management. The marketing innovation examples of Table 1 clearly fall under this definition.

With a definition established, the attention of the study turns toward the impact of marketing innovation in the industry life cycle and its implications for firm consequences.

### **3 The Dynamics of Marketing Innovation**

Researchers have employed various theories, including, but not limited to, population ecology, evolutionary economics, and strategy, to study industry life cycle. These studies are based on similar, complementary and/or competing assumptions and a range of variables resulting in life cycles stages of slightly varying numbers. For example, employing evolutionary economics, Gort and Klepper (1982) identified five stages in industry evolution based on firm entry and competition. Population ecologists identified three stages of evolution, embryonic, growth, and decline, based on population dynamics and the selection environment (Hannan and Freeman, 1977; Lambkin and Day, 1989). Based on technology management and strategy, Utterback and Abernathy (1975) and, later Utterback (1994), created the Dynamics of Innovation model, shown in Figure 1, for assembled goods. This model was developed with respect to a 'product cycle model,' but at the industry level and is based on a single cycle of radical innovation and the resulting innovation changes over three stages (Damanpour and Gopalakrishnan, 2001). It specified three stages of evolution (fluid, transitional, and specific), but characterized each stage by type of innovation (product versus production process and radical versus incremental) and rate of innovation.

[Insert Figure 1 here]

The number of stages in the life cycle and detailed characteristics of each stage vary slightly between perspectives. However, what shines through all perspectives with amazing clarity is the agreement that environment (e.g., competition, technology turbulence, market uncertainty), innovation type (product and production process), and frequency or rate of product innovation and production process innovation transform as the product or industry ages.

Using the Dynamics of Innovation model for assembled goods (Utterback, 1994; Utterback and Abernathy, 1975) as a baseline, the proposed model in Figure 2 incorporates the proposed level of marketing innovation throughout each of the three stages. Each stage is described below by integrating the key themes of the three aforementioned research streams, that is, evolutionary economics, population ecology, and strategy. It is proposed that frequency of marketing innovation should alter over the industry life cycle in bi-modal pattern for sustained competitive advantage.

[Insert Figure 2 here]

### *3.1 Fluid (Introductory) Phase*

The fluid stage begins with the introduction of a radical innovation by an organization(s) (e.g., Gort and Klepper 1982; Lambkin and Day 1989; Utterback and Abernathy 1975) and is a time of great instability with product design (Utterback 1994). Competitive intensity grows rapidly (e.g., Achilladelis, Schwarzkopf, and Cines, 1990; Gort and Klepper, 1982; Utterback and Abernathy, 1975). Competitors compete on product functionality (cf, Christensen 1997; Utterback 1994) with their eyes on attaining the dominant design. As a result, radical product innovations are numerous and product design changes are frequent, resulting in a high degree of technological uncertainty and market uncertainty (e.g., Achilladelis, Schwarzkopf, Cines

1990; Lambkin and Day 1989; Tushman and Anderson 1986; Utterback and Abernathy 1975).

Because of the rapidly changing product designs, production process innovations are at minimum; manufacturing relies on general equipment and skilled labor (Utterback, 1994). In summary, the fluid phase is characterized by high technological uncertainty; rapidly building competitive intensity; high market uncertainty; and a high frequency of radical product innovations and a low frequency of production process innovations.

The dynamic uncertain environment of the first phase increases the firm's need to search for new innovations in order to improve their chances of survival (Hannan and Freeman, 1989). Hostile environments increase the need for multifaceted competition (Miller and Friesen, 1983), beyond product innovation alone. The quest for attaining competitive advantage and profitability requires supplementary differentiation from competitors and increasing consumer awareness and trial of the product. Uncertainty also increases the search for novel solutions to marketing problems (Day, 1981; Miller and Friesen, 1983). Under these conditions, marketing should be more adventurous, proactive, innovative, and value-creating (Morris, Schindehutte, and LaForge, 2002), therefore the level of marketing innovations should increase to improve the probability of radical innovation success. Marketing innovations grab the attention of the innovative consumer, increasing the probability of market share capture and growth for the firm and aiding in the advancement toward the dominant designer position and competitive advantage. Firms can reduce uncertainty risks with judicious use of marketing and marketing resources (Sorescu, Chandy, and Prabhu, 2003).

