

FACTORS IN INTRODUCING MARKETING INNOVATIONS IN THE ACTIVITY OF THE COMPANIES FROM THE SOUTH BULGARIA

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Abstract: *This report will present the results of a survey conducted among 150 companies from the Southwestern and Southeastern region of Bulgaria to evaluate the importance of the factors for the introduction of marketing innovations in the activity: 1. changes in the design and packaging of a product or service; 2. new methods and techniques for product promotion; 3. new methods for positioning products on the market or entering new sales channels; 4. new methods for pricing of goods or services and establishing the state of the factors in introducing innovations in products and services for the companies in the sample.*

Key words: *SME, marketing innovations, factors*

Introduction

The research was done within the activities of the project „Indexing the Regional Innovative Levels in the Sectors of the Economy (IRISI) – scenario for the identified in the ISSS four priority thematic areas for smart specialization and their positioning towards the circular economy” under National Scientific Fund of the Ministry of Education. The aim of the project is to provide a model for indexing the innovation activity of the companies at national (macro level) and regional level (micro level in two regions), depending on their sectoral affiliation (under NACE). In addition, establishing inconsistencies analysis to the already identified priority thematic areas at the end of the implementation period of the Integrated Intelligent Specialization Strategy (ISIS). The main research thesis is that a new model of indexing of the innovation activity of business units and their regional concentration should be set. It should not only correspond to the available capacities and assets but also to the specific advantages of a circular economy. For this purpose, a survey was conducted in order to collect primary empirical information for innovation processes and results in Bulgarian SMEs based on the examined regions. The particular goal was to analyse and evaluate the present state of SME’s innovation capacity by examination of available data for economic state of Bulgarian companies.

The Organization for Economic Co-operation and Development and the European Commission in the Innovation Information Collection and Interpretation Directive defines the concept of innovation as follows: „Innovation is the introduction of a new or significantly improved product (good or service) or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations” [1].

As the innovation capacity is among the key elements of the companies’ market success [3], the paper examines the correlation between various strategic innovation success factors on SME’s marketing activity. Marketing innovations are aimed at better meeting customer needs, opening new markets, or new positioning of the company’s product on the market, in order to increase the company’s sales. The research approach is based on the statistical methods application in processing and analysis of empirical



information. The data is provided to the authors from a previous project stage of the activity WP 1, including field research on 150 business entities from Southeast and Southwest regions in Bulgaria and examining their behaviour, management and innovation activities.

Objectives and methods of the research

In 2019, a survey was conducted among employees and management representatives of 150 companies from the Southwestern and Southeastern region of Bulgaria based on closed-ended questionnaire, available online to the users, in order to assess the innovative activity of companies.

The present paper presents results of a study with the following purposes:

1. determining the significance of the surveyed factors for introducing marketing innovations (changes in the design and packaging of a product or service, new methods and techniques for product promotion, new methods for market positioning of products or entering new sales channels, new methods for pricing goods or services);
2. establishing the status of the factors when introducing innovations in products and services for the surveyed enterprises;
3. assessing their impact.

The research approach is based on the use of statistical methods and specialized software for processing and analysis of empirical information from the survey provided to the authors.

The answers of the respondents for noting their opinion on the influence of a relevant factor are rated with the five-point Likert scale (1 is „Definitely no“ and the highest – „Definitely yes“). Usually, this type of scale is treated as interval, but there are researchers who consider it as ordinal. In the present study of the association between subjective assessments, these data are considered ordinal. Factors of marketing innovations in the company activity covered in the survey are twenty-one elements divided into seven groups as shown in Table 1.

Focus on the customer	<ul style="list-style-type: none"> • q9.1.1. Understanding customer needs; • q9.1.2. Clear goals for customer satisfaction; • q9.1.3. Measurement customer satisfaction;
Competitive orientation	<ul style="list-style-type: none"> • q9.2.4. Quickly submission information from sales staff about competitive actions; • q9.2.5. Quick reaction in response to the actions of the competitors; • q9.2.6. Discussion of competitive strategies by managers;
Commitment to learning	<ul style="list-style-type: none"> • q9.3.7. The ability of employees to learn; • q9.3.8. Employee training as an investment; • q9.3.9. Employee training as a top priority;
Shared vision	<ul style="list-style-type: none"> • q9.4.10. Divided management of the company between levels, functions and departments; • q9.4.11. Employees perceived as partners; • q9.4.12. Sharing the direction of the company’s development;
Openness to ideas	<ul style="list-style-type: none"> • q9.5.13. Encouraging employees to think outside the box; • q9.5.14. Encouraging additional work on innovation; • q9.5.15. High score for original ideas;
Entrepreneurial orientation	<ul style="list-style-type: none"> • q9.6.16. Taking a risk; • q9.6.17. Performing strategic planning activities; • q9.6.18. Identify new opportunities;
Strategic focus on innovation	<ul style="list-style-type: none"> • q9.7.19. Traditions in doing business as a basis for strategy; • q9.7.20. Providing new products / services to customers; • q9.7.21. Industry change.

