Marketing Innovation Implementation
-A case study of a Chinese Pharmaceutical Company

Xiaoshuang Pang
Yunpeng Qu

June 2010

Master’s Thesis in Logistics and Innovation Management
Abstract

Innovation is becoming more and more important in modern society. There is a lot of research on different kinds of innovation. Marketing innovation is one kind of innovation that has not been studied frequently before. One useful definition of marketing innovation is new ways which companies can market themselves to potential or existing customers (Halpern, 2010). This thesis focuses on the implementation process of marketing innovation. The research questions are: Which elements will be helpful or obstructive to the implementation process of marketing innovation? How will these positive or negative aspects affect the implementation of marketing innovation projects? How can the implementation of marketing innovation projects be improved? When implementing marketing innovation projects, compared with product innovation projects, what are the differences and similarities? The thesis is built on a literature study on marketing innovation and a case study of a marketing innovation project in the Chinese pharmaceutical company Guizhou YiBai Pharmaceutical Co.Ltd. A Chinese company is chosen because China’s innovation practice needs improvement and theories which take China as background to guide the implementation process of innovation. The study shows some key elements for marketing innovation that are worth paying attention to when implementing marketing innovation projects. Examples of these key elements found are; paying attention to the neglected market, suitable segmentation of the market, reliable market information, public relationship, increased customer value, combination of market factors, explore different marketing channels and the use of technology in combination. Especially the use of technology can positively affect the implementation of marketing innovation. This thesis also presents some risks that may occurred in marketing innovation, like cost, uncertainty of market, information leakage, imitation and overdependence on experience. If comparing marketing innovation with product innovation there are many common points, but during the implementation process, the focus is different. A focus on the external environment seems to be more important in marketing innovation implementation. At last, this thesis concludes that the development situation of China’s innovation practice is immature which is shown by the heavy reliance of experience and not theory in innovation projects. A reason for this is that innovation theory, which is taking the context of China in consideration, is lacking but are highly needed.

Key words: marketing innovation, implementation, china, pharmaceutical industry
Acknowledgement

After a few months’ work, this thesis about the marketing innovation implementation process in a Chinese company - Guizhou YiBai Pharmaceutical Co. Ltd. was completed, and we have learned a lot in this period. During this work, we received much help from our supervisor and friends. We appreciate them very much. First of all, we would like to extend our sincere gratitude to our supervisor, Lars Löfqvist, for his instructive advice and useful suggestions to this thesis. We are deeply grateful of his help in the completion of this thesis. Second, we would like to express our heartfelt gratitude to our informants. We are very grateful to them for the interviews. And thank other employees in Guizhou YiBai Pharmaceutical Co. Ltd. for helping us get information and data.

Gävle, June 2010
Xiaoshuang Pang, Yunpeng Qu
# Contents

Abstract ........................................................................................................................................ 1  
Acknowledgement ....................................................................................................................... 2  
Contents ........................................................................................................................................ 3  
1. Introduction .............................................................................................................................. 6  
  1.1 Purpose .................................................................................................................................. 7  
2. Theoretical Framework ............................................................................................................ 8  
  2.1 What is innovation? .................................................................................................................. 8  
  2.1.1 The implementation process of innovation ......................................................................... 9  
  2.2 Traditional focus of innovation ............................................................................................... 10  
  2.3 Marketing management and marketing innovation ............................................................... 10  
  2.3.1 What is marketing management? ....................................................................................... 11  
  2.3.2 What is marketing innovation? ......................................................................................... 12  
  2.4 Key elements for successful innovation management .......................................................... 18  
  2.4.1 Key elements for marketing innovation ........................................................................... 19  
  2.4.2 Key elements for product innovation management .......................................................... 20  
  2.5 How to evaluate the innovation capability in an organization .............................................. 20  
  2.6 Risk avoidance in implementation of marketing innovation .............................................. 21  
  2.7 The current development situation of China’s innovation practice .................................... 22  
  2.8 Theory gap summary ........................................................................................................... 22  
3. Research questions .................................................................................................................. 24  
4. Research Method ...................................................................................................................... 25  
  4.1 A qualitative case study .......................................................................................................... 25  
  4.2 Literature study ...................................................................................................................... 25  
  4.3 The case study ....................................................................................................................... 26  
  4.3.1 Case selection ................................................................................................................... 26  
  4.3.2 Interviews ......................................................................................................................... 26  
  4.3.3 Questionnaire ................................................................................................................... 27  
  4.4 Research quality .................................................................................................................... 28  
5. Findings ...................................................................................................................................... 30
5.1 The case company Guizhou YiBai Pharmaceutical Co.Ltd ........................................ 30
5.2 Background of China’s pharmaceutical industry .................................................. 30
5.3 YiBai’s marketing innovation project .................................................................. 32
  5.3.1 The previous failing experience .................................................................. 33
  5.3.2 The innovation capability of YiBai ............................................................... 33
  5.3.3 Implementation of YiBai’s marketing innovation project ............................. 35
6. Analysis ............................................................................................................. 39
  6.1 Analysis of YiBai’s innovation implementation .................................................. 39
    6.1.1 Linkages and learning .............................................................................. 39
    6.1.2 Organization and strategy ...................................................................... 39
    6.1.3 Processes ................................................................................................. 40
    6.1.4 Comparison with the key elements for innovation .................................. 41
  6.2 YiBai’s marketing innovation ........................................................................... 42
    6.2.1 Define potential market ........................................................................... 42
    6.2.2 Public relationship and channels ............................................................... 43
    6.2.3 Segment markets .................................................................................... 43
    6.2.4 Provide value to customers ..................................................................... 43
    6.2.5 Technology ............................................................................................... 44
    6.2.6 Combination of market factors ................................................................. 44
  6.3 Risks of YiBai’s marketing innovation ............................................................... 44
    6.3.1 Cost .......................................................................................................... 45
    6.3.2 Underestimate the difficulties, innovation projects are out of control ........ 45
    6.3.3 Overdependence on experience ................................................................. 45
    6.3.4 Information leakage and imitation ............................................................ 45
    6.3.5 Distrust from employees ......................................................................... 46
    6.3.6 Uncertainty of market .............................................................................. 46
  6.4 Comparison with the development situation of China’s innovation practice .... 46
7. Conclusion ......................................................................................................... 48
  7.1 Positive elements and their impact on marketing innovation ......................... 48
  7.2 Risks / negative elements and their effect in marketing innovation ............... 49
7.3 Some suggestions for improving marketing innovation in companies .................... 49
7.4 Some suggestions for improving marketing innovation in China ...................... 50
7.5 Comparison of marketing innovation and product innovation ....................... 50
7.6 Unique findings and conclusions .................................................................... 51
8. Limitations and future research ...................................................................... 52
9. Managerial implications .................................................................................. 53
References ........................................................................................................... 54
Appendix A ........................................................................................................... 59
Appendix B ........................................................................................................... 63
1. Introduction

Innovation is a hot topic in modern society (Bessant and Tidd, 2007). Bessant and Tidd (2007) defines innovation as the process of translation new ideas into useful practice and use them, like new products, processes and services. Many studies about innovation management have been done and theories about innovation are various, like theories about different types of innovation, the process of innovation, and assessment tools of innovation capability and so on. There are many different types of innovation, but traditional research on innovation has been focused on product or process innovation (Peterson, 1972; Brown, 1995). Marketing innovation is one type of innovation. Halpern (2010) defines marketing innovation as new ways which companies can market themselves to potential or existing customers. Marketing innovation is sometimes considered as one assistant part of product innovation (Tidd and Bessant, 2009) but theories and knowledge about marketing innovation is lacking in the literature. This thesis will focus on marketing innovation.

