

THE ROLE OF INNOVATION IN CREATING DIFFERENCE THROUGH MARKETING STRATEGY

Mukhlisah¹, Musran Munizu², Nuraeni Kadir³

¹Master of Management, Faculty of Economics and Business, Hsanuddin University; ichabd@gmail.com

²Master of Management, Faculty of Economics and Business, Hsanuddin University

³Master of Management, Faculty of Economics and Business, Hsanuddin University

Abstract

This study presents an overview of the role of innovation in creating differentiation through marketing strategies among food SMEs in Makassar City. This study was conducted with a qualitative and explorative approach. Informants in this study are MSME business actors. The sampling technique was carried out by snowball. Data was collected using in-depth interview techniques. Then the data were analyzed descriptively qualitatively with data reduction techniques, displaying data and drawing conclusions. The results of the study show that innovation and marketing are interrelated in supporting the sales of MSME products. Innovation is also a differentiator between one MSME and other MSMEs. Innovation can be done through a marketing strategy.

Keywords: Innovation, Differentiation, Marketing Strategy

A. INTRODUCTION

Product innovation and marketing are closely related to each other (Luchs & Swan, 2011; Marxt & Hacklin, 2005). During the process of new products entering the market, a different marketing strategy is needed than before (Paul & Martin, 2007). There is no doubt that innovation plays a very important role in today's market. In globalization, competition and new forms of technology are constantly increasing (Martin et al., 2017). Companies must be able to adopt activities and strategies for utilizing existing knowledge in the production process to satisfy customers (Zhang et al., 2015). Therefore, innovation in an organization is a fundamental aspect (Hogan & Coote, 2014). Improvements in a product or service, market expansion or even repositioning of an organization in the market are all related to innovation practices (Hogan & Coote, 2014).

Innovation is an integral part of competitiveness and it is transversal to the organization, related not only to new products or processes but also to organizational practices and marketing strategies (Gunday et al., 2011). Innovation is seen through different perspectives from researchers with different backgrounds related to business and administration (Gupta et al., 2016). For example, in terms of marketing innovation, it is perceived from two different viewpoints: on the one hand, economists view innovation types from a creation and development standpoint and marketing scholars consider innovation from a trade and market standpoint (Gupta et al., 2016).

In addition, innovation capabilities facilitate changes in managerial processes and value creation. Innovative companies can continuously improve the customer value proposition in meeting customer expectations (Zhang et al., 2015). Innovation activities and marketing strategy have a strong relationship, companies with innovation capacity will pursue opportunities where customers actively participate in value creation by creating an atmosphere conducive to innovation (Ngo & O'Cass, 2013). Additionally, network competence – which consists of building lasting relationships with customers and collaboration between supply chain partners – nurtures the environment for innovation (Zhang et al., 2015).

Business actors need to use strategies in marketing especially in the midst of the emergence of increasingly competitive online business players based on information technology.

Increasing the competitiveness of Micro, Small and Medium Enterprises (MSMEs) must be more innovative in this era of disruption. Technological advances that have merged with the economy and trade have given birth to the industrial revolution 4.0. Digital media products and other products related to technology have rapidly spread in almost all industries, including MSMEs (Nuseir, 2018).

In 2023, the development of MSMEs is encouraged to be more vibrant. One of them was carried out by the Makassar City Office of Cooperatives and UKM. From a report by the Makassar City Office of Cooperatives and SMEs, at least there are currently around 19,000 MSMEs registered in the database. Most of them are dominated by the culinary sector, reaching 5,000 (Department of Cooperatives and SMEs in Makassar City, 2023). Therefore, to be able to survive in their business, the actors need to innovate as a differentiation in terms of both product and marketing. This study aims to describe the role of innovation in creating differentiation through marketing strategies among MSMEs in Makassar City.

