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Identification of Innovative Marketing Strategies to Increase the Performance of SMEs in Iran

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ABSTRACT

The changing of today's marketplace makes businesses to adopt innovative approaches and new resources to rely on in this situation. In order to competing in global markets, organizations should move to lower production costs, higher qualities and short product lifecycle that lead into higher customer satisfaction. Marketing methods, especially those were used traditionally as a blueprint in business activities are gradually fading from markets and innovative methods. In this paper, using a mixed method research, we studied 116 small and medium-sized firms (SME's) of Iranian East Azerbaijan province's food industry. We identified four groups of innovative marketing methods based on product, price, place and promotion based strategies, which product and promotion have meaningful effect on innovative marketing strategies. Results also indicate that the impact of marketing strategies on innovative is through entrepreneurial orientation of firms. Consequently, the study revealed that the entrepreneurial orientation affect firm's performance via innovativeness.

Keywords: Marketing, Innovativeness, Innovative Strategy, Food Industry

INTRODUCTION

Nowadays organizations and companies have understood that the need for thinking and innovative ideas in administrative structures is critical, since growth, improvement and even the survival of organizations depends on the application of modern innovation. If organizations and their managers want to survive and be successful in the long run, they must be innovative and continually adapt themselves to the new situations. But there is a question among entrepreneurship researchers that is why some small business with innovative marketing can become medium and large companies but others unable. On the other hand, to the best authors' knowledge, there are no academic publications enabling to address the mentioned concerns of Iranian firms. In this way, the status of marketing innovation in Iranian companies and organizations should be investigated. Considering the current business world, the basis of competition and gaining competitive advantage is founded on having innovative strategy based on strategic entrepreneurship, in this research the best strategies for marketing innovation in entrepreneurial firms is identified and studied and for this purpose one successful industry that is the food industry in East Azerbaijan Province of Iran has been selected.

LITERATURE REVIEW

The impact of innovative marketing strategies on competitive advantage and business performance make organizations try to match their strategies with innovative approaches and innovative changes in the marketing mix (place, product, promotion and price) to achieve their strategy (Stokes & Wilson, 2010). In addition to helping the organization to be sustain and gain competitive advantage,

innovative marketing techniques also cause positive rating in organization and help them while economic crisis. According to researches, while economic crisis, typical marketing strategies and 4 basic factors of marketing mix should be changed to increase the benefits, income and sale and also it is suggested that as an innovative method, organizations concentrate on their positive points (Köksal & Özgül, 2007). So it can be stated that innovative marketing strategies, in the form of marketing mix (product, price, place and sales promotion activities) affect the processes and business. Besides what was mentioned, variable determining the marketing activities of businesses is innovative. Rhee and colleagues (2010) concluded that market orientation and entrepreneurial orientation have a positive impact on innovativeness of firm through learning orientation. The final conclusion of this study is that, business performance is determined via innovativeness (Rhee, Park, & Lee, 2010). Since in mentioned study, performance is measured based on growth, market share and profitability, marketing is the main issue in business performance and innovation with significant influence is main subject in determining business strategy. Moreover, in some studies the relationship between entrepreneurial orientation (Lumpkin & Dess, 1996), market orientation (Jaworski & Kohli, 1993; Narver & Slater, 1990), and learning orientation (Narver & Slater, 1990; Sinkula, 1994) have been considered. However, the linkage between learning orientation, innovativeness, and performance has been centered in studies done by Akgün, Keskin, Byrne, and Aren (2007) and Calantone, Cavusgil, and Zhao (2002). Beside mentioned studies, many theoretical and experimental studies have suggested that achieving competitive advantage is mainly a function of leadership in innovative activities (Geroski & Geroski, 1995; Lengnick-Hall, 1992; Narayanan, 2000). This competitive advantage is gained through access to assets that support business activities and will be granted by pioneers. Market followers are often faced with many obstacles. Innovation is key factor in entrepreneurial activities and businesses with high degree of innovativeness have better performance (Thornhill, 2006). For example the success of Japanese automotive businesses in the late twentieth century was mostly due to the innovative process. Innovation in business is a useful strategy to achieve competitive advantage in firms that lead to achieve better performance. So it can be stated that small and medium businesses that are successful in the innovative process, will increase their chances of survival and growth and will generally pose better performance (Hassim, Asmat-Nizam, & Bakar, 2011). Among studied which support the positive relationship between innovativeness and business performance, the one conducted by (Klomp & Van Leeuwen, 2001) shows that in addition to the positive impact of innovation on business performance, overall business performance also has feedback effects on innovative business activities. Thus the higher performance of the business will increase innovative business activities (Klomp & Van Leeuwen, 2001). Researchers agree on this point that entrepreneurial orientation is combination of the three aspects: being innovative, pro-activeness and risk-taking (Hult, Hurley, & Knight, 2004). Organizations with high level of entrepreneurial orientations are more likely to move toward new opportunities. It seems that entrepreneurial orientation is effective on business performance. Innovative businesses which introduce new products and technologies to the market can reach to great financial benefits and also can enjoy the benefits which are devoted to market pioneers. They can enjoy good target markets and perform in a better way against competitors. On the other hand, the outdated strategy can lead to the average performance (Wiklund & Shepherd, 2003). According to the mentioned concepts it can be clearly expressed that entrepreneurial orientation through innovativeness, can affect the business performance. So based on the literature review the research conceptual model was offered in Figure 1.

