GLOBAL JOURNAL OF COMMERCE & MANAGEMENT PERSPECTIVE
(Published By: Global Institute for Research & Education)
www.gifre.org

MARKETING INNOVATION TO MEET MARKET COMPLEXITY IN THE 21ST CENTURY

Priyanka.P.V.* & Dr.Padma Srinivasan**
*Research Scholar, Jain University, Bangalore, India
**Professor & Research Guide, Christ University & Jain University, Bangalore

Abstract

Innovation has become a necessity to survive in the highly competitive 21st century market. The market is volatile and complex and poses a lot of challenges to organizations.

Organizations innovate in order to survive and sustain in the market. This era thrives on innovation and it is the new contribution that makes organizations survive and sustain in the market.

This research paper would give an insight on the various aspects of innovation in an emerging market and how to manage complexity in the age of Information and engage with well informed customers.

Key Words: Marketing Innovation, Product Proliferation, Market Complexity

1. Introduction

In an emerging market economy, innovation has become essential with the proliferation of new markets and products that are available to the end consumer. The development of new marketing tools and methods plays an important role in the evolution of industries and markets in the 21st century.

Growth and development are an overarching focus of business. This is true even for businesses that are not looking to expand; products and services that have prospered in the past will always start to decline, and business divisions which once seemed perfectly attuned to their markets find that their markets have changed. Inevitably, then, it is a tougher proposition in businesses with ambitious growth targets, where the size of the new opportunities needs to outstrip the losses from the fading markets, and in larger businesses, where opportunities must have some scale to have an impact on the business. The growth in the 21st century is also changing, as resource pressures push up costs, and businesses are more closely scrutinized amid changing expectations about their public and social responsibilities.

In recent years, for instance, new ways of gathering consumer information through innovative marketing programs and technologies have enabled organizations to reach consumers more effectively and to use pricing strategies that were previously not feasible; new trading formats and techniques. Organizations like Amazon.com are using "one click online ordering process" which have expanded the market for many firms and potentially reduced consumer transactions costs.

Companies struggle to innovate in today's competitive environment. As per industry reports, only 2% of all product ideas make it to the market. They need to continually be guarded against adding to their "clutter" — the creeping impact of complexity on efficiency and cost-competitiveness.

Henry Ford famously said, "If I had asked my customers what they wanted, they'd have asked for a faster horse." In other words, the road to true innovation is rarely illuminated by customers telling you what to do next; they may often not know what they want next.

The biggest challenge for companies is to overcome the conventional wisdom, and understanding the core capabilities which tend to be the fuel that helps companies to generate out-of-the-box thinking and to push them to new ways of uncovering the customer needs.

2. Innovation from Product Proliferation

Discovering what customers need isn't always easy, and this is exacerbated by the fact that many companies often go down the wrong innovation path due to internal biases.

From an industry perspective, research from various reports and industry analysis says that Apple's innovation strategy is distinguishing itself from conventional MP3 players by being "scored in simplicity" and resisting the influence of internal biases. Too often, consumer technology product makers tend to "over-feature" their innovations. These are geeks who want to add the latest new thing and historically have a tendency to make their products too complex. They are technology experts, and their tendency is to build the product they can use, which is not the mainstream product.

Markets are much slower to change than people would ever imagine, without a strong understanding of what value new products are providing, it is very easy for companies to drift off track; they may be simply 'going through the motions' in their innovation practices.

3. Managing Complexity

Much complexity — seen or unseen — is the result of going too far with what companies misread as innovation. Companies wind up over-featuring and overdeveloping to the extent that they become focused only on building something new, not necessarily building something profitable or building something valuable

The main issues in managing complexity have to do with the analysis of the following innovation drivers:

- Changes in the final demand and corresponding new needs/expectations that could be faced with innovation in distribution/retail services and formats.

- Development of technology that offers new opportunities for companies to introduce innovations, both in the offer of distribution services, and in the channel relations or in the relations with the end-consumer.
- Horizontal competitive mechanisms – both between manufacturers and between retailers – as well as vertical competitive mechanisms, that lead to new organizational and structural solutions in marketing channels.

The main key for companies is to identify the unarticulated needs of the customer and align their innovation processes to those insights. Companies must discover what innovations customers are willing to pay a premium for, identify their own competitive strengths and free up innovation capacity by removing or managing complexity within the organization's products, services and operations. The potential reward is a better bottom line and increased visibility with customers, as companies invest in understanding customers' needs while shedding the excess clutter that can bring down their rivals.

4. Finding the Heart of Consumers

How can companies begin identifying customers' unmet needs, and particularly those they are willing to pay for? According to the book Fast Innovation: Achieving Superior Differentiation, Speed to Market, and Increased Profitability, by George Group's Michael L. George, James Works and Kimberly WatsonHemphill (McGraw-Hill, 2005), sources for analyzing customers' needs might include ethnographic studies; face-to-face interviews with end-users and customers; diaries and intercepts; and expert advice and trend analysis on technology and markets. These help companies measure, explore and make tradeoffs among customer requirements, the authors write.

