

# *PRODUCT INNOVATION MANAGEMENT WITH MARKETING CONCEPT*

Masaru Ishioka and Shinya Hatakeyama

Faculty of Symbiotic Systems Science, Fukushima University, Fukushima City, 960-1296, Japan  
mishioka@sss.fukushima-u.ac.jp

Graduate School of Symbiotic Systems Science, Fukushima University, Fukushima City, 960-1296, Japan

## **Abstract**

Product innovation is one of the important management topics for the organization. The organizations always need to compete with existing organizations and new competitors. In this paper, the method of competing with competitive products. For making the effective decision for competing with competitor's products, the organizations need to analyze the current market conditions and competing products. The paper defines the practical management method of competing with competitors by analysis of characteristics of the market and own products.

## **Keywords**

Product Strategy, Product Management, Product Development, Marketing Management, Marketing Strategy, Innovation Management, Competitive Strategy, Consumer Analysis

## **1. Introduction**

In the recent competitive product market, organizations always need to seek the strategic management method. Just introducing the new product is not enough for continuing the business. Also, marketing concept is one of the key success factors especially for the competitive product market.

In this paper, effective product strategy is designed based on an analysis of position of own/competitor's products. Furthermore innovation is essential for organizations to develop a new business models.

The appropriate innovation concepts for organizations are discussed in this paper.

### **1.1 Research Concept**

There are several types of innovation concept. In this paper, disruptive and sustaining innovation (Christensen, 2000), value innovation (Kim and Mauborgne, 2005), and revolutionary innovation are explained. Christensen defined that reasonable disruptive products are able to obtain the competitive advantage in the market. Also, Kim and Mauborgne introduced the innovation concept which defines the different product competing method.

The organizations should select and/or define the effective innovation method for adapting target market.

This paper, innovation concepts are suggested and the organization are able to select target market and create innovation.

### **1.2 Research Process**

First of all, the concepts of existing innovation are classified. After that, the new innovation concepts are generated on the basis of characteristics of target market. Secondly, effective product innovation management is analyzed and defined. And, the new types of innovation concepts are introduced. Finally, the practical approaching method for selecting the innovation concept is suggested.

## **2. Classification of Innovation**

In general, innovation covers all of renewing and changing in every part of products and business processes. In this paper, physical products which is known as “Customer’s can see” are focused. The reason for selecting the innovation type is physical part of the products are very important for the customers because it delivers the first impression always.

In this section, four major types of innovation concepts are introduced.

### **2.1 Disruptive Innovation**

Disruptive products have basic performance and convenient, in other words, the excess product performance is reduced by disruptive innovation.

The targets of disruptive innovation are not for current major customers, but they are new customers and customers whose demand level is low. Therefore, market size and profit are smaller and less-attractive in the early stage of a product life cycle.

### **2.2 Sustaining Innovation**

The product performance is upgraded by sustaining innovation step by step. It is the different concept from disruptive innovation. Targets of sustaining innovation are majority of the market customers. The customers are

recognized as willing pay more for high-performance products.

Organizations should not improve products above current major customer demand level which customers are willing to pay for the product.

### **2.3 Value Innovation**

The cost of business operation are able to reduce by seeking the different type of customer needs by value innovation. Also, innovation is essential for value innovation concept because value innovation aims to create less competitive market.

Therefore innovation is important as increasing customer satisfaction. The point of value innovation is achievement of not only differentiation but reducing the cost as well.

### **2.4 Revolutionary Innovation**

Revolutionary innovation is defined as the creating innovation with disclosed technologies. Using existing technologies are mentioned in introduced three types of innovation. But revolutionary innovation concept is based on using new technologies.

The products produced by disclosed technologies are not expected from the customers. So, organizations are not able to ask customers about the needs. Also, it is difficult for customers to imagine the benefit such as new lifestyle offered by the new products. The benefit from revolutionary innovation is more than just a product. The revolutionary innovation offers the convenient new lifestyle to customers.

### **2.5 Summary**

Disruptive innovation and sustaining innovation focus on product quality. And, value innovation focus on customer value, and reducing cost of business operation. To create revolutionary innovation, technology is the most important element. By using disclosed technology, organization could offer the convenient new lifestyle to customers. In this paper, existing four types of innovation are categorized and restated. Introduced four types of innovation are listed in Table 1.

Table 1 Major Innovation Concept

	<b>Characteristic of Innovations</b>
<b>Disruptive Innovation</b>	Reducing product performance.
<b>Sustaining Innovation</b>	Upgrading product performance.
<b>Value Innovation</b>	Reducing cost and increase customer satisfaction.
<b>Revolutionary Innovation</b>	Offering the new convenient lifestyle.

### **3. Innovation and Customer Needs**

Disruptive, sustaining, and value innovation are different from revolutionary innovation. The large difference is the way that organization creates innovation based on customer needs, or not. It is difficult for revolutionary innovation to adapt to customer needs, because customers are not able to imagine the new products with disclosed technologies.

