

# Chapter 9

## B2B Marketing Innovation

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# What is Innovation?

**Innovation** is the process and outcome of creating something new, which is also of value.

Innovation involves the **whole process** from opportunity identification, ideation or invention to development, prototyping, production marketing and sales, while entrepreneurship only needs to involve commercialization (Schumpeter).

Schumpeter argued that innovation comes about through new combinations made by an entrepreneur, resulting in :

- a new product,
- a new process,
- opening of new market,
- new way of organizing the business
- new sources of supply



Innovation  
& Creativity

# Drivers for innovation

Financial pressures to reduce costs, increase efficiency, do more with less, etc

Increased competition

Shorter product life cycles

Value migration

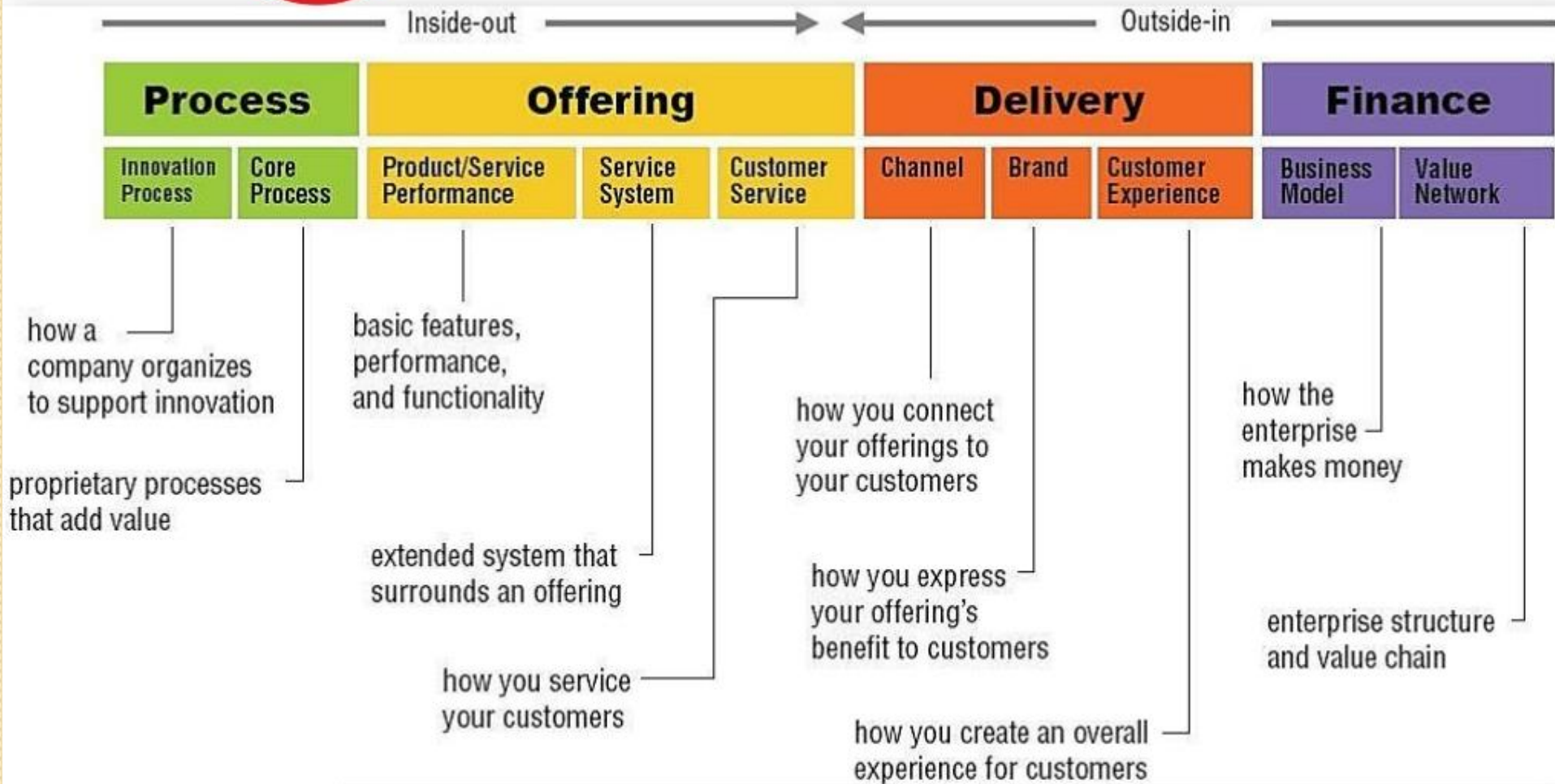
Stricter regulation

Industry and community needs for sustainable development

Increased demand for accountability

# 10

# TYPES OF INNOVATION



10 Types of Innovation. Larry Keeley, Ryan Pikkal Brian Quinn, Helen Walters

<http://www.doblin.com/tentypes/>

## Core Process



Wal-Mart continues to grow profitably through core process innovations such as real-time inventory management systems, aggressive volume/ pricing/delivery contracts with merchandise providers, and systems that give store managers the ability to identify changing buyer behaviors in and respond quickly with new pricing and merchandising configurations.

## Innovation Process

NIKEiD is a service provided by Nike allowing customers to personalize and design their own Nike merchandise. They offer online services as well as physical NIKEiD studios.



## Product Performance

FedEx learned which customer actions led to failed/ delayed deliveries. It translated this data into simplicity, especially in forms, packing, and online interfaces – to make it as easy as possible for customers to use the service.

## Product System



Microsoft Office bundles a variety of specific products (Word, Excel, PowerPoint, etc.) into a system designed to deliver productivity in the workplace.

## Brand



## Customer experience



Harley Davidson has created a worldwide community of millions of customers, many of whom would describe "being a Harley Davidson owner" as a part of how they fundamentally see, think, and feel about themselves.

# Patterns of Strategic Behavior

## Induces Strategic Behavior

- **Most large companies employ induced strategic behavior.**
