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MARKETING ASPECTS OF INNOVATION ACTIVITIES OF
ENTERPRISES

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Abstract

The article aims to analyze marketing effects on promotion of innovation activities and develop a model of marketing strategies of innovation activities with regard to innovation product implementation purposes.

The research object is marketing as a concept of production and sales management. The research subject is a marketing strategy of businesses as a tool of promotion of innovation activities.

To achieve the research purposes, the following tasks should be solved: 1) analysis of key innovation development trends; 2) description of the marketing decision-making mechanism when building a portfolio of innovation activities; 3) development of a model describing the relation between marketing strategies and innovation product implementation purposes. The article justifies the need for marketing strategies for encouraging innovation activities under the competitive climate.

The article deals with theoretical and methodological background given to the issue of marketing strategies when building a portfolio of innovation activities. The model designed to describe trends of application of marketing strategies with regard to the competitive environment and market attractiveness was developed.

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Keywords: Innovation product, innovation activity, competitiveness, competitive advantages, marketing strategy.



1. Introduction

Currently, marketing is increasingly strategic in nature. It involves production and sales management based on complex market analysis and aims to gain a profit in a certain market segment with regard to interest and economic possibilities of the end consumer.

Competition is a driver of market relations. It contributes to development of sustainable enterprises and eliminates poor-quality and imperfect objects (enterprises, goods, services). Competitive capacity is a stable market position of an economic subject, which forms and specifies determinants of competitive advantages.

A competitive advantage means exclusiveness and authority based on knowledge and skills in a certain industry or area. Price and quality are key elements of competitive goods. If the price is determined by costs, which depend on purchase and utilization conditions, the quality depends on properties of goods or services and an ability to satisfy consumer needs.

Implementation of new technologies enhances the quality of goods, production growth and performance, boosts national and industrial competitiveness and increases real income of the population, which is particularly crucial for Russia.

2. Problem Statement

The Global Competitiveness Report of the International Economic Forum (IEF) shows significant differences between world leaders and other countries. The situation is typical of Russia as well (The Global Competitiveness Report 2016-2017).

The global competitiveness is assessed by three indices: basic conditions, efficiency and innovation. The indices of the IEF are rather controversial because they give significant advantages to developed and exotic countries (Mauritius, Singapore) and create obstacles to other countries, which aim to be world leaders.

Despite a large number of entrepreneurs in Russia, the level of economic efficiency of all firms, corporations and other business structures is lower than the one in developed countries. The mean level of labor performance and economic performance in the best Russian corporations is 5-6 times lower than in foreign businesses Nechaev & Antipina 2014; Nechaev & Prokopyeva, 2014)

3. Research Questions

The issue of competitiveness of industries and national economies is described by American researcher M. Porter. He analyzed issues of competitiveness and competitive advantages in the global economy, studied new trends in international economic relations and interindustry economic relations. Porter used data of specific industries (Porter, 1980, 1985). Thus, theoretical postulates of his researches were based on empirical data of the world practice (Porter, 1990).

The concept of innovation was studied in the works by Schumpeter (1939). He presented it as a system based on new components resulted from economic and scientific and technological progress and implemented by promoting new goods and services, developing new market conditions and production factors (Schumpeter, 1939).

In 1987, K. Freeman defined an innovation system as a network of innovation structures involving public and private organizations, which aim to initiate, transform and transfer new technologies (Freeman, 1987).

Special attention to the issue of competitiveness is paid in works by Yakovets (2014), Folomiev & Geyger (1997) Prigozhin (1998), Lundval (1992), Drucker (2002), Santo (1990), Sharpe, Alexander & Bailey (1998).

4. Purpose of the Study

The present article seeks to analyze a marketing decision-making mechanism designed to build a portfolio of innovation activities, which should be considered as a strategic task of the enterprise. Problem definition and solution determine company performance and strategic competition results and involve analysis of key innovation market trends.