Radical innovations trigger discontinuities in marketing which can result in new marketing activities, in addition to new industries, new customers, and new firms (Garcia and Calantone, 2002; Porter, 1990). Anecdotal evidence indicates that smart competitors

combine novel marketing schemes with radical product innovation. For example, during the early years of the calculator industry, the main competitors included Hewlett-Packard, National Semiconductor, Casio, and Texas Instruments, among others. Although each manufacturer jostled with calculator product innovations to establish the dominant design and gain market share, Texas Instruments became the standout manufacturer following implementation of an innovative pricing technique, learning curve pricing (Scherer, 1992). Relatively common today, learning curve pricing entails setting prices below cost early in the product life cycle to capture market share and exciting demand, then advancing toward lowest cost production with high product quality as the item ages (Scherer, 1992). Marketing innovation enabled Texas Instruments to capture competitive advantage based on a unique pricing strategy, moving beyond product differentiation alone.

With the turbulent and competitive environment of the first phase set by the introduction of radical product innovation, simultaneous innovation in marketing is required to improve chances of product success. Thus, while product innovation is still the focus, it is proposed that firms also must engage in marketing innovation, but less frequently than that of product innovation and significantly more than that of production process innovation. This is as shown in Figure 2. As such,

*P1: The frequency of marketing innovation will be higher than production process innovations, but lower than product innovation in the fluid phase of the life cycle.*

### *3.2 Transitional (Growth) Phase*

During the early part of the growth stage, technological turbulence remains high but begins a descent (Biggadike, 1981; Gort and Klepper, 1982; Tushman and Anderson, 1986; Utterback, 1994; Utterback and Abernathy, 1975). The number of radical innovations declines and the emergence of a dominant design appears (Utterback, 1994; Utterback and Abernathy, 1975). Radical product innovations give way to incremental product innovations, but production process innovations increase significantly (Brown and Karagozoglu, 1989; Utterback, 1994;

Utterback and Abernathy, 1975). Competitive intensity begins its descent once the dominant design is established (Gort and Klepper 1982; Utterback and Abernathy 1975; Utterback 1994). Competitive focus shifts to greater skills in production process innovation and process integration (Utterback, 1994).

During this phase, product innovations and production process innovations become increasingly intertwined, such that changes to the product design quickly impact the assembly line. Production process innovations lead to more efficient production operations, decreases in product cost and time-to-market, and increases in product quality (Utterback 1994). Market uncertainty begins to decline as customers turn their attention from product functionality to product reliability and convenience (Christensen, 1997).

Just as uncertainty encourages innovation, certainty decreases innovation. Once the firm's attention turns to efficiency in the production process, the frequency of marketing innovations should decrease although some innovation in marketing may continue due to the discontinuities caused by incremental innovations (Garcia and Calantone, 2002). More often than not, however, conventional marketing techniques will be employed with incremental innovations (Morris, Schindehutte, and LaForge, 2002). Levitt (1986, p. 177) agrees and states that during this stage, "Instead of seeking ways of getting consumers to *try the product*, the originator now faces the more compelling problem of getting them to *prefer his brand*. This generally requires important changes in marketing strategies and methods. But the policies and tactics now adopted...will [not] be as experimental as they might have been during Stage 1."

This is not to state that marketing's role has diminished in this stage of the industry life cycle or that no marketing innovations occurs, but to propose that the frequency of marketing innovations declines after the dominant design is set due to the reduced uncertainty in the environment, the firm's focus on production process innovations and incremental innovations

and the natural inclination toward conventional marketing methods. Manufacturers are focusing on a sales-maximizing strategy and concentrating on improvements in product quality, product reliability, and production efficiency. Therefore, as shown in Figure 2, marketing innovations will occur with less frequency than either production process innovations or incremental innovations to the point of being the lesser of the three. As such,

*P2: The frequency of marketing innovation will be lower than both product and production process innovations during the transitional phase of the life cycle.*

### 3.3 *Specific (Maturity) Phase*

During the last phase of the life cycle, products are undifferentiated and standardized with minimal incremental innovations in product, productivity, and quality (Utterback, 1994; Utterback and Abernathy, 1975). The environment is stable with respect to market uncertainty, technological uncertainty, and competitive intensity (Achilladelis, Schwarzkopf, Cines 1990; Biggadike 1981; Mueller and Tilton 1969; Utterback and Abernathy 1975; Utterback 1994). According to past research, competition in the industry is down to the few remaining survivors, typically competing on price (Achilladelis, Schwarzkopf, Cines 1990; Christensen 1997; Gort and Klepper 1982; Utterback and Abernathy 1975; Wasson 1974). Innovations are incremental on standardized designs and at a minimum for both product and production process.