- **This is a planned form of influence upon the workforce to come up with innovative thinking around (say) their present product line for their customary markets.**

## Autonomous Strategic Behavior

- **Large resource-rich companies employ autonomous strategic activities.**
- **This is a situation where employees are allowed to think creatively about innovation outside of their present products. They can think about products that they'd like to create.**

# Product Champion

A pyramid structure built from colorful LEGO bricks, symbolizing building or construction. The pyramid is composed of several layers of bricks in various colors including blue, red, yellow, light blue, and dark blue. The top layer is a single blue brick. The second layer has two red bricks. The third layer has three yellow bricks. The fourth layer has four light blue bricks. The fifth layer has five dark blue bricks. The pyramid is set against a blurred background of a wooden surface and a white wall.

Product Champion is one who...

- Creates, defines or adopts an idea for innovation
  - Willingly assumes significant risk (loss of prestige & even their job)
- ...to successfully implement the innovation.

A product champion is an individual who:

1. Takes on a central role in sensing a marketing opportunity
2. Mobilizes an informal network to assess the opportunities via their:
  - a. Technical feasibility
  - b. Financial opportunity
3. Is willing to take on risk (reputation) to bring the project to light

Technological change is the great equalizer

Many of the great companies we see today grew out of technological changes that they were able to exploit.

Long run competitiveness depends upon how they Manage, Increase, and Exploit their technology base.

Let's start by classifying development projects!

According to Michael Porter:

# Managing Technology



# Four Types: Development Projects

center on incremental product enhancements, incremental process improvements, or incremental changes on both dimensions.

establish new core products and new core processes that differ fundamentally from previous generation of process and product.



**Derivative  
Projects**

**Breakthrough  
Projects**

**Platform  
Projects**

**Research &  
Development**

create design and components shared by set of products.

creates knowledge of new materials and technologies that eventually leads to commercial development—more like “pure” science.



