

THE USE OF MARKETING INNOVATIONS AMONG SMESS. Grzegorz^{*}, S. Robert

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ABSTRACT

Open innovations facilitate the process of group generation of ideas. An added value is the opportunity to better understand the expectations and preferences of current and potential buyers. The aim of this study is to identify the popularity of cooperation between innovative SMEs in the field of creating marketing innovations. Despite the rapidly changing environment of today's companies, marketing innovations are still focused mainly on the needs of clients, and the concept of their openness concerns the cooperation with other entities in the area of creating and implementing new solutions with a marketing nature. Novelties on a global scale (in the area of marketing) are implemented extremely rarely. Traditional solutions in the area of marketing are usually expensive, so searching of innovative advertising forms becomes a common phenomenon. However, among innovative SMEs, only one in four companies undertakes the cooperation in the field of creating marketing innovations. Micro and medium-sized enterprises most often initiate and implement a business partnership. Effective cooperation takes time and regularity, as confirmed by the results, where systematic relations are established by more than 37% of enterprises, and multiple relations – 45%. Every stage of the innovation process is the purpose for undertaking mutual pro-innovation activities (50% of medium-sized companies). On the other hand, small and micro-companies focus their attention on the last two phases, i.e. the implementation of commercialization of innovations.

Keywords: marketing innovations, micro, small and medium-sized enterprises (SMEs), open innovations

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INTRODUCTION

The concept of innovation is more and more popular and associated with the development of business activity. Moreover, it is identified with the invention and patent. Nowadays, it is advisable to implement systems for the creation of innovation in terms of both the optimization of production processes, organization and marketing activities in order to maintain by the company a high market position.

High competitiveness causes that there are more and more both expected and unexpected competitors. These competitors often have an aggressive strategy, resulting in rapidly changing market relations and competitiveness (Pearlson and Shunders, 2010). Increasingly globalized activity, the gradual integration of markets and continuous evolution of consumers' needs and desires are new challenges for today's companies, which more and more often seek to implement innovations, especially in the range of marketing. Micro, small and medium-sized enterprises (SMEs) play an important role in shaping economic growth, stability and creation of workplaces in every country (Fritsch and Storey, 2014). This sector meets in the market economy important functions, including social, political and economic functions. The social and political role of these companies is more important in times of economic transformation and crisis (Walecka, 2016).

A coherent definition of SMEs was proposed by the European Commission. This definition is currently in force in all European Union countries (European Commission, 2003). In accordance with this definition, SMEs include three groups of enterprises: micro, small and medium-sized. It also takes into account such factors as: size of employment, amount of turnover and the size of assets, including the level of their independence from other economic organizations.

Micro-enterprises are characterized by a number of employees (in conversion to full-time employees) below 10, an annual net turnover of less than 2 million euros or total asset balance of less than 2 million euros. Small enterprises: from 10 to 49 employees and total assets or annual turnover less than 10 million euros. On the other hand, medium-sized enterprises: 50-249 employees, less than 50 million euros of annual net turnover or less than 43 million euros of total asset balance.

Open innovations facilitate the process of group generation of ideas. An added value is the opportunity to better understand the expectations and preferences of current and potential buyers. Incorporation of as many partners as possible into the two-way innovation making process has an impact on cost reduction in the searching, and designing phase, as well as in the testing phase. Furthermore, in accordance with the concept of open innovations,

companies that are in possession of currently passive ideas should spread them among other companies (Chesbrough, 2006).

The willingness to cooperate is determined by: market diversification of the company's business activity, state of resources, previous cooperative experiences, attitude of management, corporate culture, as well as industry and environment characteristics (Varadarajan and Cunningham, 1995).

The aim of this study is to identify the popularity of cooperation between innovative SMEs in the field of creating marketing innovations. In order to reach the set target, the following research hypotheses have been formulated: H1 – the majority of SMEs establish cooperation in the area of creating marketing innovations. Incidental cooperation is not an optimal solution.