Tidd and Bessant (2009) presents a model of the innovation process with four phases: generate new ideas, select the best one, implement and capture the benefit. This thesis will focus on the implement process. Among the limited studies about marketing innovation, the implementation process is seldom mentioned, but it is an important and difficult part in the innovation process. So, the implementation process of marketing innovation is what to be studied in this thesis. The study will also take China as background, because China’s innovation practice is not fully developed and needs suitable theories to guide it. This study will take a Chinese company as case company to research marketing innovation implementation in China.

There are other researchers who have studied marketing innovation before, but some theories have not been proved by practice. This thesis will connect these theories with practice to see whether they are suitable for marketing innovation in China. Some researchers have listed key elements for successful product innovation (Bessant and Tidd, 2007) but there are no key elements lists for marketing innovation found in the litterature. This thesis will summarize key elements for marketing innovation from the litterature and check the list through the implementation process of a marketing innovation project.
1.1 Purpose

This thesis aims to deepen the knowledge about marketing innovation, especially the implementation of marketing innovation, and give suggestion about how marketing innovation can be improved.
2. Theoretical Framework

In this part, innovation, marketing innovation and the implementation process of innovation will be described. In order to have a deep and easy understanding of marketing innovation, some theories about marketing management will be introduced. The development situation of innovation in China will be generally described as well.

2.1 What is innovation?

Innovation has become more and more important and is discussed by researchers, policy-makers and companies on a daily basis. The governments mention the topic about innovation increasingly and frequently (Swedish Government, 2008).

Different authors defines innovation differently and classifies innovation in various types. The Austrian economist Joseph Schumpeter (1934), a pioneer of innovation management, described innovation as “creative destruction” - a new association of production factors and production conditions. Schumpeter defined innovation from five aspects:

- The introduction of a new goods – which customers are not familiar yet, or a new quality of a goods.
- The introduction of a new method of production, which not only means new technology, but also means a new way of handling a commodity commercially.
- The opening of a new market. New market does not just mean the markets which never existed before, it also means the markets which already exists but enterprises have not entered previously.
- Finding a new source of supply of raw materials or half-manufactured goods. Like new market, new source means both the source which has first to be created and the source which has existed but has not been used before.
- The carrying out of the new organization of any industry, like create a monopoly position or break up a monopoly position.

Although more than 70 years has past after Schumpeter presented his innovation theory, it can be seen as a basic theory of innovation and has its own rationality to be widely known. Later, people summarized Schumpeter’s innovation definition into five types: product innovation, process innovation, marketing innovation, resource allocation innovation and organization innovation (Xi, 2005).

Many other definitions about innovation have been presented in recent years. Bessant and Tidd (2007) defines innovation as the process of translation new ideas into useful practice and use
them, like new products, processes and services. Bessant and Tidd (2007) emphasized that only generating new ideas cannot be considered as innovation. The ideas must be put into useful practices. This is the main difference between innovation and invention.

Slightly different from Schumpeter’s theory, Tidd and Bessant (2009) thought there are many forms of innovation, but it can be summarized into four dimensions of change, they call it the 4Ps of innovation:

- Product innovation – Changes in the things (products/services) which an organization provide;
- Process innovation – Changes in the ways in which things (products/services) are created and delivered;
- Position innovation – Changes in the context in which the products/services are introduced;
- Paradigm innovation – Changes in the underlying mental models which frame what the organization does.

Compared with Schumpeter’s theory, they both include product and process innovation, and have some differences in other types of innovation, but the difference is not significant. It is interesting that different authors have different ways to categorize innovation, but nearly all of them have two same types of innovation: product innovation and process innovation, and have some differences in the remaining types (Johne, 1999; Propris, 2002).

2.1.1 The implementation process of innovation

In the past, innovation was considered largely as the generation and development of new ideas. But in fact, generating new ideas is just one step of an innovation process. There are a lot of models that describes the innovation process, like the Development funnel (Wheelwright & Clark, 1992) and the Innovation pentathlon framework (Goffin & Mitchell, 2005). A generic innovation process model by Tidd and Bessant (2009) divides the innovation process into four phases (Figure 1):

- Generating new ideas - how can we find opportunities for innovation?
- Selecting the good ones - what are we going to do and why?
- Implementing them - how to make it happen?
- Capture - how to get benefits from it?
Generate
How can we find opportunities for innovation?

Select
What are we going to do and why?

Implement
How to make it happen?

Capture
How to get benefits from it?

Figure 1. Innovation process model by Tidd and Bessant (2009)

This thesis focuses on the implement phase. It is the phase that requires relative employees to commit to appropriately use existing resources to realize the innovation. Innovation implementation presupposes innovation adoption, that is, presuppose that the target users of the innovation will use it (Klein, 1996). An implementation process fail if targeted users use the innovation less frequently, less consistently, or less assiduously than required for potential benefits of the innovation to be realized (Klein, 1996). Bessant and Tidd (2007) states that the implementing phases of innovation always contain uncertainty and risk, especially related to cost. Companies need invest time, money, people and other resources, but uncertainty can highly influence the implementation process.

2.2 Traditional focus of innovation

The above innovation theories show that there are several types of innovation. But innovation literature has traditionally been focused on technological product innovation (Peterson, 1972; Brown, 1995). Hoecht (2006) captures some key studies of innovation management over the past 50 years, and shows that many researchers seem to accept that innovation is a phenomenon that can be considerably affected by human interaction and most of these studies are focused on technical and product innovation. Recent, studies of innovation have covered a broader range, like products, processes, services and organizations innovation (Halpern, 2010). People also gradually begin to find that the market is playing an important role in innovation management (Hamel, 1996; Christensen, 2002). Even so, few researchers have focused on the process of marketing innovation, or, marketing innovation is only being mentioned as an assistance part of product innovation (Tidd and Bessant, 2009).

2.3 Marketing management and marketing innovation

In the academic area of innovation, marketing innovation is not mentioned frequently. Before talking about marketing innovation, it is useful to know something about marketing
management. Knowledge of marketing management can help us understand where and how marketing innovation can happen and why it is important.

### 2.3.1 What is marketing management?

According to the definition given by American Marketing Association (2004), marketing management is the process of setting marketing goals for an organization and its stakeholder (considering internal resources and market opportunities), the planning and execution of activities to meet these goals, and measuring progress toward their achievement. The process is ongoing and repetitive (as within a planning cycle) so that the organization may continuously adapt to internal and external changes that create new problems and opportunities.