During this phase, opportunities within the industry may decrease; hence the need for more creative marketing is required (Stevenson, Roberts, and Grousbeck, 1989). Additionally, anecdotal evidence indicates there will be marketing innovation resurgence in this phase despite the stable environment. Firms are searching for competitive advantage via methods other than by product or price. This resurgence may come from a variety of sources, not just from the mature companies remaining towards the end of the industry life. For example, significant marketing innovations in the mature consumer gasoline retail industry originated from small new oil companies that were not preoccupied with production

efficiencies and the like (Levitt, 1962). Marketing innovations included multi-pump gasoline stations and innovative layouts (Levitt, 1962), prominent today but novel at one time. Other marketing innovations in mature industries include vending machines, shopping centers and malls, outlet malls, and self-service (Levitt, 1962).

Levitt (1962) provides a convincing example of marketing innovation in the industrial products industry, specifically chemical manufacturing and fertilizer. Fertilizer companies purchase raw materials in bulk from large chemical manufacturers. Since these raw materials are undifferentiated in product and price, chemical manufacturers must find alternate methods of distinction from their competitors in order to gain competitive advantage. One savvy chemical manufacturer established a management consulting group for small fertilizer companies, providing greatly needed, free services on training, sales, promotion, etc. The end result was that the small fertilizer companies became loyal customers, enjoying the benefits of this free service while purchasing their needed raw materials. The chemical manufacturer's sales performance increased dramatically over their competitors.

Similar cases stem from the consumer-packaged goods industry. Andrews and Smith (1996) cite several examples of marketing innovation in consumer non-durables, such as the Jell-O Jigglers promotion (a "finger food" prepared with regular Jell-O), Oscar Meyer's resealable wiener packaging, and Hungry Jack pancake syrup in microwaveable containers with heat-sensitive labels. Lastly, prominent retailers and service businesses such as The Gap, The Limited, The Body Shop, Home Depot, and American Express innovate with unique combinations of operating elements, such as new methods of merchandising or innovative presentations of fashions (Magrath and Higgins, 1992).

Aging industries and their firm counterparts can reactivate flattening sales or demature an industry with marketing innovation. Tilles (1966) suggests that aging industries look to innovation in marketing, distribution, or credit rather than product or process. More recent

studies suggest that mature industries can demature by implementing new techniques such as those required with mass customization (Utterback, 1994).

In summary, during the specific phase of the industry life cycle, product and production process innovations are at a minimum. However, evidence indicates that marketing innovations should increase, and perhaps reaches a maximum for the entire life cycle before decreasing. This is as shown in Figure 2. Therefore, the following is proposed for the specific phase of the life cycle:

*P3: The frequency of marketing innovation will be greater than product innovations and production process innovations in the specific phase of the life cycle.*

#### **4 Consequences of Marketing Innovation**

The overwhelming majority of innovation research indicates that innovation is good for a firm (e.g., Han, Kim, and Srivastava, 1998; Nelson and Winter, 1982). It increases firm performance in many ways, financial and otherwise, although the cost of developing, producing, and marketing the new product may cause a drop in short-term financial performance (cf, Gatignon and Xuereb, 1997). Innovation also increases survivability while failure to innovate increases mortality (cf, Jovanovic and MacDonald, 1994).

While marketing innovations are noted in a small number of research articles (e.g., Arrighetti and Vivarelli, 1999; Damanpour and Gopalakrishnan, 2001; Robert, 1993; Robinson and Pearce, 1988; Sanchez, 1999), empirical investigations of marketing innovation on firm performance are severely lacking. The mere mention of marketing innovation's influence on performance is sporadic, yet real-world evidence of the relationship is available. Throughout his book, Levitt (1962) identifies marketing innovations that propelled organizations to increased profits and success. We take these innovations for granted today, but, at one time, they were extremely innovative. Examples include vending machines, strip malls, supermarkets, etc.