It is where differentiation in offerings is calibrated carefully to customer needs and fast-tracked to market, there is larger-than-usual opportunity to realize premium prices before commoditization.

Thus, the key to customer insight development is to look across the entire value chain for insights, and not rely only on channel partners to do the consumer work for the organization.

5. Giving Customers the Faster Horse

Without a broader view, innovation efforts may be reduced to simply reacting to every little request from customers. It has been argued by George Group's Stephen Wilson, co-author of Conquering Complexity in your Business, many companies are still responding to customers' requests for a faster horse — to borrow the Ford analogy — without a view to the impact on the company's costs and processes, nor to the long-term strategy of the company. Complexity creeps in, and these companies wake up to a sprawling portfolio with burgeoning costs and unintentionally find themselves unable to serve customers well. One company, operating in a fairly mature market, "had built a strategy of having the broadest possible offerings and being very responsive to the customer.

Over time, it absorbed their capacity to innovate." That also left the company vulnerable to competition, which scored better on speed to market and customer service. "By trying to respond to every customer's specific requirements, they lost out on addressing customers' more basic, fundamental needs."

In such a situation, Wilson recommends getting a clear perspective on what is really important to the customer and what they will pay premium prices for. Internally, management needs to adjust its focus from chasing market share to "value share," which means getting an increasing share of the margins available in that market segment.

It can be concluded that companies looking to develop products and innovation in and from the emerging markets should consider:

• A defendable niche, based on understanding local needs combined with a constant feedback loop between the integrated local and corporate strategies. This also includes management of local talent pool, to encourage both incremental and breakthrough thinking.

• Cost advantage, achieved through scale and/or efficiency which creates the ability to price competitively, ride out periods of intense price competition and experiment with new ideas.

• Tailored products or services which address the "true voice of consumer" of the segment being targeted, as well as unique local needs, institutional voids, collaboration opportunities and price points Emerging markets are the "Key Swing factor" in the future growth of global trade and financial stability, as well as critical players in global politics and business.

6. The Future Perspective: Unlocking New Sources of Growth

The purpose of this Future Perspective, Unlocking new sources of growth is to focus on where sources are likely to be found and how businesses can identify them using a structured manner. Unlocking new sources of growth, therefore, explores the following sources of growth:

New markets: people—mostly in emerging markets—who have reasonable amounts of disposable income for the first time. This group includes the "emerging middle classes" in these markets. Here, we go beyond the conventional wisdom; the opportunities in these markets are more complex—and perhaps less immediate—than is generally believed.

Changing values: shifting social values and behaviors create new market spaces. Changes in the way we work have, for example, led to a boom in the high street (or main street) café and, combined with health concerns, created a multi-billion-dollar market in pre-packaged salad.

Shifting money: within richer markets, money moves between different consumers, sometimes quite quickly. In the United States, for example, the financial crisis has created a new group of the "working old," who are still earning and spending.

Emerging technologies: new technologies have long been identified as a source of new growth. Some foresee a boom in technology-based opportunities in the coming years. But the trick is always in the timing, for technology-led innovation can take decades to reach the market. There are techniques to help to get the timing right.

New business models: the combination of changing values and changing technology platforms can create opportunities for new business models, which take value from existing players. Famously, iTunes has captured value that used to belong to high street/main street music retailers. Mobile and cell technology makes possible the pay-per-use car market.

Here we will explore each of these in turn, together with some of the tools needed to identify them. If there is one message here, it is that focusing on a single area (betting, say, on technology or emerging markets) is not often a successful strategy. Instead, the new sources of growth that are likely to prove most durable are those where multiple trends combine. A change in values, for example, aligns with a change in economic structure, perhaps, while a technology platform has matured to create a new distribution platform or a different way of servicing the market. Taken together, they create new synergies on which the alert business can build.

According to Michael Spence and Sandile Hlatshwayo, *"The evidence we have from the postwar history suggests that the majority of countries entering the middle-income transition have slowed significantly or even stalled. Of the sustained high-growth cases in the postwar period (thirteen, soon to be fifteen, with the addition of India and Vietnam), only five have maintained high growth rates through the middle-income transition and proceeded toward advanced country income levels of $20,000 per capita or above."*

The economic projections of the future growth of emerging economies tend to be over-reliant on past economic performance as a guide to future economic outcomes. But arithmetic alone dictates that as low-income countries become middle-income countries, their growth inevitably slows down. As noted above, some middle-income countries never make the transition to high-income, for reasons that are still poorly understood.

The high growth rates seen in China and India have been significantly dependent on buoyant global export markets—and growth has slowed in the face of sluggish European and North American economies. A shift to a more internally focused consumer-led economy might remedy this, but the transition itself would have the effect of slowing growth as the economy adjusted.

