Innovation through the prism of companies using direct marketing. An empirical example from Bulgaria

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Abstract

The current article presents empirical results on the frequency and type of innovations applied by companies in Bulgaria that are using direct marketing. The research is provoked by the dynamic and changing nature of direct marketing. As one of the main characteristics of direct marketing is the absence of intermediaries, the companies should constantly develop their knowledge and competences so they can improve their contact and communication with their customers in order to apply correctly and profitably the three approaches associated with direct marketing. They are: the personalization in dealing with customers, the establishment of long-term relationships and the generation of customer’s loyalty, and they happen through different media. An appropriate application of these approaches requires collection, record and analysis of information which is being more and more executed as an automated process. The different and new types of media, in turn, require methods and understanding that further develop or eliminate existing practices, beliefs, and technologies. In this context, a theoretical analysis of innovations is being first conducted. After having a structured division of innovations by their types a brief questionnaire is being developed. As a result, the report summarizes the intersections of the theory with the established practice in 97 companies in Bulgaria.

Keywords: Direct Marketing, Innovation, Bulgaria.

Introduction

According to OCDE a company can be considered innovative if it has implemented any sort of innovation in the same period it has previously defined for this purpose (OCDE, 2005). Innovation, in its general sense, is associated with the change and transformation of the current state of something. It finds its manifestations in new ideas, new products, new processes. The goals that have been set before the innovation can be diverse - improvement of the current conditions, increase of competitiveness, savings in terms of finance, time, human resources, as well as adapting to the new reality. On the other hand, the direct marketing approach is a concept, which is associated with the direct reach and communication with consumers without an intermediary and its main goal is to provoke a reaction. This reaction could most often be in the form of a purchase or inquiry. Direct marketers reach consumers through a variety of media, such as traditional postal mail, television, radio, Internet, and based on the recording, storage and analysis of data from the relationships with them. Getting acquainted with the various types of media and the optimization of process analysis requires the introduction of innovation - as technologies, processes and interpretations of existing concepts.
Material and methods

Innovation is often associated with the market orientation of the company. This is due to the fact that market orientation contributes to the development of an innovative culture, which is reflected on the achieved results of the company (Han, J., Kim, N. and Srivastava, R, 1998). Koli and Jaworski (1990) perceive market orientation as “the organization-wide generation of market intelligence, dissemination of the intelligence across departments and organization-wide responsiveness to it”. Narver and Slater (1990) analyze market orientation in terms of a process consisting of user orientation (relating to the provision of additional value to the consumer), orientation to competitors (through the understanding of the strengths and weaknesses of competitors, and assessing the company’s long-term capabilities against its main potential competitors) and coordination between departments (with an emphasis on recognizing the benefits of cooperation between departments to create added value). Market orientation is also considered to be a set of management decisions, even “guiding behavior and action that turns philosophy into a business strategy” (Tuominen and Moller, 1996).

Results and discussion

Innovation can be grouped depending on its range and expression, and thus is being distinguished as internal and external. Internal innovation is associated with new and useful for the company administrative processes, organizational structures and production technologies that have been introduced. External innovations are most often expressed through the company’s products and services. In the past company innovation is often associated with their external manifestations - the products or services offered on the market. This is way the beneficial link between market orientation and product innovation has been proven numerous times (Wei, Y. and Atuahene-Gima, K., (2009), Sandvik, I.L.& Sandvik, (2003)). But the scientific interest is increasingly focused on the association of innovation with new processes and new types of organizational structures within a company. This is a direct confirmation of the importance of internal innovation, and this is why innovation is not limited to the new products’ development (Han, J., Kim, N. and Srivastava, R, (1998). Damanpur (1991) distinguishes between two types of innovation: administrative and technological. The first concerns the organizational structure and administrative processes and technological innovation refers to products, services and manufacturing process. This allows us to associate the administrative innovation with internal, and the technology one as external innovations. In addition, innovations are perceived as a result of the knowledge transformed through a range of available competences (Ozkaya, H., Droge, C., Hult, G., Calantone, R. and Ozkaya, E., (2015). These competences are called "skills" (Li, Tiger, & Calantone, Roger J. (1998)) and are grouped into several groups:

- ability to know the competitors;
- ability to know the customers;
- ability to coordinate marketing activities;
- ability to coordinate research and development.

In this way the grouped skills form one main category – the ability to know the market. This report offers a graphical representation of the process of forming innovation.

Figure 1 Innovation creation process
(Source: author’s interpretation)

Innovations could also be classified according to the source of information creation, or in other words – formal and informal. For Taminiau,
Smith, and Leng (2009), formal knowledge and its sharing are all the resources, services, and activities created and developed by the company or organized by the company that aid the sharing of knowledge and exchange of information and best practices. The informal knowledge can be associated with each sharing of information, which exists alongside established forms of sharing knowledge, that is used to facilitate the exchange of information without explicitly being designed for this purpose. Some authors (Freitas, I., Clausen, T., Fontana, R. and Verspagen, B., 2010) share the view that the complexity of innovation activity requires precisely the combination of informal and formal sources of information, although this concept requires additional research.