Taking sellers as research object, the term “marketing mix” was presented and it was considered as the most important aspects when managing the market. The elements of the marketing mix are often referred as Four P’s (McCarthy, 1975): product, price, place and promotion. Later on, customers replaced sellers as the research object of marketing management. A new theory called Four C’s were presented by Lauterborn (1993) to satisfy customers demands: consumer, cost, convenience and communication.

In this study, Li, C.J.’s (2006) classification of marketing activities will be used. Li, C.J. categorize marketing activities into three different types (Figure 2):

- **High-end market** – Focus on brand marketing, design and provide production according to marketing demands. Make planning and promotion to improve brand awareness, reputation, customer satisfaction and customer loyalty, establish brand image, increase brand intangible values. In other words, high-end market means brand strategy.

- **Mid-market** – Focus on the implementation of overall brand strategy. It emphasizes on the processes of production, sales and service.

- **Terminal market** – Terminal market means the end of a sales channel, the production will be showed to customers in the terminal market and the transaction will be completed here. Through the terminal market, manufactories or merchants sale their production to customers. Sometimes, similar production under different brands will be showed to customers in one terminal shop and customers can chose the brand which they need and like. Different brands compete fiercely in a terminal market.
Terminal market has become a hot topic in China’s marketing area in recent years, especially in retail trade (Liang, 2005). It is considered as the most important part of products sale (Dang, 2006). The sentence - “Win by terminal marketing” - is mentioned in many studies. Some researchers thought that whoever wins in terminal competition can occupy the largest piece of the market (Liang, 2005).

In marketing management, there is a term called customer relationship management (CRM). It is a customer-focused business strategy that dynamically integrates sales, marketing and customer-care service in order to create and add value for the company and its customers (Chalmeta, 2006). It needs a combination of people, processes and technology that seeks to understand a company’s customers (Chen, 2003). CRM is a useful method to find and keep customers, improve the relationship between enterprises and customers and improve enterprises’ competition ability (Zhang, 2003).

2.3.2 What is marketing innovation?

With a certain understanding of marketing management, we will focus on innovation in marketing. As mentioned above, there is not much literature focusing on marketing innovation. The research situation of marketing innovation will be described below.

Research in marketing innovation started in the 1980’s, but the focus was primarily on its practical aspects and did not form a standard theoretical system (Qin, 2008). Different researchers have different opinions about marketing innovation. This thesis will introduce some of them according to the sequence below (Figure 3):
Johe (1999) thinks marketing innovation to be concerned with improving the mix of target markets and how to serve chosen markets better. The first purpose of marketing innovation is to identify new potential markets and new ways to serve target markets. The most important thing to do in marketing innovation is to identify the potential markets through market segmentation, which is to say, divide a whole potential market into smaller and manageable parts. The second purpose of marketing innovation is concerned with serving chosen markets better. This requires the analysis of customers buying preferences. Johe (1999) insisted that suppliers in all industries should understand the changing needs of their customers and concern themselves with market innovation. Marketing innovation could help suppliers by combining product line management with market opportunity analysis. When marketing innovation is done well, it not only means the developing of new business, but also safeguarding existing business.

According to Johe’s (2000) other study which defined market innovation as activities such as the entry into new markets, Halpern (2010) argued that marketing innovations represent new ways which companies can market themselves to potential or existing customers, and market innovation concern with activities such as enter into new market. Halpern (2010) thought that marketing innovation should not be confused with market innovation. But Zhang (2006) defined marketing innovation as promote the change of market structure and create market opportunities, find and occupy new potential market accompany with the launch of new products to satisfy the demand of market. She divided the content of marketing innovation into two parts: one is open new market according to different areas, demands or products; the other one is create new combination of market factors, which contains new products, new market segments, new marketing methods and new marketing concepts. Zhang’s (2006) understanding of marketing innovation is different from Halpern’s. This thesis has a preference for Halpern’s definition of marketing innovation. It focuses on how the company develops new ways of marketing themselves better to existing customers.
Chen (2006) made a contribution to the economic analysis of marketing innovation. He believes that in a market economy, in addition to innovations in products and production processes, innovations in marketing is also important. The development of new marketing tools and methods plays an important role in the evolution of industries. In recent years, new ways of gathering consumer information through innovative marketing programs and technologies have enabled firms to reach consumers more effectively and to use pricing strategies that were previously not feasible. Chen (2006) presented a model with two key elements: $\gamma$, which means a new marketing program or technology that allows a company to acquire consumer information more effectively but will hurt the benefits of some consumers; And $\sigma$, which means a new trading method that reduces consumer transaction costs but does not benefit the company due to the strategic response of the rival. By observing these two elements and analyzing the equilibrium between them, Chen (2006) found the incentive and effects of marketing innovation differ from those of product or process innovations. Chen (2006) insisted that marketing innovation occurs if and only if the innovating company benefits from the innovation, which is only possible if there is a sufficient delay for imitation. From Chen’s (2006) study we can find some key words that we could pay attention to in our study: new marketing tools, consumer information, cost and imitation.

When implementing marketing innovation, companies should follow some principles. Li, S.L. (2009) summarized some principles. First of all, marketing innovation must provide value to customers. If the marketing innovation cannot satisfy customers or cannot provide value to customers, it cannot be reckoned as a successful marketing innovation. Secondly, marketing innovation must be helpful to competition. Thirdly, marketing innovation must be effectual to the company. Companies should not do marketing innovation only for the aspiration of innovation. Every innovation program must be able to bring profit to the company at present or in the future. Fourthly, marketing innovation must be sustained. Fierce competition and rapidly changing market compel companies which want to survive to keep innovating.

Jiang (2008) stressed the strategic choice as important for marketing innovation. To achieve the expected objective, the company needs to create series of related policies to manage their marketing innovation and minimize the strategic risk. Jiang (2008) pointed out that strategic mistakes are the main reason for failure in marketing innovation. To make out a proper strategy, the company needs to understand their marketing position, their available resources and their innovation advantage.
Tian (2007) talks about the strategies of marketing innovation. He thinks that markets are constituted by three basic elements: people with demands, purchase desire and paying capacity. So, marketing innovation can be carried out around these three elements. Tian (2007) generalized the marketing innovation field into five aspects:

- The innovation of the product itself.
- Innovation of objective customers, in other words, the innovation of marketing position.
- Innovation of geographical position. A new geographical position may bring the opportunity to find a new market. If the existing market is already saturated, or the competition in another market is less intense, or other market’s environment is more suitable for new products, to change the geographical position may be a good choice for the company’s future development.
- Innovation of distribution channel. Tian thinks that distribution channel innovation are always ignored by companies. The types and quantity of distribution channels and intermediaries are included in this kind of marketing innovation.
- Innovation of sales promotion. In recent years, this is a hot innovation area among many companies. It includes the innovation of marketing promotion, price strategies and promotion programs.

Tian (2007) says that according to the company’s situation, the above innovation activities can be chosen individually or simultaneously. Tian also believes that product and position innovation should be included in marketing innovation but does not divide them very clearly. Although a market cannot exist without product, this study will not focus on the product, the position or the geographical aspects in marketing innovation, Tian’s last two marketing innovation aspects will be more useful to us than the other three aspects.

