**BBA, 2ND SEMESTER**

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**INTRODUCTION**

For many years, researchers have espoused the positive economic role that innovation has on firm performance. Product innovations reap competitive advantage benefits through differentiation while production process innovations increase efficiency of manufacturing operations and decrease associated production costs. While each exerts a positive influence on firm performance, the synergistic effect of the two provides the greatest competitive advantage (Kotabe and Murray 1990). The overwhelming majority of research in innovation has been with respect to product innovation, followed by production process innovation. While some research imparts insight into other areas of innovation, particularly organizational or administrative innovation (cf. Damanpour 1996), there continues to be a paucity of research that scrutinizes innovation outside the conventional context of product or process, yet many recognize the existence of these non-conventional innovations as being crucial to sustainable competitive advantage and should be a critical element of any firm’s innovation strategy. In 1960, Theodore Levitt wrote a ground-breaking conceptual article on marketing innovation, expounding the necessity and presence of this type of innovation for increasing firm performance. Regardless of the apparent positive influence of marketing innovation, he observed that firms traditionally focus on product innovations and production process innovations. He stated, “But while management is enthusiastically aware of the profit possibilities of creating entirely new and novel product and production processes, it acts strangely unaware of the profit possibilities of creating new customer value satisfactions through entirely new and novel marketing schemes” (Levitt 1960, p.2). He discerned that organizations either completely ignore marketing innovations, develop such innovations on a “hit-or-miss basis,” or they materialize by accident, frequently as cross-overs from other industries.

3Similar can be said of academia where the research focus, for more than a half of century, was on product innovation, its antecedents and consequences, followed by production process innovations. More recently, researchers are finding this approach incomplete and superficial, arguing that innovation success lies in the marketplace (Lin and Chen, 2007), suggesting that firms must extend beyond the reach of product innovations. For academia, a multidimensional approach must be taken when studying innovation and its implications for firm performance and sustained competitive advantage. This conceptual study attempts to fill the gap by introducing marketing innovation as another dimension of innovation that warrants extensive analysis. Specifically, this research promotes a dialogue on the implications of marketing innovation on sustained competitive advantage by addressing the following key questions: 1) what is marketing innovation and at what frequencies should it occur for each stage of the industry life cycle? 2) What are the consequences of marketing innovation on firm performance and sustained competitive advantage? Lastly, as sustainability efforts have entered the strategic business arena, the author discusses the implications of innovation in sustainability on firm performance and sustained competitive advantage.

**CONCLUSION**

This study introduced marketing innovation as another innovation vehicle critical for corporate success. With empirical research, the author hopes to provide the academic world, as well as marketing managers and practitioners, relevant and practical guidance in increasing initial competitive advantage, in sustaining competitive advantage, and improving overall firm performance based on prudent development of marketing innovation. Sustainability is gradually coming to the forefront of new innovation directions and will increasingly be a significant part of company strategy in the future.