B. LITERATURE REVIEW

Marketing Innovation and Performance

Marketing has developed since 1990 due to globalization intensification and competition, market segmentation, knowledge addition and customer demands (Marques, 2023). Apart from that, it is also influenced by technological developments, especially information technology and by the existence of quality and various market offers (Ruiz-Molina et al., 2015). The company is currently facing three main challenges, namely:

1. Meet customer needs, create value and ultimately maintain lasting relationships with clients. Gradually, it can be said that there has been a paradigm shift in marketing science from which was initially more product oriented and transactional marketing shifted to a more customer oriented and long term relationship.
2. The evolution of marketing, currently an organization cannot only be market oriented, because this alone is not enough to bring competitiveness in profits. Organizations need to invest in close relationships with customers, being collaborative with them and hence creating added value. Companies can enhance this value creation for customers through excellence in marketing innovation.
3. Marketing innovation can be defined as the use of new marketing activities and procedures, including changes in product characteristics, marketing communication tools, new brand launches, new techniques for setting prices, and new market research methods. (Ramirez et al., 2018)

Competitive growing companies force them to come up with exclusive and distinctive marketing methods, of course adapted to their target market (Hidayanti et al., 2018). Therefore, an organization, in order to remain competitive, must invest in innovative marketing strategies, because traditional marketing patterns are no longer sufficient. A company must always be aware and pay attention to what concerns the wishes and expectations of customers (Hidayanti et al., 2018).

Investment in marketing differentiation is fundamental to achieving competitive advantage, which will result in better performance (Martin et al., 2017). Furthermore, superior marketing competence has a positive effect on the company's innovation capacity (Zhang et al., 2015). Marketing capabilities can enhance an organization's ability to identify market needs and trends, to analyze their potential and consequently adjust the direction of innovation (Ngo & O'Cass, 2013). Also, the pursuit for improvement in marketing capabilities involves the continuous investment of the company in marketing efforts which will lead to the creation of barriers and difficulties for potential competitors to enter the current market. (Zhang et al., 2015).

Besides that, Grimpe et al., (2017) states that marketing innovation involves significant changes compared to the usual corporate marketing processes and indicates that routine or temporary changes to marketing instruments are not considered marketing innovations.

Therefore, new or better business and marketing strategies are associated with managerial and marketing innovations (Bustinza et al., 2017). According to Gunday et al., (2011) that in the last 20 years, the concept of marketing innovation and its performance impact has become a highly relevant topic given its growing practical significance

Several studies have analyzed the link between marketing and product innovation, such as the relationship between investment in marketing innovation and the performance of a firm's new products (Grimpe et al., 2017) and has evaluated how companies use external information to achieve marketing innovation through both product and organizational innovation (Ramirez et al., 2018). Also, research has addressed marketing innovation and firm performance and examined the relationship between competitiveness and innovation in the marketing practices of large manufacturing firms (Gupta et al., 2016) or how marketing innovation affects the performance of the MSME market (Hasan, 2017).

Many resources associated with marketing activities, which can be considered as any concrete or intangible, physical or human, knowledge or interpersonal feature that can contribute to an organization's competitive advantage, are furthermore important potential profit-generating resources (Hooley et al., 2005). Therefore, marketing innovation, together with the ability to build and maintain strong customer relationships, leads to the development of customer satisfaction and loyalty and further enhances company performance (Hooley et al., 2005).

Performance is related to an organization's ability to meet its goals and objectives through methodical procedures and its ability to adapt to changes and keep it functioning in an effective manner (Damanpour et al., 2009). In addition, performance can be defined as the ability of an organization to attract new customers and retain existing customers with the quality of the solutions it provides (Hogan & Coote, 2014). Companies innovate as a way to develop organizational change. Innovation promotes adaptive changes to the organizational environment, which means that an organization can then respond in a more efficient and effective way to changes that may occur in the environment, and as a result, improve their performance (Damanpour et al., 2009).

C. RESEARCH METHODS

Informant

The informants in this study are MSME actors in Makassar City. The sampling technique for this study used the snowball sampling technique, namely the number of informants will continue to increase until the information is considered sufficient and saturated (Sekaran & Bougie, 2013).

Method of collecting data

This research is a qualitative research. In obtaining data, it is done by in-depth interviews, observation and documentation studies. The form of interview guidelines in this study used open, semi-structured interviews, namely interviews consisting of questions that gave the opportunity or possibility for the informant to answer at length and flexibly according to the conditions or realities in the field.