# Critical Success Factors

Critical success factors that drive a firm's new product performance are:

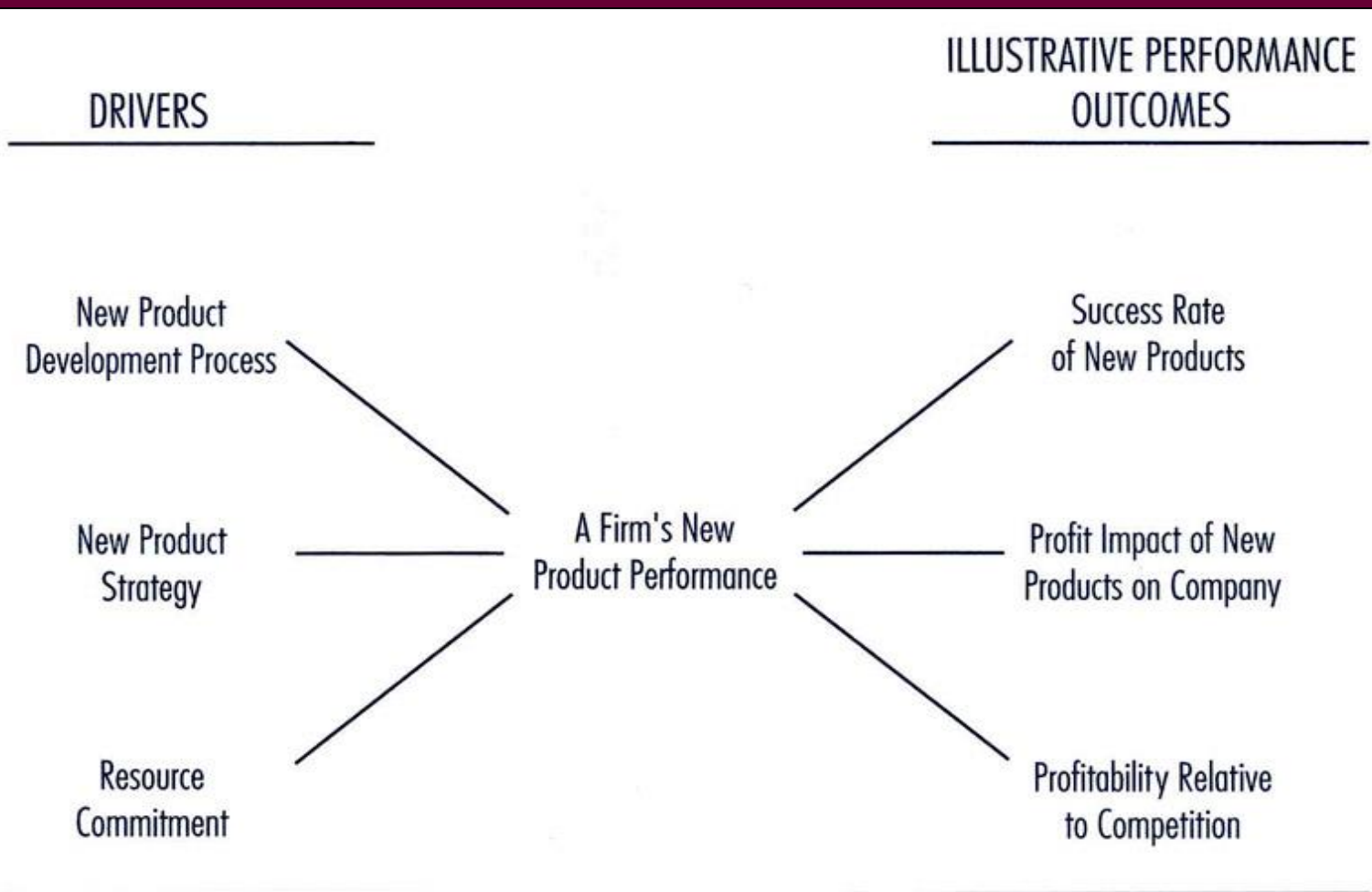
1. Quality of the new product development process
2. Resource commitments to new product development
3. New product strategy

# New Product Development Process

What Drives a Firm's New Product Performances?



# Major Drivers of Firm's New Product Performance



SOURCE: Adapted from Robert G. Cooper and Elko J. Kleinschmidt, "Benchmarking Firms' New Product Performance and Practices," *Engineering Management Review* 23 (fall 1995): pp. 112-120.

# Sources of New Product Ideas

- Internally from:

1. Salespeople
2. Employees
3. R&D
4. Marketing Research
5. Serendipity

- Externally from:

1. Channel Members
2. Competitive Moves
3. **Industrial Customers**
4. **Ultimate Consumers**

**Lead Users** are small, highly influential buying organizations that consistently adopt new technologies earlier than most users.