Like Tian (2007), Du (2008) also presents some marketing innovation fields. We will just list some different aspects here. Besides product, price, channel and promotion, Du (2008) thinks that public relations strategy also need innovation. New public relations emphasize promote marketing innovation programs through the cooperation between enterprises and government, community, middleman and media. And what is more important in public relations strategy is emotional marketing which means to make the marketing plan according to customers’ emotional demands to stimulate consumer purchase. Another aspect mentioned by Du (2008) is organization innovation. In order to provide a better environment of marketing innovation,
sometimes the change of organization structure and human resources will be necessary and helpful.

Li, D.H. (2005) thinks that strategies are important, but mainly focus on the strategies of resource allocation for marketing innovation. In the innovation process, the company should have a clear idea about their marketing position and allocate their resources properly to gain irreplaceable advantages, and these advantages can help them realize the objective of marketing innovation. Duke (1990) talks about the importance of customers’ behavior in marketing innovation because learning and understanding the customers’ behavior is a success factor.

Yong (2004) have given some suggestions to China’s companies when implementing marketing innovation: First, study competitors. Second, emulation and improve, but no plagiarism. Third, if there are good technique and ideas, do not stint the investment. Fourth, enhance the system integration of marketing thinking.

Tang (2008) has researched innovation in the pharmaceutical industry, and state that innovation in the pharmaceutical industry includes three aspects: product and technological innovation, human resources innovation and marketing innovation. Tang (2008) thinks that marketing innovation can help the companies to gain competitive advantage and profit to enhance their core competitiveness.

The above mention theories by different researchers are summarized in Table 1 below.

Table 1: Summary of different authors’ theories about marketing innovation.

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Theories</th>
</tr>
</thead>
</table>
| **Definition** | • Improving the mix of target markets and how to serve chosen markets better. (Johne, 1999)  
• New ways which companies can market themselves to potential or existing customers. (Halpern, 2010)  
• The change of market structure, market opportunities and occupy new market. (Zhang, 2006)  
• New combination of market factors. (Zhang, 2006) |
<table>
<thead>
<tr>
<th>Purpose</th>
<th>Identify new potential market and new ways to serve target markets. (Johne, 1999)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Serving chosen markets better. (Johne, 1999)</td>
</tr>
<tr>
<td></td>
<td>Developing new business and consolidate existing business. (Johne, 1999)</td>
</tr>
<tr>
<td>Principles</td>
<td>Incentive and effects of marketing innovation are different from product and process innovation. (Chen, 2006)</td>
</tr>
<tr>
<td></td>
<td>Occurs when there is sufficient delay for imitation. (Chen, 2006)</td>
</tr>
<tr>
<td></td>
<td>Provide value to customers. (Li, S.L., 2009)</td>
</tr>
<tr>
<td></td>
<td>Helpful to competition. (Li, S.L., 2009)</td>
</tr>
<tr>
<td></td>
<td>The result of a marketing innovation should be effective to the company. (Li, S.L., 2009)</td>
</tr>
<tr>
<td></td>
<td>Marketing innovation should be sustained in a company. (Li, S.L., 2009)</td>
</tr>
<tr>
<td>Marketing innovation fields</td>
<td>Marketing tools and methods. (Chen, 2006)</td>
</tr>
<tr>
<td></td>
<td>The way of gathering consumer information. (Chen, 2006)</td>
</tr>
<tr>
<td></td>
<td>Geographical position. (Tian, 2007)</td>
</tr>
<tr>
<td></td>
<td>Distribution channel. (Tian, 2007; Du, 2008)</td>
</tr>
<tr>
<td></td>
<td>The innovation of products that will be launched on a market. (Tian, 2007; Du, 2008)</td>
</tr>
<tr>
<td></td>
<td>Innovation of objective customers / marketing position. (Tian, 2007)</td>
</tr>
<tr>
<td>Marketing innovation strategies</td>
<td>Notice imitation. (Chen, 2006)</td>
</tr>
<tr>
<td></td>
<td>Sales promotion. (Tian, 2007; Du, 2008)</td>
</tr>
<tr>
<td></td>
<td>Strategic choice is important for successful marketing innovation. (Jiang, 2008)</td>
</tr>
<tr>
<td></td>
<td>Public relations strategies. (Du, 2008)</td>
</tr>
<tr>
<td></td>
<td>Emotion marketing. (Du, 2008)</td>
</tr>
<tr>
<td></td>
<td>Price. (Du, 2008)</td>
</tr>
<tr>
<td></td>
<td>Notice customers’ behavior. (Duke, 1990)</td>
</tr>
</tbody>
</table>
When implementing marketing innovation project (Yong, 2004):

- Study competitors.
- Emulation and improve, but no plagiarism.
- Do not stint investment if there are good technique and ideas.
- Enhance the system integration of marketing thinking.

Innovation in the pharmaceutical industry includes (Tang, 2008):

- Product and technological innovation.
- Human resource innovation.
- Marketing innovation.
- Marketing innovation can help companies increase their core competitiveness.

The above literature review shows that theories about marketing innovation are lacking in cumulative knowledge creation. We did not find theories specialized for the implementation of marketing innovation. Some theories presented in this literature review have not been proved by practice. The authors just presented their ideas according to their experiences and the knowledge they learned from other academic areas. They presented their idea and leave it to other people to prove. These authors include: Jiang (2008), Du (2008) and Li, D.H. (2005). All of their studies are about the strategy of marketing innovation.

### 2.4 Key elements for successful innovation management

Some authors have summarized key elements for successful innovation management. Some of them are different and some have similarities with each other. In Table 2 below these key elements are listed.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Key elements for successful innovation management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goffin and Mitchell (2005)</td>
<td>- Clear and precise aims;</td>
</tr>
<tr>
<td></td>
<td>- A breakdown of the work into elements is small enough to be planned and managed;</td>
</tr>
<tr>
<td></td>
<td>- A scheduling plan that ensures that the tasks are undertaken in</td>
</tr>
</tbody>
</table>
In fact, the key elements list above can be considered as reference to many kinds of innovation. Although they are key elements, they are also general elements. Next, some key elements specific to marketing innovation and product innovation will be introduced separately.

### 2.4.1 Key elements for marketing innovation

We did not find studies specifically focusing on key elements of marketing innovation. Reviewing the theories mentioned in part 2.3.2, we summarize the following elements for successful marketing innovation to help our following analysis:

- Segmenting markets (Tian, 2007; Tidd & Bessant, 2009)
- Define potential market (Johne, 1999; Halpern, 2010)
- Gather customer information (Duke, 1990; Chen, 2006)
- Public relationship (Du, 2008)
- Emotion management (Du, 2008)
- Marketing Channels (Du, 2008)
- Combination of market factors (Zhang, 2006)
- Product (Du, 2008; Tian, 2007)
- Cost (Du, 2008)
- Effectual to company (Li, S.L. 2009)
2.4.2 Key elements for product innovation management

In order to compare marketing innovation with product innovation and find their similarities and differences where should get more attention when implementing marketing innovation, besides the elements listed in table 2, some key elements for product innovation have also been gathered as well (Bessant & Tidd, 2007): Product concept, cross-functional teams, internal communication, moderate tenure, gatekeepers, external links, lead-time, productivity, market and financial. We list the key elements for marketing innovation and product innovation in Table 3.