Figure. 1 Conceptual model of research

RESEARCH HYPOTHESIS

The following hypotheses were also tested in this paper:

H1:The strategies in terms of product will positively influence innovative marketing strategies.

H2:The strategies in terms of pricing will positively influence innovative marketing strategies.

H3:The strategies in terms of place will positively influence innovative marketing strategies.

H4:The strategies in terms of place will positively influence innovative marketing strategies.

H5:Innovative marketing strategies will positively influence entrepreneurial orientation.

H6: Entrepreneurial orientation will positively influence innovativeness.

H7: Innovativeness will positively influence performance.

METHODOLOGY

Sampling

According to the number of small and medium sized food firms in East Azarbaijan province (558 firms), Cochran formula was used for sampling and finally 116 firms have been studied. As shown in Table 1, in line with the activities of firms participating in this study, the most common businesses are in the group of five to ten years working

experience. These firms, including 37 companies (31.9% of the total sample) had the lowest prevalence among others with more than twenty-five years working experience (4 companies or 3.4% of total sample). Additionally, in terms of organizational status of respondents, among the 116 participants in this study, 58 persons are Sales Manager of firms (or in other words, 50%) with the highest frequency in comparison with other organizational status. On the other hand, the lowest rates among the participants are the experts (20.7 %), which are presented in detail in Table 1. Based on Table 1, in related to the education level of participants, maximum frequency is allocated to the people who have a bachelor's degree (67 cases or 57.8%). The minimum frequency goes to individuals with PhD degrees and above (3 people or in other words, 2.6%). In the case of our study, individuals in groups of five to ten years of working experience, with groups of people who have ten to fifteen years of work experience, have the highest frequency (37 persons or 31.9 % in both groups with overall frequency of 63.8 % of the total sample). The lowest frequency belongs to people who have twenty to twenty-five year experience. Meanwhile, for a group of managers who have worked more than twenty-five years, the frequency was set to zero.