# Determinants of New Product Performance and Timelines

## New Product Success

- **Product Advantage**, refers to customer perceptions of products superiority with respect to quality, cost-performance ratio, or function relative to competitors.
- **Marketing Synergy**, represent the degree of fit between the needs of the projects and the firm's resources and skills in marketing.
- **Technical Synergy**, concerns the fit between the needs of the projects and the firm's R&D resources & Competencies.
- **International Orientation**, New products designed and developed to meet foreign requirements and targeted at world or nearest-neighbor export markets.

Strategic  
Factors

Development  
Process  
Factors

- **Predevelopment Proficiency** provides the foundation for a successful product
- **Market Knowledge & Marketing Proficiency**, also pivotal in new product outcomes
- **Technical knowledge & Technical proficiency** constitute other important dimensions of the new product development process

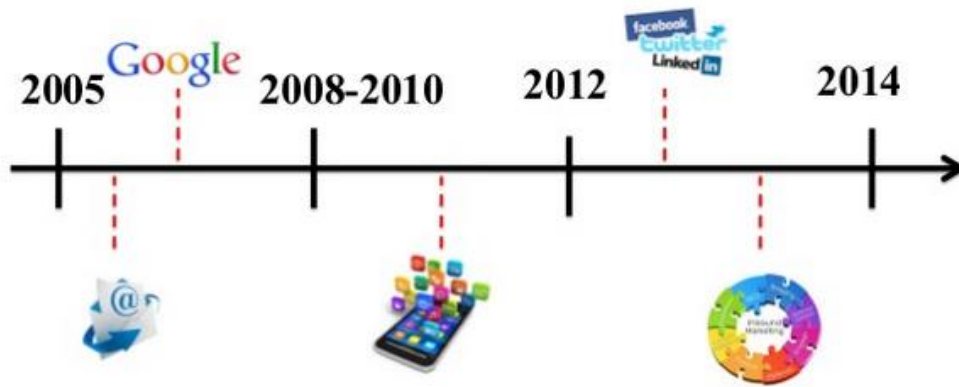
# Fast-Paced Development

Developing products quickly contributes advantageously to product development success. Successful companies match the approach to the developmental task at hand. Successful strategies include:



# What's Next – B2B Marketing Innovation

## Marketing Innovation – Moving Fast



**60-70% of buying decisions are made before a customer approaches the seller**

- ### 7 deadly sins of B2B Marketing
- Not Understanding the customer
  - Failure to practice flexibility and constantly adapt
  - Not understanding if their message has been heard
  - Failure to stop and test
  - Not measuring data/insights
  - Failure to optimize campaigns
  - Wasting and spend

**How Should we avoid all these pitfalls?**

- Diversify your media channels
- Leverage dynamic creative
- More programmatic buying
- Utilize post-click engagement





# Chapter 10. Analysis and Managing Business Marketing Channels

Dr. AMA Suyanto

# Marketing Channel

The image features a central group of five people in the foreground, each engaged with a different piece of technology. From left to right: a woman in a red top uses a laptop, a man in a blue striped shirt uses a tablet, a woman in a green top uses a tablet, and a woman in a yellow dress uses a smartphone. In the background, several smaller figures are also using devices. The scene is set on a white floor with a blue grid pattern. Floating around the people are several colorful speech bubbles in shades of green, yellow, pink, purple, and blue. The overall theme is digital communication and technology in a business context.

