



Marketing's Role in Leading the Innovation Charge

By Laura Patterson, VisionEdge Marketing

It's surprising how many business professionals don't really know what marketing is. Some people perceive it to be a necessary evil that consumes budgets and provides little payback, others see it as a person or department tasked with producing tactical "creative things" such as advertising, websites, email campaigns, and so on. If we go back in time we can find a simple way to define marketing. In 1912, LL Bean founded his company on the marketing concept which simply means that supply for a product is greater than demand and therefore to compete a company must first determine what the consumer wants, then produce what the consumer wants, and then sells the consumer what it wants. In his first circular LL Bean wrote, "I do not consider a sale complete until goods are worn out and the customer is still satisfied. We will thank anyone to return goods that are not perfectly satisfactory...Above all things we wish to avoid having a dissatisfied customer." Peter Drucker wrote in his book *The Practice of Management* in 1954 that "if we want to know what business is we must first start with its purpose...There is only one valid definition of business purpose: to create a customer. What business thinks it produces is not of first importance-especially not to the future of the business or to its success. What the customer thinks he/she is buying, what he/she considers "value" is decisive-it determines what a business is, what it produces, and whether it will prosper." Just as the development of telephones did not just stop at crank handles, the development of marketing's role has not stopped with these original definitions. In 2004, the American Marketing Association redefined marketing as "an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

If we can take one idea away from all of these definitions it would be that Marketing's job is to create customer value, engagement, satisfaction and loyalty. Marketing serves as the stand-in for the customer, informing product development and other functions of what customers want and need. Essentially, marketing serves as the "voice of the customer" and is responsible for developing and implementing the processes used to capture the customer requirements so the company is able to provide customers with the best in class service/product quality. Yet, even the most educated marketers forget the foundation of marketing: the marketing mix.

Today, it seems as though consumers have the world in their hands when it comes to brand options. And if they don't have the world in their hands they certainly have it at their fingertips courtesy of the internet. Customers are more empowered than ever and are taking control of how, when and where they consume. The results is customers who are less brand-loyal, less trusting, and prefer to acquire information

from personal research, friends and product specialists. These changes have significant implications to businesses and marketing: changes in marketing mix, messaging and general approach to customer interaction. In addition, commoditization, the Internet, mobility and virtualization are contributing to a transformation that is impacting companies on a variety of fronts, including product development.

Though it is commonly agreed upon that each aspect of the marketing mix has equal weight in terms of importance, without a good product, the rest of the mix would be of absolutely no value. The ability to develop products and services that offer fresh ideas and are relevant to customers is no easy task. As a result few businesses get it right and new products suffer a high mortality rate. Insights into the customer are essential to ensuring product success. New product development depends on synthesizing the knowledge of what is needed in the market and the knowledge of how to create a product to meet these needs. As the keeper of customer intelligence, marketing has an opportunity to positively impact innovation and new product/service development. By transforming customer insights into business insights marketing can then use these insights to drive innovation. The creation of new products and services to meet the needs of customers provides the basic ingredient for growing shareholder value. A quote often attributed to Peter Drucker articulates the value of marketing and innovation, "Because its purpose is to create a customer, the business has two basic functions: marketing and innovation. Marketing and innovation produce results, all the rest are costs."

Long-term corporate success is linked to the ability to innovate. Although corporate investment in incremental improvements and innovation to existing products and processes does bring growth, it is new game changing breakthroughs that will launch companies into new markets, enable rapid growth, provide a platform for long-term growth, and create high return on investment.

Where the neglect of the marketing mix comes into play is usually in the promotion of these innovative products. In many companies, marketing is disenfranchised from the product development process being relegated to the role of sending out a press release and coordinating a new product launch event. Sometimes this is just not enough. Your promotion needs to be as innovative as your new product. And it needs to speak to the consumer. As the organization with the primary responsibility for segmenting the market, selecting the right target markets, defining the value proposition and communicating the value to the target markets, we are responsible for capturing, analyzing, and quantifying the data about who will buy. Marketing needs to understand not only who will buy but how many they will buy, why they buy, and when specific markets will buy. These are the insights the organization depends on from Marketing. These insights not only make or break a new product, they can make or break a company. It is time for marketing executives and professionals to step into a leadership role related to innovation of both product and promotion.

Marketing plays a central role in translating customer information into new products and then positioning these products in the market. New products/services are the way companies respond to changing customer preferences and dynamic competition. Changing customer needs require that companies innovate to satisfying and meet these changing customer needs. Various studies have shown that in companies where marketing and R&D communicate and cooperate have enhanced new product performance. Studies done in 1987 by Ruekert and Walker, in 1993 by Song and

Parry, and in 1988 by Souder found that marketing's participation in the new product development process and its integration with other functional groups such as research and development are among the most important factors affecting new product success. Marketing's ability to influence new product development is a key ingredient. A 1999 study of 114 hi-tech companies in China found that marketing plays an important and influential role in positively impacting new product performance and the timeliness of development.

So the key is to both develop a new and innovative product AND promote it. As said before, with the high saturation of the advertising landscape today, customers merely have to sit back and let their options come to them; there is no need for them to initiate the search anymore. So it's time for marketing professionals to return to our roots and renew our focus on determining, producing, and selling what the our customer wants. It is time for the marketing team to gear up and take a proactive approach to developing innovative products and getting these products noticed.

Where do you start if you want to lead the innovation charge? Marketing needs to help the organization spot new trends and then quickly leverage them into opportunities. This requires research. Our marketing metrics need to include key performance indicators around speed and innovation that that demonstrate we are increasing the company's ability to achieve revenue, value, and profit faster. Marketing organizations should include at least six metrics on their executive dashboard around innovation and speed within the context of comparing your company's performance with that of industry peers marketing organizations:

1. Rate of customer acquisition compared with industry peers
2. Rate of profitable customer growth compared with industry peers
3. Rate of Growth compared to industry peers
4. Rate of product adoption
5. Rate of new product success
6. Time to market, time to revenue and time to profit.

Innovation in new product development and new ways for the company to enrich the customer experience presents marketing with an opportunity to play a role in helping strategically grow the company. Departments such as product development and marketing are not separate independent areas. They are instead like our right and left hands. Working separately they are clumsy and ineffective. However working together the two hands can create many wonderful things.

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