Table 3: Key elements for marketing and product innovation.

<table>
<thead>
<tr>
<th>Marketing Innovation</th>
<th>Product Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segmenting markets</td>
<td>Market</td>
</tr>
<tr>
<td>(Tian, 2007; Tidd &amp; Bessant, 2009)</td>
<td></td>
</tr>
<tr>
<td>Define potential market</td>
<td>Lead-time</td>
</tr>
<tr>
<td>(Johne, 1999; Halpern, 2010)</td>
<td></td>
</tr>
<tr>
<td>Product (Du, 2008; Tian, 2007)</td>
<td>Product concept</td>
</tr>
<tr>
<td>Gather customer information</td>
<td>Cross-functional teams</td>
</tr>
<tr>
<td>(Duke, 1990; Chen, 2006)</td>
<td></td>
</tr>
<tr>
<td>Public relationship (Du, 2008)</td>
<td>Internal communication</td>
</tr>
<tr>
<td>Marketing channels (Du, 2008)</td>
<td>External links</td>
</tr>
<tr>
<td>Effectual to company (Li, S.L., 2009)</td>
<td>Productivity</td>
</tr>
<tr>
<td>Cost (Du, 2008)</td>
<td>Financial</td>
</tr>
<tr>
<td>Combination of market factors (Zhang, 2006)</td>
<td>Moderate tenure</td>
</tr>
<tr>
<td>Emotion management (Du, 2008)</td>
<td>Gatekeepers</td>
</tr>
<tr>
<td></td>
<td>(Bessant and Tidd, 2007)</td>
</tr>
</tbody>
</table>

2.5 How to evaluate the innovation capability in an organization

Innovation capability means the company’s ability to manage innovation (Tidd & Bessant, 2009). There are many kinds of assessment tools to evaluate a company’s innovation capability. Like the scorecard assessment presented by Gartner Research (2002) and structural approach presented by Gatignon (2002). In this thesis, we will use a simple self-assessment tool by Tidd and Bessant (2009) to evaluate the innovation capability. The assessment tool will be done by the relative people within the investigated company in the form of questionnaire, which contains forty questions. Each question will be answered by score from 1 to 7. Score 1
means not true at all, score 7 means very true. The completed questionnaire will be analyzed from five aspects: strategy, learning, linkages, processes and innovation organization. Each aspect contains 8 questions. After calculating the average scores of each aspect and mark the scores in a pentagon like Figure 4 shows, we can clearly see the current innovation capability of the investigated company from five aspects.

![Figure 4: Innovation assessment tool. (Tidd & Bessant, 2009)](image)

### 2.6 Risk avoidance in implementation of marketing innovation

Awareness of risk and recognition of the need for risk management are always important for commercial activity (Essinger, 1991). Risk and uncertainty have often been suggested as causes of poor adoption of innovation (Ghadim, 2005). The most common risks in innovation come from: distrust from employees, nonsupport from leaders, information leakage, and the uncertainty of market (Hoecht, 2006).

Specific to the risk in marketing innovation, Tian (2007) presented eight risks in his study:

- The deviation with the customer demand;
- Enter into market in an improper time;
- Defective of distribution channels;
- Unreasonable price strategy;
- Information asymmetry;
- Defective services;
- Underestimate the difficulties, innovation projects are out of control;
- The change of government’s policies.

When implementing marketing innovation the above aspects should get more attention to prevent them. Adequate preparation can reduce the cost caused by risks to a certain extent.
2.7 The current development situation of China’s innovation practice

Innovation is important, but according to an investigation about the innovation performance of 82 main countries in the world conducted in 2007, China only ranked 59 (Wang, 2007). China has developed rapidly in recent years, but compared with developed countries, its innovation practices are not very mature. This shows the importance of developing innovation management theory and practice in the context of China.

When talking about China’s marketing innovation strategy, Yang (2004) mention that there exist some main difficulties:

- Lack of targeted theoretical guidance. Because the theories about market and innovation were introduced into China from the western countries, many researchers are still engaged in translating and disseminating the western theories instead of creating theories suitable for China. Companies use the theories from western countries directly, but some of them are not suitable for China’s environment, and their efficiency is reduced. This is a difficulty when China’s companies implement marketing innovations.

- Singleness of marketing strategy. Due to the homogenization of the overall market strategy, China’s industries are lacking of various marketing strategies. Price war and promotion strategies are widely used among variety of industries in China. Price war means competing companies in a same industry reduce prices to compete with each other (Zeng, 2000), although it seems that some companies win in the end, the profits are lost during price wars between the companies.

- Lack of long-term planning for enterprise development. To pay more attention to short-term profits and neglect the long-term development planning is harmful to the implementation of enterprise’s marketing innovation programs.

- Lack of innovation spirit. Many companies still think innovation only means new products, they ignore that marketing strategy and marketing practice also need innovation. Besides these, many companies are afraid of failure and taking risks.

2.8 Theory gap summary

Traditional literature about innovation are focused on product and process innovation, and seldom focus on market innovation. This is especially true for the implementation process of marketing innovation and the marketing innovation in the context of China. Terminal market is
important for retail industry which makes marketing innovation in terminal markets worthy for research. Pharmaceutical industry is another seldom studied industry in the innovation area. In China, it is a typical industry which has a terminal market but also has a strained relationship with retailers. Study marketing innovation in the context of pharmaceutical industry is worthy. We did not find literature specialized in the implementation process of marketing innovation project in the context of the Chinese pharmaceutical industry. Although studies about marketing innovation were found in part 2.3.2, some of these studies done by Chinese authors on marketing innovation strategy has not been proved by practice. These authors did not combine their theories and practice together which make the theories lacking of empirical support.
3. Research questions

Our study will try to connect existing theories on marketing innovation to practice to see their reliability and find out whether there exist other useful strategies in marketing innovation suitable for China’s market. Besides this, we will try to find some key elements for marketing innovation.

Our research questions are:

- Which elements will be helpful or obstructive to the implementation process of marketing innovation?
- How will these positive or negative aspects affect the implementation of marketing innovation projects?
- How can the implementation of marketing innovation projects be improved?
- When implementing marketing innovation projects, compared with product innovation projects, what is the difference and similarities?
4. Research Method

This chapter aims to describe the methods we used to answer the research questions.

4.1 A qualitative case study

This thesis is based on a qualitative single case study about marketing innovation implementation. Qualitative research usually has to do with people and their activities, and is concerned with variables that cannot be quantified on an interval or ratio level (Walliman, 2005). Creswell (1998) presented that case study is one type of qualitative study. Case studies is useful to answer research questions which seek to explain some present circumstances, like “how” and ”why” (Yin, 2003). It can also be used when the researcher has little control over the events and when the study focuses on a contemporary phenomenon within some complex real-life context (Yin, 2003). The research questions of this thesis are mainly exploratory and connected with contemporary events. So, qualitative case study method is suitable for our research questions.