In the initial phase of cooperation, partners have limited trust. This determines the low effectiveness of communication. Systematics and intensity are the basis for optimal business cooperation. IN the course of cooperation, entities adjust to each other, create norms and rules of cooperation, build trust and other relational values. The second hypothesis is the H2 statement: the majority of innovative SMEs, which establish cooperation, maintain its systematic frequency.

The essence of open marketing innovations

Innovation determines a competitive advantage both in mature and other markets. Innovative activities, unlike most other business practices, can change the competitive balance in all industries (Brown, 1992). There are many different definitions of innovation – some definitions describe them as technical and financial actions, as well as actions related to the management, production, design, implementation and marketing – in order to commercialize a new (or improved) product or manufacturing process (Rothwell, 1985).

Initially, a broad definitional approach was also introduced by other researchers in the field of innovation (Hildreth, Kimble, 2004), (Altshuller, 1984) and (Drucker, 1992). On the other hand, a very narrow approach is indicated by (Freeman, 1982), as the first commercial use of a new or improved technology or equipment. Griffin (Griffin, 1996) also defines innovations as directional activities of enterprises in favor of the development of new products.

The marketing approach to innovations appears only in the last (third) edition of the Oslo Manual – i.e. a manual with a statistical nature that standardizes the methodology of innovation researches in the European Union. The marketing innovation is defined in this document very broadly as the use of a new marketing method, including significant changes

in product's look, its packaging, positioning, promotion, price policy or business model resulting from the new marketing strategy of the enterprise (OECD, 2005). Marketing innovations are a very broad and interdisciplinary concept. The most important area that determines their effectiveness is generally characterized management.

On the other hand, the concept of open innovations was introduced into the literature of the subject only in 2003 by H. Chesbrough (Chesbrough, 2003). According to him, the enterprise should use both internal and external resources to improve innovation. Internal resources are associated with the need to carry out R&D activities, while external resources enable to acquire innovative ideas and solutions in a relatively short period of time based on the company's environment. The use of external participants in innovative processes is determined by the ability to reduce costs, implementation time and risk connected with R&D activity, as well as the use of resource synergy. Natural external partners in the model of open innovations are: customers, suppliers, intermediaries, competitors, research institutions and universities (Buganza and Verganti, 2009, p. 306-325).

Despite the rapidly changing environment of today's companies, marketing innovations are still focused mainly on the needs of clients, and the concept of their openness concerns the cooperation with other entities in the area of creating and implementing new solutions with a marketing nature. Novelties on a global scale (in the area of marketing) are implemented extremely rarely. For the purposes of this publication and research, the open marketing innovation is defined as actions that include significant changes in the appearance of a product, packaging, positioning, promotion or price policy that have been implemented in a certain enterprise for the first time as a result of cooperation or the use of an external source. Individual forms of marketing innovations are difficult to identify, especially by respondents from the SME sector. Therefore, the formulated definition has allowed for more reliable identification of marketing innovations in the analyzed enterprises. Among modern novelties in the area of marketing, there are: social media marketing, prankvertising, Lead Nurturing, word of mouth marketing, ambush marketing and many others. However, even classic advertising forms, like TV or radio spots, more and more often use persuasion mechanisms aimed at increasing the effectiveness of the message. While the spots themselves cannot currently be included in innovative creations, their connections with the concept of manipulative messages seem to be a novel solution. Analogous activities are implemented in the price policy of enterprises, where the use of Cialdini's principles for traditional solutions increases the sales of promoted goods (Cialdini and Goldstein, 2002).

Cooperation with other entities in the marketing area enables to use the partner's experience and resources. Furthermore, at the stage of seeking ideas, teams have a greater human capital potential. One of the significant barriers in the functioning of the SME sector is economic limitations, which hinder the running of business activity, including financing optimal marketing strategies. Small and medium-sized entrepreneurs most often use their own resources, and often innovative solutions require significant financial resources from enterprises. Moreover, the reduction of the risk of failure is important in the creation of mutual marketing creations.