In this section, four types of innovation concept are considered from customer needs.

#### **3.1 Customer Needs**

In the case of disruptive innovation approaches, the customers are not willing to pay more for the product purchase. And, sustaining innovation approaches fill customers' expects. In a similar way, value innovation is based on customer needs, because analyzing customer's benefit is necessary to create value. And, the target market and product quality demanded from customers must be analyzed.

Therefore, above three types of innovation are based on customer needs.

#### **3.2 Organizations and Customers**

The revolutionary innovation is able to create new customer needs. In contrast, Kotler (2006) explains that organization's marketing activities do not create needs, and customer needs exists before organizations generate the new products.

In this paper, revolutionary innovation is defined as a satisfying customer needs which the customer has not identified.

### 3.3 Summary

Innovation concepts based on customer needs are compared with innovation concepts not based on customer needs. There is a difference as viewed from the perspective of organizations. But customers' purpose of using the products is not change. Therefore, there is not a difference viewed from the customers.

In this section, innovation concepts based on customer needs are defined as approaching customers' purpose on incremental technology changes. And revolutionary innovation is defined as approaching customers' purpose on discontinuous technology changes. In higher technological society, approaching on discontinuous technology change is important, also. Since the organizations created the new products for the market with new technologies, customers are not able to know how convenient to use the new products.

### 4. New approach of Innovation Concept

Every innovation concept indicates that organizations should find out target customers of the products and satisfy the customers' purpose. Therefore, three types of innovation concept are defined and introduced in this paper. The concepts are listed in Table 2. They are "major market innovation", "new market innovation", and "new technology market innovation".

Major market means a currently succeeded market which the organization has targeted already. And new market means that the market has been newly targeted by the organization.

Major market innovation is similar in meaning of sustaining innovation. New market innovation is defined as creating products and enterprise including basic performance wanted by new customers. New technology innovation is defined as improving the convenience of products with new technologies. Therefore, new technology innovation could develop major and new market.

Table 2 New Innovation Concept

	<b>Requested Specification</b>
<b>Major market innovation</b>	Enhancing performance for the lucrative customers.
<b>New market innovation</b>	Basic performance for new customers.
<b>New technology innovation</b>	Improving the convenience of products for major and new customers.

#### **4.1 Value Creation and delivering**

Every innovation should satisfy the customers' purpose of target market. "Incremental value creation" means enhancing the value of new products in a similar way to previous and current products. And, "radical value creation" means enhancing the value of new products in a different way to previous products.

Major market innovation builds value for the currently existing major market. New market innovation creates new market and offers new or different value for new customers. New technology innovation is suggestion of a way that customers work out their purpose by new technology.

This section discusses the ways of selection of innovation types by the target market characteristics.

#### **4.2 Major Market Innovation**

Major market innovation is essential to making a stable profit, because major market innovation targets higher-margin and more stable markets than other innovations target. But, the organizations should not offer higher performance products than the customers' desire.

#### **4.3 New Market Innovation**

In comparison with major market innovation, new market innovation does not achieve a stable profit. But new market innovation does not always need to create increased quality products. If new market innovation becomes successful, the organizations seek a way out of existing competition.

#### **4.4 New Technology Innovation**

Since a new approach to create radically new products, there is no promise that the product earned a high rate of return. And, customers may take a few years to accept the new product.

If new technology innovation becomes successful, new technology innovation could make a better profit than other innovation types, and the organization could enter into less-competitive market.

#### **4.5 Summary**

Advantages and disadvantages of three types of innovation concept are indicated. The suggested concept could be one of the guideline to select innovation types. Furthermore, corporate resources and corporate policy are strong contributor to selecting innovations.

Organizations should take advantage of three types of innovation by selecting the concept. Because every innovation has some kinds of risks, always refine the innovation types. New technology innovation has a lot of attractions. But the advantage of existing business is also important key for the innovation.

## **5. Conclusion**

In this paper, the necessity of strategic selection of target market and innovation type is defined. Also the major points of existing innovation concepts are summarized. Then, new concepts are defined. This paper adopts new innovation concepts to target market. Organizations should analyze customers' purpose and consider how to satisfy customers' purpose.

## **Reference**

Christensen, C., *The innovator's Dilemma*, Harvard Business School Press, 1997.

Christensen, C., and Raynor, M.(2003). *The Innovator's Solution: Creating and Sustaining Successful Growth*, Harvard Business School Press.

Kim, W., and Mauborgne, R.(2005). *Blue Ocean Strategy: How To Create Uncontested Market Space and Make The Competition Irrelevant*, Harvard Business School Press.

Kotler, P., and Keller, L. K. (2006).*Marketing Management 12th ed.*, Prentice Hall.