There are increasing internal barriers to growth, as we related in the case of China in our Future Perspective, *China's Challenges*, earlier this year. These include environmental factors such as water and air pollution, poor logistics and infrastructure, and inadequate institutional frameworks. Corruption is also a barrier to growth.

The economic effect caused by the move from rural to urban areas is all but over. United Nations research suggests that future urban growth in emerging economies will come from migration from other cities and internal growth.

The richest countries in 2010, per capita, will still be the richest in 2050. The gap with poorer countries should narrow, but it won't close. "Even with another 40 years of superior growth, China's real per-capita GDP in 2050 will barely be 50% of that of the US." For new sources of growth, the challenge—for the next decade and for several to come—will be to find those sources of growth in the slower growing richer markets.

Thus, they still have huge untapped potential and they seem determined to undertake domestic reforms to support continuous and sustainable growth. What's certain for now is that there are numerous opportunities waiting to be explored in terms of innovative ideas, product launches and new markets.

References

1. http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Emerging-markets-Product-Development-and-Innovation.pdf
2. http://www.unimib.it/upload/gestioneFiles/Symphonya/lasteng/f20101/mussoeng12010.pdf
3. http://d1c25a6gwz7q5e.cloudfront.net/papers/download/BalancingInnovationTechnology.pdf
4. http://thefuturescompany.com/free-thinking/unlocking-new-sources-of-growth/
5. http://www.euromonitor.com/the-power-of-proximity-the-complex-story-of-21st-century-cities/report
6. Adams, M (2004) Comparative Performance Assessment Study Findings, presentation at the Comparative Performance Assessment Conference, PDMA Foundation, March 2004
7. Allen, T. 1977 Managing the Flow of Technology. Cambridge, MA: MIT Press.
8. Amabile, T., Conti, R., Coon, H., Lazenby, J. and Herron, M. (1996) Assessing the Work Environment for Creativity, *Academy of Management Journal*, 39:1154-1184.
9. Ancona, D. and D. Caldwell (1990) Beyond boundary spanninig: Managing external dependence in product development teams, Journal of High Technology Management Reserch, 1,2:119-135.
10. Bacon, G., S. Beckman, D. Mowery, and E. Wilson (1994) "Managing Product Definition in High-Technology Industries: A Pilot Study," *California Management Review*, 36:34-56.
11. Baldwin, J. & M. Dapont (1993) Innovation in Canadian Enterprises: Survey of Innovation and Advanced Technology, *Statistics Canada*, 88, 513-XPB.
12. Barley, S. (1986) Technology as an Occasion for Structuring, *Administrative Science Quarterly* 31,78-109.
13. Barley, S. 1996 "Technicians in the workplace: Ethnographic evidence for bringing work into organization studies." Administrative Science Quarterly, 41: 404-441.
14. Barley, S. and G. Kunda 2004 Gurus, Hired Guns, and Warm Bodies, Princeton University Press
15. Bartlett, C. and S. Ghosal 1989 Managing Across Borders: The Transnational Solution, Harvard Business School press.
16. Benner, P 2003, working draft Situated Action and Practice, School of Nursing, UC San Francisco
17. Benner P. 2004 working draft Articulating knowledge, skills, and meanings embedded in nursing practice: Confronting over-simplification, leveling, and the limits of formalism in formal classification systems, School of nursing, UC San Francisco
18. Blau, P. and M. Meyer (1987) *Bureaucracy in Modern Society* (3rd edition); NY: Random House.
19. Bobrow, E. (1997) *The Complete Idiot's Guide to New Product Development*, NY: Alpha Books.
20. Brown, J. S. and Duguid, P. 1991 "Organizational learning and communities of practice: Toward a unified view of working, learning, and innovation." Organization Science, 2: 40-57.
21. Brown, J. S. and Duguid, P. 2000 "Balancing act: How to capture knowledge without killing it." Harvard Business Review, may-June: 73-80.
22. Brown, S. and K. Eisenhardt (1997) The Art of continuous change: Linking complexity theory and time-paced evolution in relentlessly Shifting organizations, *Administrative Science Quarterly*, 42:1-35.
23. Brown, S. and K. Eisenhardt 1998 Competing on the Edge, Harvard Business School Press
24. Burns, T. and G. M. Stalker (1994: originally 1961) *The Management of Innovation*. Cambridge: Oxford University Press

25. Capon, N, J. Farley, D. Lehmann, & J. Hulbert (1992) profiles of Product Innovators Among Large US Manufacturers. *Management Science,* 38(2), 157-169.
26. Carroll, J. (1998) "Organizational Learning Activities in High-Hazard Industries: The Logics Underlying Self-Analysis," *Journal of Management Studies*,.
27. Chesbrough, H. 2003 Open Research, Sloan Management Review
28. Clark, K. 1985 "The Interaction of design hierarchies and market concepts in technological evolution." Research Policy, 14: 235-251.
29. Clark, K. and T. Fujimoto (1991) *Product Development Performance*, Boston: Harvard Business School Press.