4.2 Literature study

A lot of literature is needed to know the current development situation of our research area and to find theory gaps. Reviewing previous research can help us develop sharper and more insightful questions about our topic (Yin, 2003). We first read literature about innovation, and found that most of the literature are about product and process innovation, marketing innovation is seldom mentioned, especially taking China as background. We decided to research the topic about the implementation process of marketing innovation in China. To do this, we reviewed some scientific articles and books about marketing management. Although the knowledge about marketing management is not directly related with innovation, it can help us to get a general understanding of the situation in the marketing area and make it more easy to understand the strategies used in marketing innovation. There is limited knowledge about marketing innovation, in order to get theoretical foundation for our analysis, we compiled some literature related to marketing innovation and extracted useful information from them. We compared findings with these compiled theories and made conclusions. Besides this, we also compared the conclusions with theories about product innovation to see similarities and differences.
4.3 The case study
4.3.1 Case selection
As mentioned above, literature about innovation is more connected with product and process innovation, implementation of marketing innovation in China is seldom mentioned. This study is based on a marketing innovation project implemented by Guizhou YiBai Pharmaceutical Co. Ltd. - a Chinese pharmaceutical company, and this pharmaceutical company’s marketing innovation project is targeting the identified important terminal market. What is more, the marketing innovation project in this company is ongoing; it was implemented under the latest marketing situation and can represent the current development of China’s innovation practice. This is different with a retrospective case. These case characteristics and circumstances make this case highly suitable to study to be able to answer the research questions.

4.3.2 Interviews
We collected the data about the case by interviews and questionnaires. Interview is a very flexible tool with a wide range of applications (Walliman, 2005). Interviews can help us catch a lot of information which helps not only to indicate our research, but also to identify and prioritize issues (Walliman, 2005). Due to the long distance, we could not make on-site interviews so we choose to do the interviews through internet using SKYPE, MSN and e-mail. Interview through internet can avoid the necessity of travelling to the respondents, and surveys can be carried out more quickly than on-site interview (Walliman, 2005). However, interviews through internet made us actually not observe and use all our senses to study our object under study. Our interviews was semi-structured, achieving defined answers to defined questions, while leaving time for further development of those answers, and included more open-ended questions (Walliman, 2005). So we talked and discussed several things with our informants that not were covered by our written questions as well.

We had two informants. One of them is a data analyst in data centre of the case company. She has directly been involved in the case company’s marketing innovation project. Another informant is the project manager of this marketing innovation project. On April 1, 2010, we interviewed the data analyst via MSN. Through this interview, we got the general situation of the case company’s marketing innovation project and the marketing background of the pharmaceutical industry. Because the interview was through internet, it was interrupted for several times, this made us use 3 hour to finish the interview. On April 8, 2010, we contacted
the data analyst again through SKYPE. After the last interview, we read some literature about marketing management and marketing innovation, which gave us a deeper understanding of the case company’s marketing innovation project and generated more questions about their project. This interview lasted about one hour, and we asked the data analyst to help us send questionnaires to other employees in the case company. After this interview, we send the questionnaires to her through e-mail. On May 3, 2010, we interview the project manager by SKYPE. The project manager answered many questions which the data analyst did not know, and talked about the problems in this marketing innovation project from a manger’s angle. Considering the instability of internet, we reserved a 2 hour interview this time. On May 11, 2010, we contacted to the data analyst the third time through MSN. We confirm our understanding of the project and the information we have collected with her during this interview and asked some detail information we found necessary in our thesis. At last, she sent us the finished questionnaires. The main questions we asked in these interviews are listed in Appendix B.

4.3.3 Questionnaire

In order to get an overview of the company’s marketing innovation situation and to learn the strength and weakness of the company’s innovation processes, we evaluated its innovation capability first. There is no existing evaluation tool available just focusing on marketing innovation, so we decided to use a more general evaluation tool presented by Tidd and Bessant (2009). It is a self-assessment tool which clearly show the current innovation capability of the investigated company and analyzed the innovation capability from five aspects. This assessment tool is a questionnaire with 40 questions (see Appendix A). Using a questionnaire helped us organize the questions we want to ask and received replies without talking to every people face to face (Walliman, 2005). It is a flexible tool that can save a lot of time for our study. We sent 20 copies to YiBai’s employees, and got 20 copies back. The manager of YiBai’s marketing innovation project did 1 copy. The manager of the data centre did 1 copy. 4 copies were done by the employees in marketing department, 2 of them have participated in this terminal marketing innovation project. 8 copies were done by the employees in the data centre, and 3 of them have been directly involved in the marketing innovation project. 6 copies were done by the employees in the call centre, all of them have been involved in the marketing innovation project (see Table 4).
Table 4: Respondents of the questionnaire

<table>
<thead>
<tr>
<th>Number of the respondent</th>
<th>Title</th>
<th>Department</th>
<th>Involved in this project or not</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project manager</td>
<td>Marketing Department</td>
<td>Directly involved in</td>
</tr>
<tr>
<td>1</td>
<td>Manager</td>
<td>Data Centre</td>
<td>Directly involved in</td>
</tr>
<tr>
<td>3</td>
<td>Employees</td>
<td>Marketing Department</td>
<td>Directly involved in</td>
</tr>
<tr>
<td>5</td>
<td>Employees</td>
<td>Marketing Department</td>
<td>Not involved in</td>
</tr>
<tr>
<td>2</td>
<td>Employees</td>
<td>Data Centre</td>
<td>Directly involved in</td>
</tr>
<tr>
<td>2</td>
<td>Employees</td>
<td>Data Centre</td>
<td>Not involved in</td>
</tr>
<tr>
<td>6</td>
<td>Employees</td>
<td>Call Centre</td>
<td>Directly involved in</td>
</tr>
</tbody>
</table>

4.4 Research quality

To establish the quality of a case study, Yin (2003) presented four tests: construct validity, internal validity, external validity and reliability.

- Construct validity refers to establish correct operational measures for the case study. There are three ways to increase construct validity: use multiple sources of evidence, establish chain of evidence and have key informants review draft case study report. This thesis has used multiple sources of evidence. We collect the information about the same matters from different informants and ask them to review our collected information to see whether it was valid. We also sent questionnaires to evaluate the case company’s innovation capability. In order to increase the validity of the questionnaires’ result, they were sent to different employees in different department in the case company. These employees include the ones who have directly been involved in the marketing innovation project and the ones who were not involved in this project.

- Internal validity means establishing a causal relationship between certain events. This thesis has made some explanatory inferences for some causal relationship between the case company’s situation and the difficulties occurred during the implement process of the marketing innovation project. Different informants gave us their views about the same matters, and nearly all of these causal relationships are confirmed by informants.

- External validity refers to generalization. It means to establish the domain to which study findings can be generalized. We use theories to help our case study. Some of the findings of our case study are concordant with existing theories; the findings can improve these
theories. And we also made some conclusions that were not mentioned by existing theories but can be proved by this case study. As this thesis is a single-case study, it is not possible to improve all the relevant theories from the results. To get more generally applicable result, future studies in larger scale are needed.