Marketing innovations are just as relevant today. In 1999, Harrah's Entertainment Inc reported a 50% revenue growth and a 100% growth in stock price, largely due to their innovative marketing research and loyalty programs (Lal and Martone, 2002). According to executives, their greatest marketing innovation was development of quantitative models to accurately forecast "customer worth." It enabled construction and nurturing of meaningful customer relationships established on "future worth," rather than past behavior (Lal and Martone, 2002).

In the examples above, the products themselves were not necessarily innovative (candy in vending machines or gambling, for instance), but the marketing innovations significantly and positively impacted firm performance. In effect, marketing innovations can alter consumer habits. The greater the ability of the innovation to alter consumer habits, the greater is the success of the firm (Levitt, 1962). Because of this, the following proposition is offered.

*P4: There is a positive association between marketing innovation and firm performance.*

Both product innovation and production process innovation have exhibited positive correlations with firm performance (e.g., Aldrich, 1999; Gatignon and Xuereb, 1997; Han, Kim and Srivastava, 1998; Kamien and Schwartz, 1975; Kotabe, 1990), as well as the synergistic effect of the two (Jones and Tang, 1997; Kotabe and Murray, 1990). Similarly, the synergism between technical innovations (defined as pertaining to products, services, and production process technology) and administrative process innovations (defined as directly relating to basic work activities and involve organizational structure) results in higher performance (Han, Kim and Srivastava, 1998) than either alone.

Failure of new products is often connected to lack of creative marketing (Wind and Mahajan, 1997). The more radical the innovation, the more likely marketing innovations are required for winning product introduction into the marketplace and subsequent market growth. An extension of these aforementioned findings logically leads to the implications of

a positive interaction between marketing innovation and product innovation, particularly that of radical product innovation in the fluid phase of the life cycle. Often product innovation does not singularly propel a firm to profitability and competitive advantage. It is the interaction of product innovation and marketing innovation that markedly increases advantage and subsequent improved firm performance.

Another simple, but poignant, example stems from the agricultural industry. Hybrid corn was developed in the late 1800s, an incredible product innovation at that time. Due to reluctance of risk-averse farmers to try a new corn seed, hybrid corn sales representatives employed a unique promotional strategy to gain market share. Key farmers were persuaded to sample the new seed and plant some next to the traditional seed. Once the corn grew, the physical difference was obvious (Lynn and Akgun, 1998). In this instance, it was not the product innovation alone that enabled success, but the innovative promotion technique with the product innovation that brought success. Both the corn seed industry and the farmers profited.

Thus, it is proffered that there is a positive interaction between marketing innovation and product innovation, such that the combined synergism leads to greater firm performance than either alone:

*P5: The interaction of marketing innovation and product innovation will result in higher firm performance than either marketing innovation or product innovation alone.*

## **5 Innovation for Sustainability**

As the world turns its attention to sustainability, Parnell (2008) reminds us that sustainability in strategy now extends beyond enduring marketplace performance and has entered the realm of environmental sustainability. A unique extension of this research, then, is to look at organizational strategy in innovation that includes product, process, marketing and sustainability. Past research has linked corporate responsibility to positive firm financial performance outcomes (Margolis and Walsh, 2001; Orlitzky, Schmidt, and Rynes, 2003).

Logically, corporations can boost and theoretically sustain top performance by marketing their products innovations and their innovative sustainability efforts to attain greater market success.

FedEx appears to be a prime example of a large US corporation that has made strides into environmental innovations that impact their corporate performance. Lester (2008) highlights the company's strategic efforts in services innovation, process innovations centered on the creative use of information technology, as well as the innovative efforts in environmental sustainability that includes a patented noise reduction kit for its aircraft. Tinoco (2009) also analyzes the broad, multidimensional approach to FedEx's innovation platform, finding prima facie evidence that innovation, particularly in services and marketing, leads to their continued success. Certainly, aircraft and airlines stand a greater chance of winning over customers with innovative services and products, combined with environmental innovations, whose value is communicated to customers through marketing innovations. All firms, particularly those that severely impact the environment through manufacturing must acknowledge the need for and implement a multidimensional innovation strategy, including innovation for sustainability, in order to capture and sustain competitive advantage.