The data for the period of 2010-2016 show that the proportion of innovation goods, works and services increased from 4.8 % in 2010 to 8.4% in 2016. The share of the innovation component in the industrial sectors was 4.9% and 7.9%. The service industry became the most dynamic sector for the period under study. The proportion of innovation services increased from 4.0% in 2010 to 11.9% in 2016.

Development of the innovation activity strategy is based on key planning principles (Sergeev & Khokhlova, 2017)

Each planning principle in the innovation area has its peculiarities and is implemented through integration.

As can be seen, in 2015-2016, the proportion of innovation goods, works and services of the chemical industry was 8-12 %. It is highly probable that this trend will continue. Planning can involve pessimistic and optimistic predictions, multivariant innovation development scenarios (Prokopyeva & Nechaev, 2013).

Using the equation principle, it is necessary to focus on the relation between scheduled measures and real implementation possibilities. Any enterprise of any economic sector interacts with the external environment (competitors, suppliers, contractors, etc.). The macro-environment has an indirect effect (money and credit regulation, budgetary and tax legislation, etc.). Following the continuity principle, tactic plans of the company are subordinated to strategic plans (Kretova, Tsaregorodtseva, & Khokhlova 2017).

Economic development and growth depend on parameters, which are determined by legal rules, standards, safety rules, etc.

Ecological focus of business planning is typical of economic and innovation development of the country. According to the Environmental Performance Index 2016, Russia ranked 32nd.

Scheduled indices are justified with regard to uncertainty of future situations, for example, in the bank sector (Andreeva & Nechaev, 2013).

Feedback is important for the management system. It is carried out by controlling actual values and requires automation of the management system.

The final unit of planning principles is implementation of scheduled measures and achievement of scheduled indices and reserves.

Strategic planning is a priority based on the sustainability of key components of national and regional development, rapid renewability of product and service range, activity periods, and consumer behavior (*Marketing: the general course*, 2013).

The strategic plan includes the elements presented in Table 01.

Table 01. Elements of the strategic marketing plan

No	Elements of the strategic plan	Description
1.	Company description	Purpose, task, mission; management; goods range, competitors
2.	Marketing strategy	Strategic marketing concept, functions and tasks of the marketing department; technology and strategic segmentation results; stages of the achievement of strategic goals
3.	Price formation strategy	Price variants; cost-volume-profit analysis; demand assessment; production costs; mean weighted value of individual costs, mean public costs; discount systems; public price formation regulation, subsidies, tax policy
4.	Market coverage strategy	Mass marketing strategy; differentiated marketing strategy; concentric marketing strategy
5.	Strategy of product range development	Dynamic structure and volumes; production of special goods
6.	Goods distribution strategy	Information support; promotion; adaptation to consumer needs; negotiation; distribution; financing; financial risks taking
7.	Marketing communication and sales promotion strategy	Strategies of pushing, market implementation, diversification, product development, pulling out; Marketing communication tools: advertising, public relations, sales promotion, personal sales, direct marketing
8.	Identification of factors of competitive advantages for a period	Identification of competitive advantages, adaptation of strategic advantages to the company strategy
9.	Strategy of product updating	Resource saving; quality enhancement

Marketing decision-making in innovation business is based on marketing researches.

5. Research Methods

Marketing research is of applied nature. They aim to assess and interpret consumer behavior and preferences.

The marketing plan includes two components – analysis and researches on the competitive environment and market attractiveness.

From this, the place of an enterprise in the competitive environment and its strategy are identified using matrix methods.

A competitive environment analysis algorithm is presented in Figure 01.