Table 1. Factors of marketing innovations in the activity

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It should be mentioned that when an ordinal scale is used, the respondents' answers only mean the comparison between the categories and therefore mode is used as a measure of the central trend. Table 2 presents the mode values of the survey questions from q9.1.1 to q9.7.21. The results show that the respondents most often selected the answers „Rather yes“ and „Definitely yes“.

Mode	Questions
4 (Rather yes)	q9.3.7, q9.4.10, q9.4.12, q9.5.13, q9.6.17
5 (Definitely yes)	q9.1.1, q9.1.2, q9.1.3, q9.2.4, q9.2.5, q9.2.6, q9.3.8, q9.3.9, q9.4.11, q9.5.14, q9.5.15, q9.6.16, q9.6.18, q9.7.19, q9.7.20, q9.7.21

Table 2. Mode of the survey questions

In the proposals of the respondent's questionnaire, four questions determine whether the following marketing innovations have been introduced in the enterprise in the last two years: changes in the design and packaging of a product or service (q6.1.A), new methods and techniques for product promotion (q6.1.B), new methods for market positioning of products or entering new sales channels (q6.2.A), new methods for pricing goods or services (q6.2.B). The questions suggest data obtained within a dichotomous nominal scale.

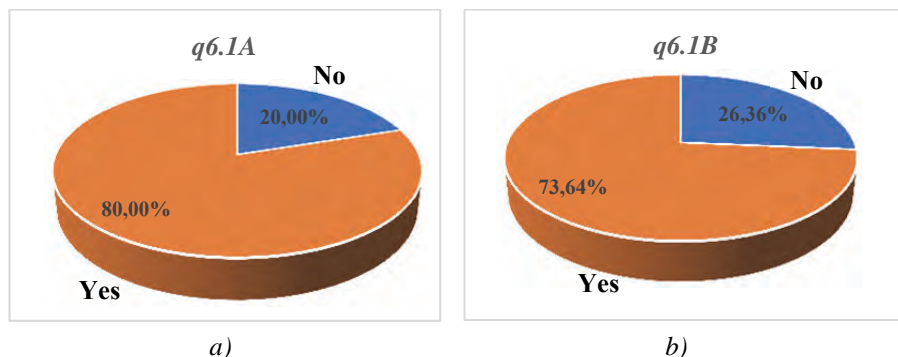


Figure 1. Percentage of enterprises introduced / did not introduce innovations
a) in the design and packaging of a product or service;
b) new methods and techniques for product promotion

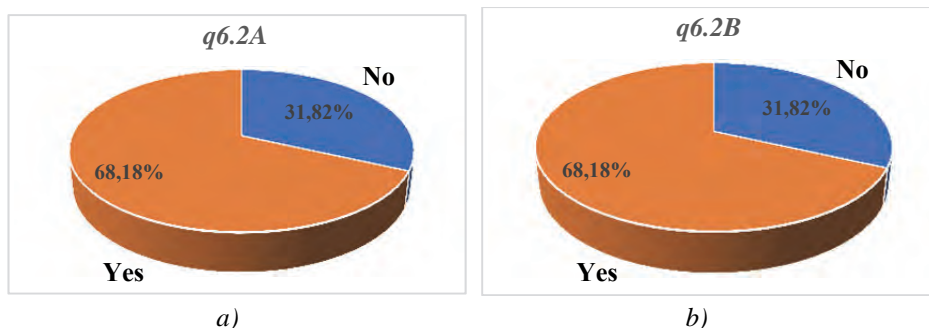


Figure 2. Percentage of companies introduced / did not introduce
a) new methods for market positioning of products or entering new sales channels;
b) new methods for pricing goods or services



The diagram in fig. 1 a) presents the proportional division of the enterprises according to the respondents in relation to the innovations introduction in the product / service design and packaging. It shows that about 20% of enterprises have not introduced such innovations. The diagram in fig. 1 b) presents the relative share of enterprises that have introduced new methods and techniques for product promotion in the last two years, and it shows that these are about 74% of the enterprises in the sample.

The diagram in Figure 2 a) shows that 68% of the sampled enterprises have introduced new methods for market positioning of products or entering new sales channels in the last two years.