Data analysis

After the data is obtained in the field, then the data will be checked for validity using the data source triangulation technique. The next step, qualitative data was analyzed in three stages, namely data reduction, data presentation and conclusion (M. . Miles et al., 2014).

D. RESULTS AND DISCUSSION

MSME Product Marketing Conditions

In this section, the condition of the MSME product marketing strategy in Makassar City is explained. The marketing function for SMEs is considered as an additional requirement for them. As stated by one of the MSME actors who said:

"Our product marketing, yes, is usually done by entrusting it to shops or selling directly to buyers, this is also mostly done by friends with the same type of product" (AP, Informant 1)

In this context, some SMEs in selling their products have not yet planned their marketing activities. Even though the activity process in marketing planning can include new innovations. Even though several MSME marketing studies have identified a unique form of marketing in micro-enterprises (Stokes, 2000). Business actors need to adapt marketing concepts, practices and theories to their own goals (Carson, 1993), and businesses need to maintain their focus and concentration on incremental innovations (M. . Miles & Darroch, 2006)

Things that need to be considered by MSME actors are in handling marketing strategies (Murray et al., 2002). Careless, unstructured and unsequential marketing decisions will lead to informal, spontaneous and reactive marketing activities. As stated by one of the SMEs

"I only market my products in streams, I market according to customer demand, so far I haven't tried any new innovations, both products and marketing strategies...." (SMH, informant 2)

Based on this information, it can be said that MSME marketing in Makassar City develops following the MSME life cycle in responding to demand for new products and markets, while meeting consumer needs. The MSME marketing strategy is carried out based on experience in business processes (Gilmore et al., 2001). So the formation of maturity and depth of knowledge is the key for MSME business actors to continue to develop (Ariescy et al., 2021).

MSME Innovation Design

Innovation can be interpreted as a process of change, changing to what it currently stands for. Innovation is embodied in new product designs, new production processes, in new marketing approaches or new training methods. The current understanding of innovation is associated with creativity, change, adaptation, success, profit and customer satisfaction (Azar & Ciabuschi, 2016; Ramirez et al., 2018). Based on the results of interviews and observations, it shows that some of the actors have designed marketing innovations in their products. So that new innovations emerge among MSME actors. According to the third edition of the Oslo Manual (OECD, 2005), four main types of innovation can be identified: product, process, organizational and marketing innovation. This consideration has been widely accepted in the literature (Ramirez et al., 2018).

Type of Innovation	Informant	Types of MSMEs	Results of Interviews and Observations
Product	AP	Food	Just adding some flavor variations
	BW	Fashion	Added new patterns and styles according to the trend
Process	AP	Food	Still using conventional tools, not using more sophisticated and modern equipment
	BW	Fashion	Still using the usual machine
Organization	AP	Food	Technology-based management, involving the family
	BW	Fashion	Involve skilled workers
Marketing	AP	Food	Using social media, food delivery services (Go-Food and Grab-Food)
	BW	Fashion	Through social media, using marketplaces (Shopee, Lazada)

Source: Processed Research Data (2023)

A business strategy is a plan that must be prepared and made by a businessperson including a comprehensive plan covering plans for all its business functions taking into account changes in the external and internal environment in order to achieve the targets and goals that have been set. In addition, the MSME business strategy is also used to maintain the viability of MSMEs and to increase the scale of their business.

Innovation Source

Results in the field show that ideas or sources of innovation come from customers, knowledge and experience of MSME business actors. The close relationship between business actors and customers becomes a source of new ideas and stimulates business actors to try and implement them. As stated by SY.

"Our customers, sometimes give input to add variations in our products" and for us, what's wrong with trying it"

Innovations originating from customers, sometimes MSME business actors tend to only develop one product prototype for certain customers and for customer needs only ((Ariescy et al., 2021). Sometimes SMEs have difficulty assessing whether this new prototype solution can expand new customers.