**Marketing channel** is a set of independent organizations that help make a product or service available for use or consumption by the consumer or business users

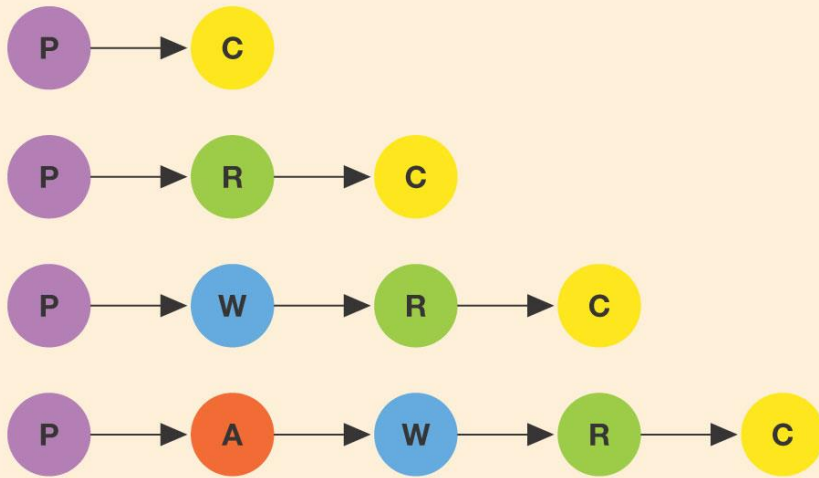
# Consumer and Business-to-Business Marketing Channels



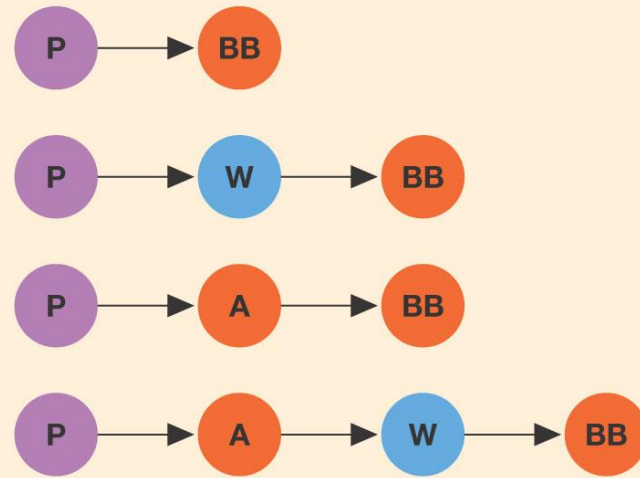
**Exhibit 13-1**

*Consumer and business-to-business marketing channels*

## Consumer channels



## Business-to-business channels



Key: P = Producer    A = Agent    C = Consumer    BB = Business buyer    W = Wholesaler    R = Retailer

# The Business Marketing Channel

The link between the manufacturer and the customer is called the Channel of Distribution

## Channel Task Include:

- ▶ Contacting potential buyers
- ▶ Negotiating
- ▶ Selling
- ▶ Contracting
- ▶ Transferring title
- ▶ Training
- ▶ Financing
- ▶ Servicing the product
- ▶ Inventorying
- ▶ Transporting
- ▶ Storage

**The Importance of Marketing Channels**, Marketing channels determine how and where customers buy.

# Direct and Indirect Channels



## Direct Distribution

when the manufacturer performs all the marketing functions

- (1) The customers are large and well defined
- (2) The Customers insist on direct sales
- (3) Sales involve extensive negotiations with upper management
- (4) Control of selling job is necessary to ensure proper implementation of the total product package and guarantee a quick response to market conditions

## Indirect Distribution

when some type of intermediary sells or handles the product

- (1) Markets are fragmented and widely dispersed
- (2) Low transaction amount prevail
- (3) Buyers typically purchase a number of items, often different brands, in one transaction.