Research in transformative innovation suggests that organizations are currently focused on corporate social responsibility with company leaders encouraging a gradual shift to sustainability (Bright, Fry, and Cooperrider, 2006). This would indicate that innovation for sustainability is still at its infancy, but the future is foreseeable. Customers are beginning to find value in products produced with environmental sustainability in mind. For example, recently Wal-Mart received significant unwanted attention based on the negative environmental impacts from raw material creation and garment production. As such, the company has addressed the toxic production processes used to create cotton garments sold in its stores, identifying sustainability initiatives in raw material cotton farming to final garment

assembly. Transformative innovations in production process were necessary for organically produced cotton to occur (Bright, Fry, and Cooperrider, 2006). Certainly, Wal-Mart realizes that future profitability and firm performance hinges on innovations in sustainability being designed and implemented now, requiring a change in strategy, organizational values and business models.

Extending the notion of innovation for sustainability on firm performance, it is anticipated, that similar to marketing innovations, positive synergy can be gained through the interaction of this element with other forms of innovation, leading to greater firm performance than one type alone. The implications can be startling for the firm as well as for society and the world at large. While no propositions are offered at this time, examining innovation for sustainability adds to the academic argument that a multidimensional approach to studying innovation is necessary to fully understand the strategic implications for firms today.

## **6 Managerial Implications and Future Research**

The primary objectives of this conceptual paper were to define marketing innovation and analyze the changing frequencies of this innovation through an industry life cycle.

Additionally, the implications of marketing innovation on firm performance and sustained competitive advantage were also analyzed and discussed. With the relatively recent attention in sustainability, the author also opened a discourse on innovation in sustainability and firm performance consequences as the new path to firm profitability.

Many US firms fail to recognize the benefits of non-conventional innovations, yet these innovations should be a significant part of a firm's innovation strategy. This lack of recognition may be especially pronounced in turbulent industries where there is an affinity to depend on the familiar (Barras, 1990). Competition in high technology industries is requiring innovative thinking, challenging firms comfortable with routine. Profits are being reduced as orders are lost to more innovative overseas competitors (cf. Kotabe and Murray 1990). These

“overseas” innovations go beyond product and production process innovations. Unusual licensing agreements, inventive customer financing, negotiation of atypical contracts, and new interorganizational approaches are employed to capture new business and to retain a competitive edge (Powell, 1990).

Decades ago, firm executives expressed a frustration that marketing managers lacked innovative thinking and decision making in new product development, promotional methods, distribution, and general marketing approaches (Webster, 1981). More recently, Andrews and Smith (1996) highlight the lack of creativity in marketing, noting marketing programs continue to be unimaginative. These criticisms have been directed at both the firm and the marketing department. Firms do not recognize the profit potential of marketing innovation and its contribution to sustained firm performance. Because of this, necessary resources are not assigned to the development of these marketing innovations nor is a culture developed that prizes the positive impacts that these types of innovations can bring to the organization. Management must be open to marketing innovations or else their profits and advantage from product innovation will either never see their full potential or will wither. Marketing innovation should be developed in parallel and integrated into product innovation introductions in order to capture competitive advantage, initial and sustained.

Several years ago a survey by Booz Allen Hamilton and the Association of National Advertisers (ANA) indicated that 75% of respondents (marketers and non-marketers) concur that marketing is significantly more important to corporate success than it was just five years ago (Rubel and Guterl, 2004). With this in mind, it must be emphasized that marketing innovations are extremely critical to firms early in the industry cycle, as well as in mature industries. As product life cycles shorten, especially in high technology industries, firms are finding that internal R&D development costs are rising while market revenues are decreasing (Chesbrough, 2007). For these firms, open innovation has become particularly relevant as

organizations search for external knowledge sources for new innovation ideas. Lead users are known to bring novel ideas to the firm's R&D based on their own unresolved product needs. However, marketing research techniques are often geared to extracting information from current customers. These customers typically cannot envision future product needs ahead of the marketing majority. As such, innovation in marketing research is crucial for firms early in the new product development process to capture new ideas for product innovations ahead of demand and ahead of competitors.