The question q6.1.D for introducing new methods for pricing goods or services suggested answers „Yes“ and „No“. The results are presented in fig. 2 b).

Main results

Cramer's V coefficient is a measure for the strength of an association between two categorical variables based on chi-square. It is calculated as

$$V = \sqrt{\frac{\chi^2}{n \cdot \min(r - 1, c - 1)'}}$$

where r = number of rows and c = number of columns in the contingency table. Its values vary from 0 - maximal independence to 1 - maximal correlation and their interpretation is given in Table 3 ([2,4]).

Cramer's V	Interpretation
0.41-1.00	Significantly High (strong) association
0.36-0.40	Very High (strong) association
0.31-0.35	High (strong) association
0.26-0.30	Moderately High association
0.21-0.25	Moderate association
0.11-0.20	Weak association
0.00-0.10	Very Weak association

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Table 3. Interpretation of Cramer's V

	Cramér's V			
	q6.1.A	q6.1.B	q6.2.A	q6.2.B
q9.1.1	0.1619	0.1658	0.3246	0.2192
q9.1.2	0.1279	0.1659	0.3163	0.1770
q9.1.3	0.1738	0.2849	0.3790	0.2276
q9.2.4	0.2597	0.3486	0.3938	0.2852
q9.2.5	0.2705	0.3421	0.3494	0.3370
q9.2.6	0.2605	0.4125	0.4871	0.2847
q9.3.7	0.3333	0.2941	0.4182	0.2791
q9.3.8	0.2648	0.3479	0.4007	0.3091
q9.3.9	0.3039	0.2959	0.4527	0.3145
q9.4.10	0.1919	0.2156	0.3069	0.2622
q9.4.11	0.1511	0.3488	0.3161	0.3175
q9.4.12	0.1608	0.2518	0.3454	0.2016
q9.5.13	0.2496	0.2214	0.3280	0.2244
q9.5.14	0.1968	0.2941	0.3331	0.2585
q9.5.15	0.2334	0.2306	0.3000	0.2320
q9.6.16	0.0694	0.2902	0.4288	0.3358
q9.6.17	0.2246	0.3057	0.3334	0.3098
q9.6.18	0.2578	0.2801	0.3899	0.2981
q9.7.19	0.2845	0.3061	0.3658	0.2992
q9.7.20	0.2964	0.3681	0.4901	0.2835
q9.7.21	0.3679	0.3844	0.4901	0.3778

Table 4. Values of Cramer's V

From Table 4 it can be argued that there is a very high association between introducing innovations in the design and packaging of a product or service and one factor from the last group factors „The strategic focus on innovation“: q9.7.21. The industry change. Also, this marketing innovation has a high association with factor q9.3.7. The ability of employees to learn. It could be assumed there’s no dominant factor, determining it in surveyed SMEs, but a set of factors, influencing innovation process.

The introduction new methods and techniques for product promotion is most significantly influenced by the factor q9.2.6. Discussion of competitive strategies by managers. There is a very high association between it and the following two factors: q9.7.20. Providing new products / services to customers and q9.7.21. Industry change.

Again, the factors q9.7.20 and q9.7.21 turn out significant factors for enterprises when they introduce new methods for market positioning of products or entering new sales channels. From the values of the Cramer coefficient, it can be seen that the following factors are also significant: q9.2.6. Discussion of competitive strategies by managers;



q9.3.7. The ability of employees to learn; q9.3.8. Employee training as an investment; q9.3.9. Employee training as a top priority; q9.6.16. Taking a risk. Also, this marketing innovation has a high association with the factors: q9.1.3. Measurement customer satisfaction; q9.2.4. Quickly submission information from sales staff about competitive actions; q9.6.18. Identify new opportunities and q9.7.19. Traditions in doing business as a basis for strategy.

When enterprises introduce new methods for pricing goods or services, the important factor turns out q9.7.21. Industry change. It could be assumed there's no dominant factor, determining this marketing innovation in surveyed SMEs, but a set of factors, influencing innovation process.

Conclusion

Small and medium-sized enterprises are an important part of country's economy since they are about 95% of companies in Bulgaria. This makes SME responsible for stimulating innovation and competition in many economic sectors. The innovative potential is associated with the ability of companies to design and launch a new or untapped product / service, the ability to conquer new markets. But the introduction of innovation is a complex and difficult process in today's changing world, so it is important to identify some strategic factors for the success of innovation. This report presents some significant factors for the introduction of marketing innovations in SMEs from Southern Bulgaria, obtained as a result of analysis of data from a study.

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