# Participants in The Business Marketing Channels

## Industrial Distributors

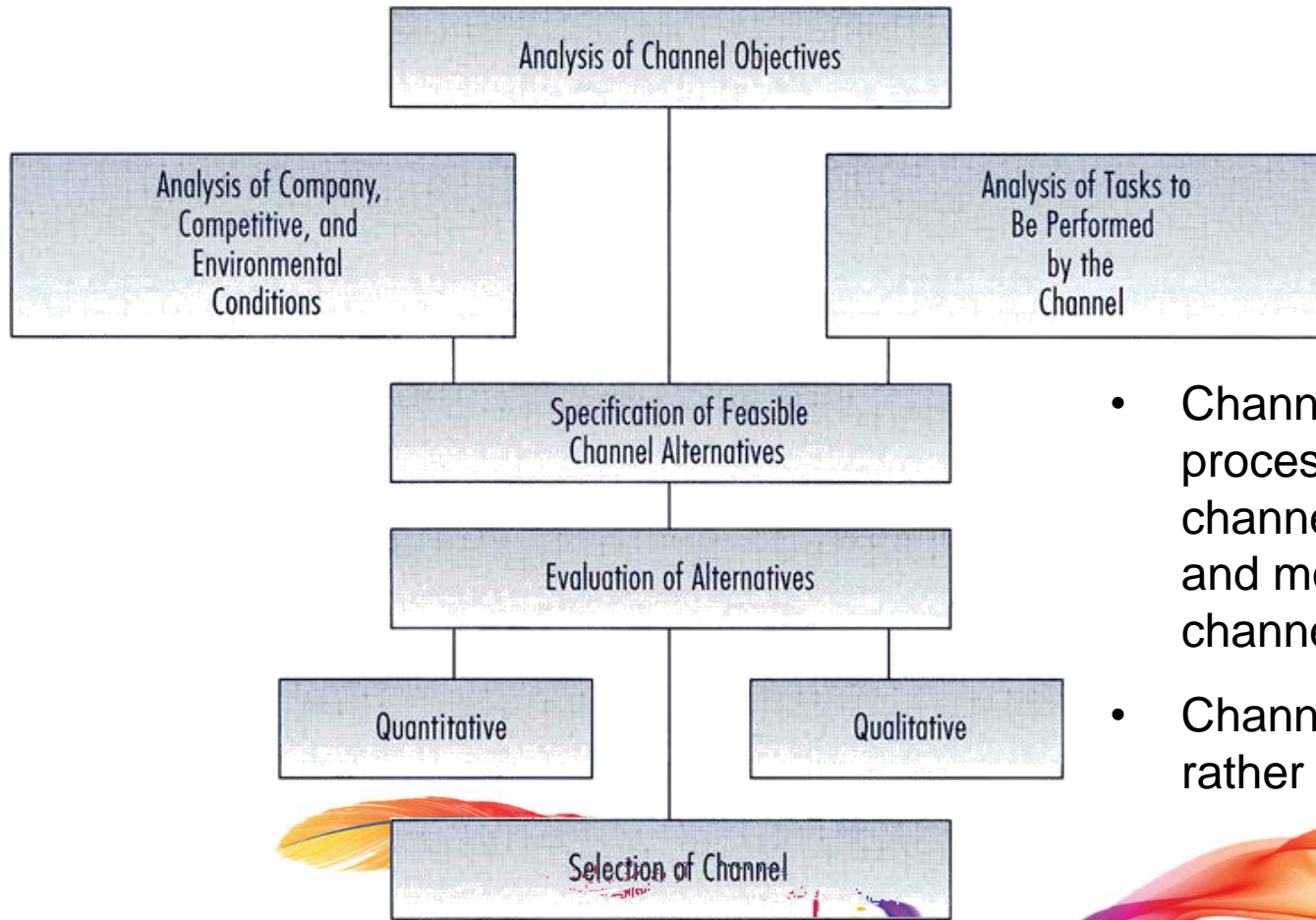
- Distributor Responsibilities
- Classification of Distributors
- The Distributors as a valuable assets

## Manufacturers Representative

- The Rep's Responsibilities
- The Rep-Customer Relationship
- Commission Basis
- Experience

These two groups handle a very sizeable share of B2B sales.

# Channel Design Process



- Channel design is the dynamic process of developing new channels where none existed and modifying existing channels.
- Channel design is an active rather than a passive task.

# Channels Administration

Channel participants must be selected, and arrangements must be made to ensure that all obligations are assigned.

Members must be motivated to perform the tasks necessary to achieve channel objectives.

Conflict within the channel must be properly controlled.