Innovation as Differentiator

Data in the field shows that innovation is the difference between one MSME and one MSME even though they sell the same type of product. As stated by MI

"My product may be the same, but my product has advantages with similar products, and I also market products with various strategies"

Investment in marketing differentiation is fundamental to achieving competitive advantage, which will result in better performance(Martin et al., 2017). Then, superior marketing competence has a positive effect on the company's innovation capacity(Zhang et al., 2015). Marketing capabilities can enhance an organization's ability to identify market needs and trends, to analyze their potential and consequently adjust the direction of innovation(Ngo & O'Cass, 2013)

Innovation requires technical and marketing skills (the Abernathy-Clark model); requires knowledge of the components that go into the manufacture of products as well as knowledge of the interrelationships between the two, also known as architectural knowledge (Henderson-Clark model); requires holding complementary assets if necessary as well as the ability to protect its innovations through patents, copyrights, trademarks, trade secrets, tacit knowledge, causal ambiguity (Teece model). Innovation also follows the evolution of technology as a life cycle as well as the evolution of technology in the market(Milreu et al., 2015).

E. CONCLUSION

Innovation and marketing are interrelated in supporting the continuity of MSME businesses. The MSME marketing strategy in Makassar City develops following the MSME life cycle in response to demand for new products and markets. The design of the innovation follows the aspects of product, process, organization and marketing innovation. The source of MSME innovation comes from customers, experience and knowledge of business actors. Innovation is also a differentiator between one MSMEs and other MSMEs.

BIBLIOGRAPHY

- Ariescy, R. R., Mawardi, A. I., Sholihatin, E., & Aprilisanda, I. D. (2021). Inovasi Pemasaran Produk UMKM Dalam Meningkatkan Daya Saing. *Jurnal Ilmiah Mahasiswa Ekonomi Manajemen*, 6(1), 418-432. <https://doi.org/10.24815/jimen.v6i2.17276>
- Azar, G., & Ciabuschi, F. (2016). Organizational innovation, technological innovation, and export

- performance: The effects of innovation radicalness and extensiveness. *International Business Review*, 26(2), 324-336. <https://doi.org/10.1016/j.ibusrev.2016.09.002>
- Bustinza, O., Gomes, E., Vendrell-Herrero, F., & Baines, T. (2017). Product-service innovation and performance: the role of collaborative partnerships and R&D intensity. *R&D Management*, 1-26. <https://doi.org/10.1111/radm.12269>
- Carson, D. (1993). A Philosophy for Marketing Education in Small Firms. *Journal of Marketing Management*, 9, 189-204. <https://doi.org/10.1080/0267257X.1993.9964229>
- Gilmore, A., Carson, D., & Grant, K. (2001). SME Marketing in Practice. *Marketing Intelligence and Planning*, 19(1), 6-11. <https://doi.org/10.1108/02634500110363583> Publisher: MCB UP Ltd Copyright © 2001, MCB UP Limited
- Grimpe, C., Sofka, W., Bhargava, M., & Chatterjee, R. (2017). R&D, Marketing Innovation, and New Product Performance: A Mixed Methods Study. *Journal of Product Innovation Management*, 34(3), 360-383. <https://doi.org/10.1111/jpim.12366>
- Gunday, G., Ulusoy, G., Kilic, K., & Alpkan, L. (2011). Effects of innovation types on firm performance. *International Journal of Production Economics*, 133(2), 662-676. <https://doi.org/10.1016/j.ijpe.2011.05.014>
- Gupta, S., Malhotra, N., Czinkota, M., & Foroudi, P. (2016). Marketing innovation: A consequence of competitiveness. *Journal of Business Research*, 69(12), 5671-5681. <https://doi.org/10.1016/j.jbusres.2016.02.042>
- Hasan, A. (2017). How do innovation culture, marketing innovation and product innovation affect the market performance of small and medium-sized enterprises (SMEs)? *Technology in Society*, 51, 133-141. <https://doi.org/10.1016/j.techsoc.2017.08.005>
- Hidayanti, I., Herman, L., & Farida, N. (2018). Engaging customers through social media to improve industrial product development: the role of customer co-creation value. *Journal of Relationship Marketing*, 17(1), 17-28. <https://doi.org/10.1080/15332667.2018.1440137>
- Hogan, S., & Coote, L. (2014). Organizational culture, innovation, and performance: a test of Schein's model. *Journal of Business Research*, 67(8), 1609-1621. <https://doi.org/10.1016/j.jbusres.2013.09.007>
- Hooley, G., Greenley, G., Cadogan, J., & Fahy, J. (2005). The performance impact of marketing resources. *Journal of Business Research*, 58(1), 18-27. [https://doi.org/10.1016/S0148-2963\(03\)00109-7](https://doi.org/10.1016/S0148-2963(03)00109-7)
- Luchs, M., & Swan, K. (2011). Perspective: The Emergence of Product Design as a Field of Marketing Inquir. *The Journal of Product Innovation Management*, 28(3), 327-345.
- Marques, A. (2023). *Marketing relacional: Como transformar a fidelização de clientes numa vantagem competitiva*. Sílabo.
- Martin, S., Rajshekar, J., & Cavusgil, E. (2017). Marketing capabilities, positional advantage, and performance of born global firms: Contingent effect of ambidextrous innovation. *International Business Review*, 26(3), 527-543. <https://doi.org/10.1016/j.ibusrev.2016.11.006>
- Marxt, C., & Hacklin, F. (2005). Design, product development, innovation: All the same in the end? A short discussion on terminology. *Journal of Engineering Design*, 16(4), 413-421. <https://doi.org/10.1080/09544820500131169>
- Miles, M. ., & Darroch, J. (2006). Large Firms, Entrepreneurial Marketing Processes, and The Cycle of Competitive Advantage. *European Journal of Marketing*, 40(5), 485-501. <https://doi.org/10.1108/03090560610657804>
- Miles, M. ., Huberman, A. ., & Saldana, J. (2014). *Qualitative Data Analysis: A Methods Sourcebook*. Sage.
- Milreu, F. J. S., Neto, P. L. de O. C., Kyrillos, Luiz, S., Shibuya, Souza, J. B. de, & Marcelo. (2015). Innovation and Differentiation Strategies Integrating the Business Strategies and Production in Companies Networks. *IFIP International Conference on Advances in Production Management Systems*, 45-52.
- Murray, J. ., O'Driscoll, A., & Torres, A. (2002). Discovering Diversity in Marketing Practice.