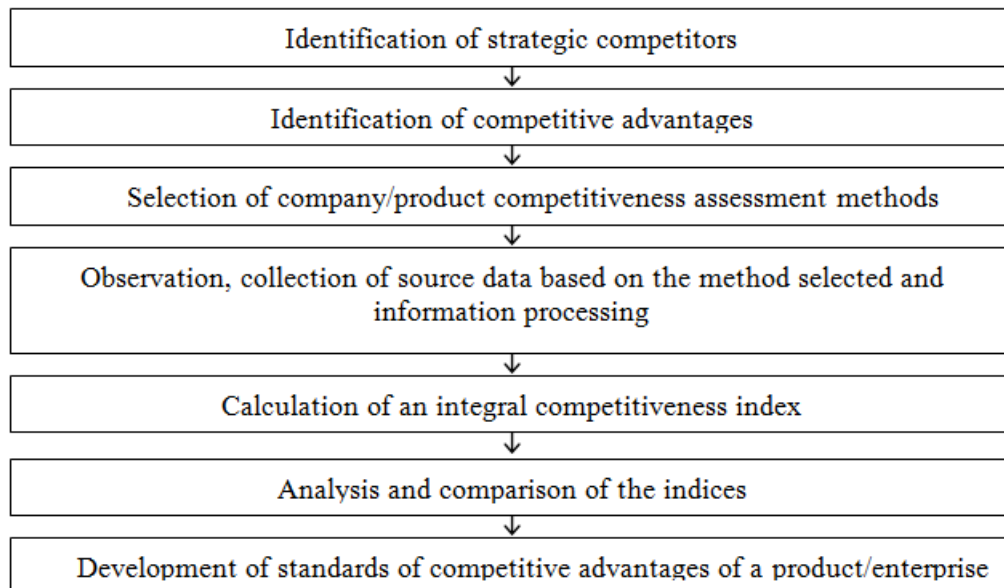


Figure 01. Competitive environment analysis algorithm

Market attractiveness is determined in six stages:

- 1) assessment and analysis of the volume and size of the market;
- 2) analysis of consumer preferences, behavior, attitude to substitute goods and goods of the enterprise under study;
- 3) assessment of the market dynamics and prediction;
- 4) calculation of financial indices (profit, profitability, etc.);
- 5) identification of boundaries of stages of the life cycle of goods, opportunities to expand market boundaries;
- 6) analysis of price competition opportunities and intensity.

Based on the analysis of these segments, market attractiveness can be assessed by means of a three-point scale: 1–low, 2–average, 3–high.

The next stage is assessment of the place of the enterprise in the market and identification of development areas. It requires qualified managers and significant financial resources, which are always limited.

6. Findings

In view of the aforesaid, the authors developed the following model describing marketing innovation development strategies with regard to innovation implementation goals. The combination of innovation activities and marketing strategy goals has unique features (Table 02).

Table 02. Model of relations between innovation activities and marketing strategy goals

Type of innovation activities	Company strategy				
	Q	P	C	V	M
1) New innovation product development.			+		+
2) Product improvement using inventions.	+				
3) New technology implementation using inventions.			+		
4) Technology updating using inventions.			+		
5) Production management modernization.			+		
6) Labor management improvement based.			+		
7) Management system development and improvement.	+		+	+	+
8) Maintenance support improvement	+				
9) Improvement of communication with the external environment.	+	+			
10) Improvement of tactic marketing functions (advertisement, sales promotion).				+	+
11) Service quality improvement.				+	+
12) Market expansion		+			+
13) New market development				+	+

+ – need for innovation activities in order to implement a company strategy.

Thus, based on the goals of innovation activities, the model can be used to develop a marketing strategy depending on the type and features of innovation products:

1. To improve the quality of goods (Q). The strategy is rather risky.
2. To reduce the price of goods without changing other strategies (P). The strategy can be used when implementing innovation products reducing costs. The strategy can be used in the existing market segment and it can expand its boundaries. The strategy can reduce company profit.
3. To reduce producing costs due to new technologies, new production and labor management methods (C). The strategy can increase profit.
4. To increase the volume of production and sales (V). It can be achieved by means of different innovation activities. The strategy increases profit due to the size effect.

Development of a new sales market is for old and new goods (M). The strategy gives an increment in profit.

7. Conclusion

Marketing research aims to solve practical tasks. Their results are a basis for making management decisions, identification of marketing strategies and marketing parameters (creation of a new distribution channel, advertisement campaign, development of a new product).

Russian innovation businesses should implement a marketing strategy based on the analysis of:

- market need for innovation goods and their range;
- price dynamics with regard to consumer properties of goods and their production performance;
- supply of innovation goods

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