METHODOLOGY

The results and analysis presented in this study constitute the basis of a research project funded by the Polish government for the years 2012-2017. The researches were carried out in 800 SME companies, which have implemented innovation in the last 3 years and their size in terms of number of employees has not exceeded 249 persons (EU-scale SMEs). The research tool was an interview questionnaire, and two research techniques were used: CATI and CAWI. CATI was the basic research method (about 70% of the examined entities), while the computer-assisted study was an additional technique (about 30% of respondents). CAWI was used in the following cases: the inability to answer questions in real time, the need to rethink answers, etc.

In the research sample, the largest group was small enterprises (40,1%), micro-enterprises (35,5%), and the smallest share (24,4%) constituted medium-sized entities. 75% of the surveyed companies have been on the market for more than 4 years and less than 12 years. Only 10% of entities had market experience longer than 12 years. The vast majority of them operate on the international market (approx. 49%), national market (19%) and global market (approx. 26%). The structure of business activity shows the advantage of manufacturing enterprises (88%) over service enterprises (5,6%) and commercial companies (5,6%). The analysis was based on questions concerning the cooperation of SMEs in the area of creation and implementation of open marketing innovations.

The main aim of the whole research was to assess the tendency of SMEs to cooperate with other companies in creating and commercializing different types of open innovations and an attempt to analyze the significance of this cooperation for the current and future development of entities in the examined area.

RESULTS AND DISCUSSION

The research was based only on these SMES, which have implemented innovations in the last three years. This factor enables to identify respondents as innovative entities. The Chi-square test (used in the examination of independence in qualitative variables) was used to verify the existence of dependences between variables.

Table 1. Cooperation between SME and other SMEs in the implementation of marketing innovations

	Micro	Small	Medium	All
Yes	23,7%	20,9%	29,9%	24%
No	76,3%	79,1%	70,1%	76%

By analyzing the results presented in Table 1, it can be noted that almost 25% of surveyed companies cooperated with other SMEs in order to implement the marketing innovation. Medium-sized enterprises most often undertook the cooperation, less often - micro-enterprises and the least often - small companies.

Table 2. Form of cooperation between SMEs and other SMEs in the implementation of marketing innovations

	Micro	Small	Medium	All
Initialization	12,5%	15,0%	12,5%	13,4%
Realization	32,5%	47,5%	25,0%	35,7%
Initialization and realization	55,0%	37,5%	62,5%	50,9%
Statistical test	Chi square = 5,21 p = 0,266471, $\alpha=0,05$			

Respondents were most often involved in the cooperation with other entities. Every second analyzed enterprise both initiated mutual actions and took an active part in their implementation (see Table 2). Although the analyzed variables are not statistically correlated ($p=0,27$, $\alpha=0,05$), it can be seen that much more medium-sized enterprises than other companies actively create marketing innovations. While the initialization area is utilized by

each of analyzed groups in the similar range, the other elements show small disparities. The determinant that requires further qualitative research is to identify the reasons for initiating a partnership without further implementation.

Table 3. Frequency of cooperation between SME and other SMEs in the implementation of marketing innovations

	Micro	Small	Medium	All
Once	15%	25,0%	9,4%	17%
Several times - sporadically	45%	42,5%	50%	45,5%
Systematically	40%	32,5%	40,6%	37,5%
Statistical test	Chi square = 3,34 p = 0,502589, $\alpha=0,05$			

The analyzed companies sporadically or occasionally cooperate with other SMEs, as can be seen in Table 3. About 40% of micro- and medium-sized enterprises maintain systematic cooperation, while incidental relations are usually established by small companies. There is not statistical correlation between the size of companies and the frequency of cooperation. The obtained results provide an optimistic conclusion about the future development of open innovations in the area of marketing. Established relationships are often an important factor in the creation of closer business bonds between partners and they enable to increase (mutually) the competitiveness on the principle of synergy. The results of 37,5% among the systematically cooperating companies is insufficient to confirm the hypothesis H2.