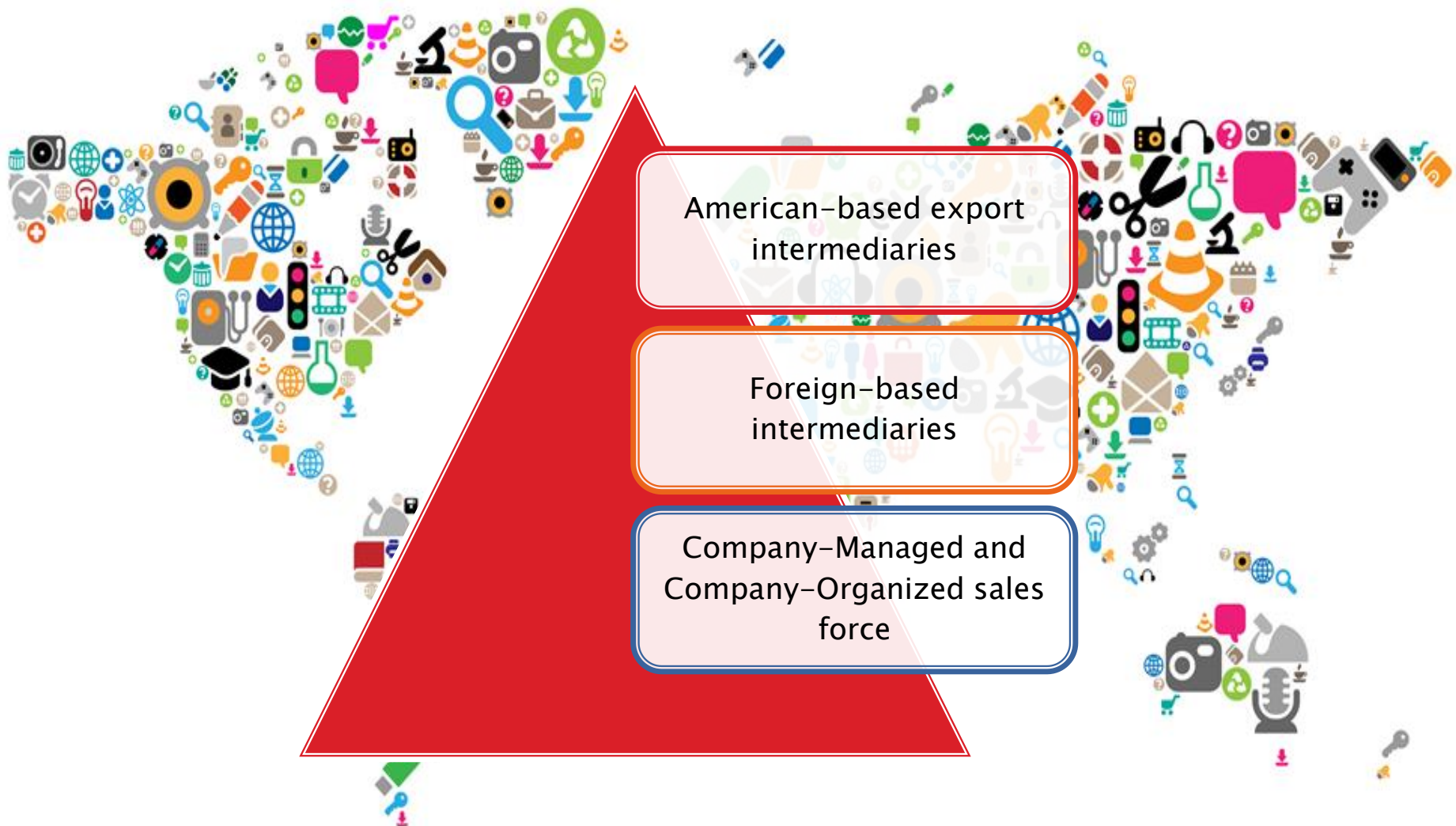
Performance must be controlled and evaluated.



Administration



# International Business Marketing Channels



# A Successful Distribution Channel

**Needs communication and trust. To manifest this:**

- **Members offer benefits and resources superior to what other partners could offer.**
- **Corporate values are similar throughout the chain.**
- **Members share information on expectations, markets and performance.**
- **Members don't take advantage of each other.**

## **Trust – The Ultimate Compliment**

**Another way for trust to occur is for each member to make the system work and to reduce channel conflict. Techniques include:**

- **Joint decision making**
- **Joint goal setting**
- **Cooperative programs**
- **Arbitration committees to settle problems**



# Competitive Advantage

**By working together, business marketers and their channel members can enjoy sustainable competitive advantage over their rivals and their networks.**



THE

END