A significant contribution of this conceptual study is the proposition that frequency of marketing innovation should change in a bi-modal pattern across the industry life cycle, and perhaps, across the product life cycle. For organizations, marketing innovations should accompany radical product innovations in order to capture the dominant design and market share. The synergistic effort of the two should garner higher competitive advantage and firm performance benefits. Ideally, they should also be present for standardized products as a part of brand management in order to win higher sales, perhaps extending the product life.

Testing the propositions developed in this conceptual study is the next research step. Gaining knowledge into which variables have the greatest impacts on marketing innovation will aid in decision-making at multiple levels of the organization, in marketing strategy development, in resource allocations, and the like. Furthermore, what *type* of marketing innovation (such as packaging, selling techniques, negotiation strategies, promotional strategies) that has the greatest positive effect on firm performance and at what point in the industry life cycle will also help in decision-making, resource direction, and the channeling of activities into the most prudent and beneficial for the firm to meet its objectives.

Full examination of innovation for sustainability and the firm performance impacts will bring much needed dialogue on sustainable strategic management through innovation. As innovation for sustainability is a relatively new research area, it is impossible to predict how

the frequencies of innovation for sustainability will alter during an industry life cycle, but propositions can begin to be developed. Can this type of innovation rejuvenate a mature or declining industry, as marketing innovations can? Will innovation for sustainability ramp up at the same time as production process innovations due to its tie to the environment? All these questions are paths for new research as the world increasingly becomes involved in a healthy environment.

### **Conclusion**

This study introduced marketing innovation as another innovation vehicle critical for corporate success. With empirical research, the author hopes to provide the academic world, as well as marketing managers and practitioners, relevant and practical guidance in increasing initial competitive advantage, in sustaining competitive advantage, and improving overall firm performance based on prudent development of marketing innovation. Sustainability is gradually coming to the forefront of new innovation directions and will increasingly be a significant part of company strategy in the future.