Table 4. The purpose of cooperation with other SMEs in the implementation of marketing innovations

	Micro	Small	Medium	All
Seeking ideas	32,5%	27,5%	56,3%	37,5%
Working on a conception	15%	12,5%	43,8%	22,3%
Implementation	45%	40%	46,9%	43,8%
Commercialization	47,5	47,5%	43,8%	46,4%
Statistical test	Chi square = 7,78 p = 0,254398, $\alpha=0,05$			

Another question was aimed at the identification of the stage, at which companies are looking for business partners in the marketing area. The first step of the innovation process is to seek ideas. An open approach enables to use numerous resources, both in the search of innovations, and in the initial verification. Definitely more medium-sized enterprises establish cooperation at the level of the stage (Table 4). The second phase is the development of a concept, where neither micro nor small companies constitute active groups. On the other hand, both implementation and commercialization is the most common stage in establishing cooperation. The implementation of a marketing innovation is characterized by high financial expenditures and the need to have knowledge – needed to the effective management of marketing activities.

While commercialization, in the modern economy, is connected with the use of marketing innovation in the market. However, unlike the implementation itself, the commercialization is primarily a broader concept. It characterizes the value of innovation in the enterprise's marketing strategy and discounts its actual and future potential to meet the needs and expectations of consumers in a competitive market. Commercialization has a significant impact on the diffusion of innovation, which is aimed at consumers in the marketing area. Adaptation of innovations by consumers is divided into five basic stages: knowledge, persuasion, decision, implementation, and confirmation, The decision-making phase was the most important of them, but nowadays – companies notice the importance of implementation (Tariq, Pangil and Shahzah, 2017).

The determined lack of statistical correlation between the size of enterprise and the stage of the innovative process in the marketing area ($p = 0,254398$, $\alpha=0,05$) is probably connected with the active willingness in cooperation between medium-sized companies in each phase. Furthermore, it can be noted that medium-sized companies more and more often seek new ideas in the marketing area. Perhaps this is due to larger human resources and possession of own marketing departments.

CONCLUSIONS

Nowadays, the determinants of popularity concerning the concept of open innovations are: globalization, technological progress, shortening the life cycle of innovation and popularization of social media. High costs of R&D, dissemination of knowledge resources and high market competitiveness (especially among SMEs) are also important factors. Currently, the initialization and realization of open innovation strategies is a requirement, not an option, because the open innovation activity makes it possible to increase the efficiency of

the innovation process. Therefore, SMEs that actively seek and acquire external knowledge, cooperate with business partners, R&D entities and universities, have an advantage over competitors, who decide to create only closed innovations.

Following the expectations and needs of consumers and the increase of competitiveness in the SME sector causes greater interest in marketing activities (Baruk and Iwanicka, 2015). Traditional solutions in the area of marketing are usually expensive, so searching of innovative advertising forms becomes a common phenomenon. However, among innovative SMEs, only one in four companies undertakes the cooperation in the field of creating marketing innovations. Micro and medium-sized enterprises most often initiate and implement a business partnership. Effective cooperation takes time and regularity, as confirmed by the results, where systematic relations are established by more than 37% of enterprises, and multiple relations – 45%. Every stage of the innovation process is the purpose for undertaking mutual pro-innovation activities (50% of medium-sized companies). On the other hand, small and micro-companies focus their attention on the last two phases, i.e. the implementation of commercialization of innovations.

By analyzing the obtained results, it can be said that both hypotheses presented in the introduction have not been confirmed. Only 24% of innovative SMEs enter into cooperation in the area of creating marketing innovations. Furthermore, 37% of enterprises, which establish cooperate, maintain its systematic frequency. The obtained results do not exhaust the subject concerning the cooperation in the creation of marketing innovations in SMEs, but they enable to identify trends that should be explored more deeply. The methods and techniques of the developed open innovations in the field of marketing are also an interesting issue.

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LIST OF SYMBOLS

p	Achieved level of statistical significance
α	Assumed level of statistical significance

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