- European Journal of Marketing*, 36(3), 373–390.
<https://doi.org/10.1108/03090560210417183>
- Ngo, L. V., & O’Cass, A. (2013). Innovation and business success: The mediating role of customer participation. *Journal of Business Research*, 66(8), 1134–1142.
<https://doi.org/10.1016/j.jbusres.2012.03.009>
- Nuseir, M. T. (2018). Digital Media Impact on SMEs Performance in the UAE. *Academy of Entrepreneurship Journal*, 24(2), 1–13.
- Paul, E. R., & Martin, S. H. (2007). Products Liability Law and Its Implications for Engineering Practice. *Engineering Management Journal*, 19(2), 23–30.
- Ramirez, F., Parra-Requena, G., Ruiz-Ortega, M., & Garcia-Villaverde, P. (2018). From external information to marketing innovation: the mediating role of product and organizational innovation. *Journal of Business & Industrial Marketing*, 33(5), 693–705.
<https://doi.org/10.1108/JBIM-12-2016-0291>
- Ruiz-Molina, M. E., Saura, I. G., & Velázquez, B. M. (2015). Relational benefits, value and satisfaction in the relationships between service companies. *Journal of Relationship Marketing*, 14(1), 1–15. <https://doi.org/10.1080/15332667.2015.1006011>
- Sekaran, U., & Bougie, R. (2013). *Research Methods for Business: A Skill-Building Approach* (6th ed.). Wiley.
- Stokes, D. (2000). Putting Entrepreneurship Into Marketing: The Processes of Entrepreneurial Marketing. *Journal of Research in Marketing and Entrepreneurship*, 2(1), 1–16.
<https://doi.org/10.1108/14715200080001536>
- Zhang, J., Jiang, Y., & Shabbir, R., Du, M. (2015). Building industrial brand equity by leveraging firm capabilities and co-creating value with customers. *Industrial Marketing Management*, 51, 47–58. <https://doi.org/10.1016/j.indmarman.2015.05.016>