Table.1 Sample characteristics

	Characteristic	Frequency	Percentage
Firms' activities	Less than 5 years	32	27.6
	5-10 years	37	31.9
	10-15 years	23	19.8
	15-20 years	14	12.1
	20-25 years	6	5.2
	More than 25 years	4	3.4
Job category	Managing director	34	29.3
	Director	58	50
	Expert	24	20.7
Education	Diploma and Lower	7	6
	Associate degree	8	6.9
	Bachelor	67	57.8
	Master	31	26.7
	PhD and higher	3	2.6
Work experience	Less than 5 years	18	15.5
	5-10 years	37	31.9
	10-15 years	37	31.9
	15-20 years	15	12.9
	20-25 years	9	7.8

RESEARCH DESIGN

In this study, based on exploratory sequential mixed method (qualitative -quantitative) required data for analyzing the results for both phases are collected. In qualitative approach, according to the relevant literature, the semi structured interview was applied. Then the results of an interview with 8 experts of food industry in East Azerbaijan have been coded through an open and axial approach. Subsequently, the extracted concepts have constructed some questionnaire items. So, in the second phase (quantitative approach) the questionnaires were distributed into participants. Technical characteristics of measuring instruments (questionnaire) are presented in the following table:

Table. 2 Technical characteristics of measuring instrument

Constructs	AVE	Composite Reliability	Cronbach's Alpha
Products	0.67	0.91	0.87
Price	0.69	0.87	0.79
Place	0.73	0.85	0.63
Promotion	0.75	0.92	0.88
Innovative marketing strategies	0.63	0.90	0.87
Entrepreneurial orientation	0.54	0.81	0.84
Innovativeness	0.66	0.91	0.88
Performance	0.69	0.93	0.91

Average Variance Extracted (AVE) for all research constructs is higher than 0.5 and their validity are confirmed. On the other hand Composite Reliability of constructs is above 0.7 and Cronbach's alpha for all of them are more than 0.6 which confirms the reliability of all constructs. To test the normal or non-normal distribution of research variables, Kolmogorov Smirnov test is used and for determining the differences between the variables Friedman ANOVA test are used. In order to analyzing the conceptual model relations, structural equations modeling and specifically PLS Technique is used.

FINDINGS

A significant number of Kolmogorov Smirnov test for some variables is smaller than 0.05 (non-normal distribution) and for others, such as promotions, innovation and business performance is over 0.05 (normal distribution). So, the overall distribution cannot be considered normal for the research variables, and so nonparametric statistics approach (Friedman test) must be used for prioritizing the research variables. Friedman test results are presented in Table 3:

Table.3 Friedman test results

Frequency	115
Chi-square	7.093
df	7
Sig.	0.419

Due to the result of Friedman test, there is not any specific difference between variables so they cannot be prioritized. The summary of results for the conceptual model relation test is presented in Table 4. Model relation test declare that in conceptual assumed model in this study, the impact of pricing strategy and place on innovative marketing strategies is rejected, but the impact of product and promotion strategies on innovative marketing strategies is accepted. In addition, significant coefficient for the model relations shows that there is the positive and significant impact of innovative marketing strategies on entrepreneurial orientation. And the other hand, Impact of entrepreneurial orientation on innovativeness and the impact of innovativeness on business performance can be demonstrated. Generally speaking: Innovative strategies which are carried out in business and especially in innovative products, affect the innovative marketing strategies positively ($T = 2.98 > 1.96$, $\beta = 0.396$) and the hypothesis is confirmed. The effect of innovative strategies in business considering the innovative pricing for products is not supported by research data on innovative

marketing strategies and this hypothesis is rejected (T=1. 831 <1.96, β = 0.201). The effect of innovative strategies in business considering the place is not supported by research data on innovative marketing strategies and this hypothesis is rejected (T= -0.92<1.96, β = -0. 055). The effect of innovative strategies in business considering the sales promotion carried out on the innovative marketing strategies is confirmed positively (T = 3.46> 1.96, β = 0.416). The positive Influence of innovative marketing strategies on entrepreneurial orientation is confirmed (T = 15.17> 1.96, β =0.755). The positive Influence of Entrepreneurial orientation on innovation is confirmed (T = 5.85> 1.96, β = 0.463). The positive Influence of innovation on competitive advantage in business is confirmed. (T = 5.85> 1.96, β = 0.463). Table.4 has summarized the Regression coefficients and significance levels of the assumed relationships in the model.