- Reliability requires the case study can be repeated, and the results will be the same. The same study may not be done again. Because our case company has done the marketing innovation project first, the environment for other companies to do this project will be different. But this thesis is still reliability. We have recorded the information we got. The questionnaire and its results are enclosed in Appendix A, and we also list the main questions we asked in the interviews in Appendix B. So the examiner of the research can use this information to come to the same conclusions.
5. Findings

5.1 The case company Guizhou YiBai Pharmaceutical Co.Ltd

The company – “YiBai”, short for the Guizhou YiBai Pharmaceutical Co.Ltd., was founded in Guizhou province of China in 1995. The company has 3200 employees, and 86% of them have received academic certificates at or above the college level. In 2004, YiBai was successfully listed on the Shanghai Stock Exchange. In 2009, the output value of YiBai was 1.3 billion RMB (more or less 1.4 billion Swedish kronor). It has gradually become the pillar industry of local economic development and an important source of local revenue. In order to comprehensively enhance the staff quality, YiBai cooperates with several universities, senior managers will be sent to these universities and receive relative training. Other employees must receive more than 300 hours training every year in the company.

The mission of YiBai is to promote, improve and develop the traditional Chinese medicine, improve and develop the human health and provide products with quality and efficiency for the customer. Main products are drugs such as cough syrup, cold relief capsules and Aidi injections.

5.2 Background of China’s pharmaceutical industry

According to the policy presented in Supervision and Administration of Drug Circulation in China (China’s SFDA, 2007), pharmaceutical companies cannot directly sell their OTC products to the retail pharmacies. OTC, short of Over-the-Counter, means the medicines which customers can buy in the retail pharmacy without doctor’s medical prescription, these medicines are published by State Food and Drug Administration (SFDA). Pharmaceutical companies need to sell their OTC products to wholesalers, and wholesalers can in turn sell to the retail pharmacies. Then, customers can buy the OTC products in the retail pharmacies (Figure 5).
Figure 5: The flow of pharmaceutical sales.

Because pharmaceutical companies can directly contact wholesaler, in order to enable wholesalers make bulk purchase from them, pharmaceutical companies have developed a lot of new methods to attract wholesalers. And they establish a mutual benefit relationship between them over time, that is, wholesalers buy pharmaceuticals from the pharmaceutical company and the company guarantees the wholesalers certain benefit. Sometimes, bribery is one method the pharmaceutical companies use to attract wholesalers.

Although pharmaceutical companies do not directly contact customers, customers are the direct user of their products and the importance of customers is well known. So, attracting customers’ attention is considered to be another important marketing strategy for pharmaceutical companies. Many companies use advertisements to attract customers and improve the popularity and reputation of their brand. Chen, G. (2009) summarized China’s Top 5 industries which put the most advertisement on TV in 2008. They are: cosmetics / bathroom products, medical product, commercial and service industry, food and drink.

China’s pharmaceutical companies have paid a lot attention to attract wholesalers and customers, but they are ignoring the retail pharmacies in their marketing activities. Because the pharmaceutical companies put lots of money into advertising, their costs are increased. The advertising effect made some brands more famous among customers, so, the companies of these brands do not worry about their sale in retail pharmacies, and they took most of the profits. Increased cost and little profit made retail pharmacies dissatisfied (Li, S., 2005). So, the
relationship between pharmaceutical companies and retail pharmacies are not very well. The battle between them broke out on 2005. Several retail pharmacies combined together to resit purchase from one famous pharmaceutical company. Advertising, store display and salesperson’s recommendation are the three most important elements in pharmaceutical marketing. After this resistance the pharmaceutical companies realized that they are losing the last two elements. Some small and unknown pharmaceutical companies do not have money to advertise, so they sale their product with a low price. Although medicine is important for human’s life, retailers are still businessman, not philanthropist. They know that the medicine produced by the famous companies are more reliable, but to get more profit, retail pharmacies recommend customers those low cost medicines with unknown brand and refused to purchases from these famous pharmaceutical companies. As the terminal market of pharmaceutical marketing, the interception efficiency of retail pharmacies is about 30% (Xu, 2010).

The situation many famous pharmaceutical companies face is that wholesalers want to purchase from them, but retail pharmacies does not want to buy their medicines from wholesalers and refuse to show their medicines in their shops. Customers know that their medicines are of high quality but they cannot find their medicines in retail shops. All of these will indirectly affect the future purchasing by wholesalers. Some pharmaceutical companies have begun to find methods to establish a win-win relationship with retail pharmacies. YiBai is one of these companies.

5.3 YiBai’s marketing innovation project
In recent years, YiBai’s OTC product sales have been declining continually, YiBai tried to find some ways to change their marketing model, but the effect was not well. The competition between pharmaceutical companies and retail pharmacies become fiercer. Under these circumstances, YiBai decided to make some change on their terminal marketing. Mangers in YiBai thought, if they can change their relationship with retail pharmacies and control the terminal market, they can not only increase sales, but also control wholesalers indirectly. For a long time, pharmaceutical companies have paid a lot of resources to attract wholesalers purchase medicines from their company. But if YiBai can control the terminal market, retail pharmacies would like to buy YiBai’s product from the wholesalers, then, wholesalers will purchase from YiBai on their own initiative.
5.3.1 The previous failing experience

In fact, before YiBai’s marketing innovation project, there was another pharmaceutical company that decided to make some innovations to change their strained relationship with terminal retailers. At first, they asked their employees to contact retailers through interviews or phone, and collect information. It is very clever that they knew they needed some change, but they also made a mistake. Because of the managers responsible for this project always kept a skeptical attitude to this project, this company did not want to invest a lot of resources in this innovation project. They hired people to collect information, and are still processing data by manual work. Under the environment which computer are widely used, to ask humans to process and analyse such mass of data is unreasonable. And this company underestimated the amount of data, so, their innovation project failed quickly because the confusion and crash of their database.

YiBai is not the first pharmaceutical company which tries to find methods to change their relationship with retail pharmacies, but it is the first to implement a systematic and reasonable project to realize it. They extracted experience from the first company’s failing and hired people who had joined the first company’s marketing innovation project.

5.3.2 The innovation capability of YiBai

Having a general understanding of YiBai’s innovation capability is helpful to our analysis of YiBai’s implementation of their marketing innovation project. This study uses the assessment tool presented by Tidd and Bessant (2009) to evaluate innovation capability. The results are listed below in Table 5 and Figure 6:

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Strategy</th>
<th>Processes</th>
<th>Organization</th>
<th>Linkages</th>
<th>Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Scores</td>
<td>4.9</td>
<td>4.1</td>
<td>5.1</td>
<td>5.4</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Table 5: Average scores of YiBai’s innovation capability.
Figure 6: The profile description of YiBai’s innovation performance.