**Frequency and type of innovations implemented by companies that use direct marketing in Bulgaria. Empirical data. Methods, results and discussion.**

An empirical study conducted at the end of 2018 (Mihaylova, 2018) aims to examine what types of innovations are important for companies that use direct marketing and how often they introduce innovations. The sample size is 97 companies operating on the Bulgarian market. Most of the respondents fall into the sector "Information and creative products, telecommunications" - 18.95%, a large percentage of companies using direct marketing is observed in the sector "Financial and insurance activities". Detailed data are presented in Table 1.

**Distribution of the sample by sectors in which the companies using direct marketing operate in %**

| Sector                                      | Percentage |
|---------------------------------------------|------------|
| Transportation                              | 6.32%      |
| Healthcare                                  | 7.37%      |
| Maintenance and repair                      | 1.05%      |
| Education                                   | 2.11%      |
| Hotels and restaurants                      | 11.58%     |
| Information and creative products, telecommunications | 18.95% |
| Administrative activities                   | 4.21%      |
| Financial and insurance activities          | 12.63%     |
| Culture, sport and entertainment            | 5.26%      |
| Real estate                                 | 7.37%      |

Table 1: Distribution of the sample by sectors in which the companies using direct marketing operate in (%)

In order to analyze the importance of administrative and technological innovations, respondents were asked the following question:

**Which innovation do you define as the most important for your business? Select only 1 answer.**

a. Purchase and implementation of new software and work management programs
b. Introduction of new techniques and methods related to the administrative structure of the company
c. Purchase and use new technologies related to the production cycle

![Diagram 1: Distribution of the type of innovations introduced (in%)](source: Own diagram, based on own research)

From the results obtained, it could be concluded that there is a certain balance between administrative and technological innovation. As administrative innovations can be considered both in the form of embedded software and as such affecting the administrative structure, the purpose of the question, divided in this way, is to obtain more detailed information and to facilitate respondents' understanding as much as possible. An explanation in the answers received could be found in the predominant percentage of respondents from the sectors "Information and creative products, telecommunications" and "Financial and insurance activities", where administrative innovation is associated with the implementation and development of software and programs. The survey aims to obtain information on the data and frequency of innovation. The following question is asked in this regard:
When was the last time you introduced or implemented something new in your company?

a. This year
b. Last year
c. Two years ago or more

Diagram 2: Distribution of frequency in innovation (in%)
Source: Own diagram, based on own research

“Two years or more” is the most selected period for the implementation of innovations. This could be interpreted from two aspects. The first, and the positive one, comes down to the fact that companies are aware of the importance of innovations in their activities and therefore devote time and resources to their research, development and application. The application of innovation is defined as “the transition period during which targeted organizational members ideally become increasingly skillful, consistent, and committed in their use of an innovation. Implementation is the critical gateway between the decision to adopt the innovation and the routine use of the innovation within an organization” (Klein & Sorra, (1996), p. 1057). Assuming that in that period, these activities were included, it would be interpreted as a reasonable amount of time. In addition, the specificity of sectors such as “Information and Creative Products, telecommunications and "Financial and Insurance Activities", where a new software application or a new financial product is developed in collaboration with many departments, requires a test period as well as preliminary studies.

This may not be the case if we refract through the prism of the negative aspect of the interpretation. We should not ignore the dynamics of what has been happening lately. The modern world and business, respectively, operate quickly and are trying to react in a timely manner and maintain the competitive position. In this context, a period longer than 2 years for innovation puts the company at a disadvantage. Given the high percentage (11.58%) of respondents from the hotel and restaurant sector, such a large period may be an indicator of a lack of understanding of the diverse form and manifestation that an innovation can take. Innovation is not always time and resource consuming and the administrative innovation, which is usually associated with the processes, could take significantly less time and resources. In addition, we state that regular and small-scale administrative innovations lead to maintaining the innovational rhythm, if planning large-scale and technological innovations is done in a structured and timely manner.

Conclusions

This report sets out the different classifications of innovations, their nature and manifestations. It presents also the frequency and types of innovations implemented by companies in Bulgaria that use direct marketing. The results show a comparative balance between technological and administrative innovations, but also a long period of implementation of innovations in the business, which in most cases slows down the degree of response in the turbulent environment in which they operate. In order to improve the understanding of innovations and their diverse manifestations, a study, collecting data on the detailed type of innovations introduced and the reason for their introduction (user feedback, formal or informal source of knowledge), could be conducted.
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