



Marketing's Pivotal Role in Innovation

The organizational charts of the 1920s often indicated that marketing's role was to represent the customer. 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." 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.

Today, customers are more empowered than ever and are taking control of how, when and where they consume. This is translating into customers who are less brand-loyal, less trusting, and prefer to get 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.

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.

Yet 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. 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.

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. Because marketing is responsible for identifying customer needs, marketing needs to step up and take a leadership role in the innovation process. And some CMOs realize they need to do just that. At the recent Red Herring CMO Summit, they presented the results of their annual CMO study. The study revealed that CMOs acknowledge they have a responsibility for innovation not just selling.

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.

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. If you decide to go on this journey, you will need marketing metrics tied to speed and innovation that show the impact on marketing. Marketing organization's 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 and revenue

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 like product development and marketing are not separate independent areas. They are instead like our right and left hands. Working separately they are clumsily and ineffective. However working together the two hands can create many wonderful things.