Table.4 Summary of test results between model relations

Independent variable	Dependent variable	*β*	*T*	Hypothesis
Product	Innovative Marketing Strategies	0.396	2.9875	Accepted
Price	Innovative Marketing Strategies	0.201	1.8316	Rejected
Place	Innovative Marketing Strategies	-0.055	-0.9267	Rejected
Promotion	Innovative Marketing Strategies	0.416	3.4661	Accepted
Innovative Marketing Strategies	Entrepreneurial orientation	0.755	15.1777	Accepted
Entrepreneurial orientation	Innovation	0.463	5.8554	Accepted
Innovation	Performance	0.838	24.461	Accepted

Finally the ultimate model of the study is presented in Figure.2.

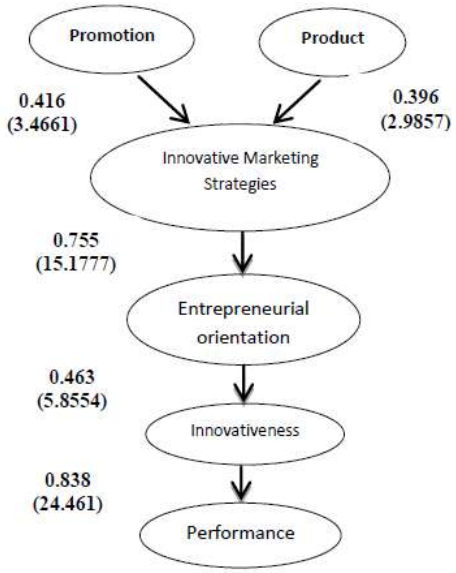

Figure.2 The final model of research

CONCLUSION AND SUGGESTIONS

The findings of this of research reject the influence of pricing and place strategies on innovative marketing strategies. On the other hand as it was mentioned in literature review, in the model prepared by Rhee et al. (2010), no specific role is defined for the influence of these two variables on neither business competitive advantages nor factors affecting the competitive advantage, so the findings of the study approve the mentioned research. Despite these findings, the impact of product and promotion strategies on innovative marketing strategies is proved and these two variables can be found in market orientated view of the model provided by Rhee et al. (2010).

According to the findings of this study, innovative marketing strategies affect the entrepreneurial orientation positively. In addition to the coordination of this study with research done by Rhee et al. (2010), confirmation of the positive and significant impact of innovative marketing strategies on business entrepreneurial orientation can be considered as the introduction of influences of innovative marketing strategies on performance of business via entrepreneurial orientation and innovative business. Such previous studies, the entrepreneurial orientation have positive impact on innovation in business, which is known as the most significant factors affecting performance (Hult et al., 2004; Hurley & Hult, 1998; Porter, 1993). As well as the positive impact of innovation on business performance, overall

performance of business has feedback effects on innovative business activities. Thus the higher performance of the business increases the innovative business activities (Klomp & Van Leeuwen, 2001).

To summarize, Innovative marketing strategies in business activities, particularly strategies that are based on products offered by the companies or activities like sales promotions and progresses can lead to innovative objectives in products or services in business and business competitive advantages based on distinction, cost, innovation, growth and establishing strategic alliances.

Strong impact of innovative marketing of entrepreneurial orientation and entrepreneurial orientation on innovation and ultimately business performance is clearly visible in mentioned model and in fact it can be concluded that entrepreneurial orientation has a mediator key role on linking innovative marketing and innovativeness. In fact entrepreneurs in small and medium companies continue to exist alongside big companies by using creativity and innovative practices and are challenging their strategies through gaining sustainable competitive advantage and are achieving great success globally.

Entrepreneurial orientation is an axial key structure in this model and it is a reference model for entrepreneurs which can be used effectively in competitive markets. Entrepreneurs can use this model to manage a leading innovative organization.

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