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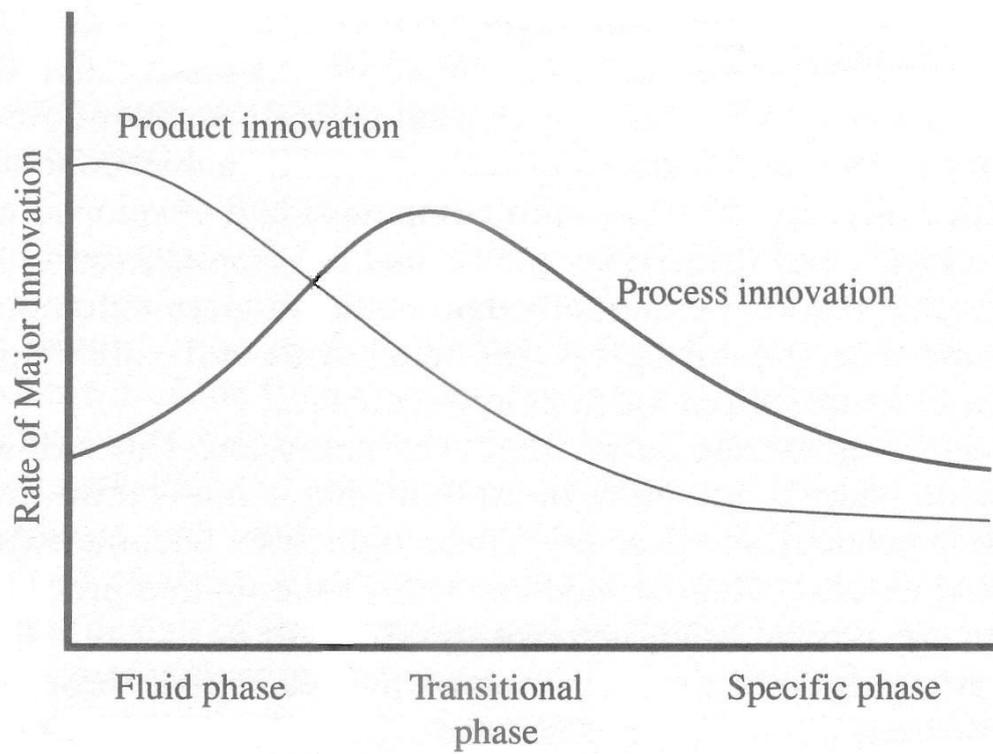
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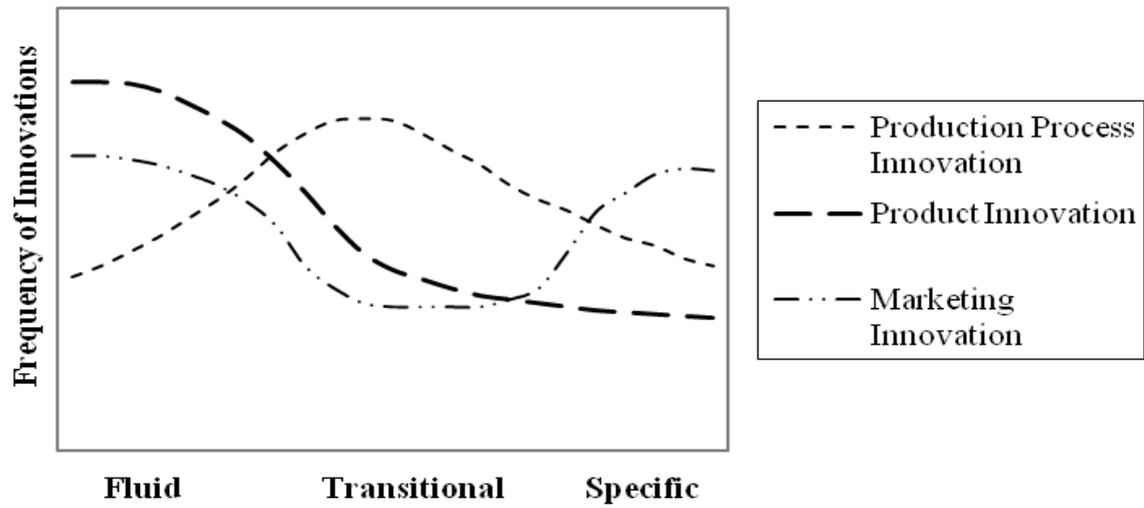
**Table 1 Examples of Marketing Innovation**

Marketing Activity	Marketing Innovation Examples
<p>Creating Value</p> <ul style="list-style-type: none"> <li>• Marketing research</li> <li>• Product</li> <li>• Post-purchase warranties, service, etc.</li> <li>• Pricing (strategies, discounts, allowances, payment periods, credit terms)</li> </ul>	<ul style="list-style-type: none"> <li>• New research methods and tools (virtual reality test marketing, new quantitative models for assessing customer future worth, database marketing, data mining, on-line marketing research)</li> <li>• Mail order, customized products</li> <li>• Post-purchase activities of 24/7 multi-lingual hotlines, help lines</li> <li>• Alternative pricing (Priceline.com), product bundles/pricing</li> </ul>
<p>Communicating Value</p> <ul style="list-style-type: none"> <li>• Advertising</li> <li>• Promotion</li> <li>• Personal selling</li> <li>• Public relations</li> </ul>	<ul style="list-style-type: none"> <li>• New direct mail approaches of personalized catalogs; videos and CDs with free trials</li> <li>• Infomercials</li> <li>• “Advertising” in films and video games</li> </ul>
<p>Delivering Value</p>	<ul style="list-style-type: none"> <li>• Multi-pump gas stations; Self service gas stations</li> <li>• Factory Outlets; Warehouse clubs, Hypermarkets; Strip Malls; Chain Stores</li> <li>• Vending machines; Kiosk marketing</li> <li>• Home Shopping Networks</li> </ul>
<p>Managing Customer Relationships</p>	<ul style="list-style-type: none"> <li>• Loyalty programs</li> <li>• Rewards programs</li> </ul>

**Figure 1 Dynamics of Innovation for Assembled Goods (Utterback 1994)**



**Figure 2 Dynamics of Marketing Innovation**



Note: Based on the Dynamics of Innovation model for manufactured assembled goods developed by Utterback and Abernathy (1975) and Utterback (1994).