The data above shows that in YiBai, linkages and learning have got the highest scores, and strategy and innovation organization are in the middle and processes got the lowest score. Each of these will be described below:

- **Linkages**: Employees in YiBai are encouraged to develop external linkages within their innovation work. And YiBai has long-term cooperation with some universities, research institutions and other companies, as one manager in YiBai said, these cooperation helped them a lot.

- **Learning**: As mentioned above, YiBai requires every employee to accept a certain period of training. They cooperate with universities and training organizations to provide training courses to employees.

- **Strategy**: YiBai’s top managers commit and support innovation. But sometimes, some managers have different opinions on a certain innovation project. The younger managers easier accept new ideas and know the importance of innovation. Each department can cooperate well, so the strategy of innovation is clearly communicated in YiBai. Sometimes, due to various reasons, YiBai’s strategies for innovation projects are defective, they deal with the problems when they come and change the strategies according to the new situation.

- **Innovative organization**: Through the interviews, we know that YiBai has a very good internal atmosphere for innovation. In fact, one employee uses “crazy” to describe their enthusiasm to devise new ideas. YiBai has some incentive methods to encourage employees to join innovation projects. Anybody in any department has the opportunity to present their ideas, even if the employee’s department not is responsible for the potential innovation project. Each department can cooperate well to implement innovation projects.
• Processes: YiBai’s work speed is rapid; they can finish innovation processes from generating new ideas to launch relative quickly. The reason why process aspects gets the lowest scores is that YiBai pays a lot of attention on speed, but sometimes, they are lacking of preparation. This makes that a lot of problems occurs during the implementation process. One manager in YiBai told us that the implementation process always is the most difficult part in the whole innovation process. What YiBai is doing well is that they can make sure that the employees in YiBai know their customers’ needs.

5.3.3 Implementation of YiBai’s marketing innovation project

YiBai began to prepare the studied marketing innovation project on August, 2009 and appointed a project manager to be responsible for this project. YiBai did not prepare several alternative projects, after comparing the cost and feasibility, they thought the first failing company’s general idea is feasible and decided to use it, but they know they need to make a lot of changes to improve it. Because of the difficulty of the marketing situation, YiBai did not have enough time to prepare their project and evaluate the marketing efforts. What is more, in order to keep the project in low profile to avoid imitation, YiBai decided to implement the project by themselves without cooperation with consultant firms. The responsible person of this project told us that because the lack of experience and investigation, YiBai cannot evaluate the risk in this project in advance. They only could prepare for some regular risk, like high cost, lack of financial support and shortage of manpower. In the end of August, 2009, YiBai formally began to implement the innovation project.

YiBai did not set pilot and implemented this marketing innovation project on a national scale. With the managers’ experience, they first segmented the market according to the geographical position and prepared some detail strategies for these different markets. They also thought that maybe the difference scale of retail pharmacies needed different strategies, but they just thought about it and did not put it in the formal project.

YiBai set a call center department to contact retailers by phone. There are about 60 employees in this department. In many other companies, the employees who use telephone to contact retailers are called telemarketers and their job is to sell products by phone. But in YiBai, employees in this department are called pharmacy consultant, because their main job is not to sell products. These employees not only need to call retailers to understand their sales situation
and the problem they have met, but also need to give suggestions to retailers according to their problems. YiBai also restructured the marketing department. They hired many new employees with relative marketing knowledge and build a marketing team with more than 200 employees in the marketing department. Most of these employees need to contact retailers face by face. They need to go to the retail pharmacies and collect their information. They also need to understand the retailers needs, teach the employees in the retail pharmacies on how to recommend and sale medicines efficiently, how to introduce the different functions and the most significant differences of YiBai’s products to them. The main job the call centre and the marketing employees do can be summarized as customer care and sales suggestion. The pharmacy consultants help retailers to sell their products well to get profit and collect retailers’ information. After contacting with retailers, all the collected data are concentrated in the data centre department.

YiBai has always been willing to invest in technology, and they calculated that if they hire people to contact the retail market and analyse data, they need more than 500 employees. So, they cooperate with a software company to build a CRM system to record and analyze market data. After analysis, data reports will be sent back to the marketing department and top managers. They can make succeeding strategies according to these reports. To use the collected information, YiBai can make different strategies to different retail pharmacies to maintain or improve their relationship, and YiBai can calculate how much profits they have to surrender to retail pharmacies to keep their enthusiasm to recommend YiBai’s products.

During the implementation process of YiBai’s marketing innovation project, some problems occurred gradually. When the marketing employees need to go out and contact retailers, they also need to prepare beforehand the information about every retail pharmacy they will meet. But there are always special situations and a need to check the database outside. In order to make the whole system more efficiently, YiBai decided to develop PDA system. 3G entered into China marketing formally in 2009 (Li, Q., 2009) but many people do not have the idea on how to use it. YiBai decided to use 3G technology in their project. To use PDA in conjunction with 3G technology, marketing employees could check the database at any time and any place. If they meet some special problems, they can take a photo or video and sent it back to YiBai at once. Their managers or professional employees can help them to solve the problems quickly. Besides this, they can have a face to face talk with other employees through their phones. This makes their job more efficiency and gets more trust from retailers. The second problem is the
uncertainty from managers. Some employees and managers hold a suspicious attitude to this project, but meanwhile, they are involved in the implementation process of this project. The suspicion from the decision makers themselves, affect the implementation of this project to a certain extend. When meeting difficulties, the managers of this project cannot make decisions decidedly and sway between different strategies. This make the employees lack of clear guidance to do their job. In a few cases, in order to avoid responsibility and risks, managers even made decisions according to their own imagine which are contrary to the market situation. Implement these wrong decisions and modify the consequences wasted lot of resources.

The third problem comes from the cooperate companies. In this innovation project, YiBai needs to cooperate with an express company and a bank. When YiBai choose cooperators, they forget to consider the bank’s work efficiency. During the implement process, the bank’s work efficiency could not keep up YiBai’s requirements, this made that YiBai wasted a lot of time. But the manager of this innovation project said, even if they chose another bank, consider the situation of the banking system, the result would probably be the same. Besides the express company and the bank, the CRM and PDA system needed professional maintenances; these maintenances are responsible by a software company. YiBai needs to pay them maintenance cost for on-site maintenance and the maintenance person cannot always come on time. So, YiBai required the employees in the technical department to learn how to maintain these systems and do the job by themselves. This saved maintain cost and time.

As mentioned above, YiBai thought about that the different scales of retail pharmacies may need different strategies, but they did not put this idea in the project. During the implementation process, managers found that the scale of retail pharmacies is very important for their future strategy, so they segmented the market again according to their previously experiences and made different strategies for these markets, but they did not make any change in their software system. With the increasing amount of data in the database, the system began to be confused with the type of retail pharmacies which caused a lot of problems during that period. After finding the reason, YiBai adjusted the working process of the software system and changed the structure of the system according to their new strategies.

Besides these main problems above, many other small problems occurred frequently. The interviews did not tell us the details about these smaller problems, but they attributed the reasons to the lack of experiences. These small problems accumulated gradually and affected
employees work frequently. Employees said that compared with big problems, these small problems are closer to them and make them work under pressure.

Because of above problems and the accumulation of many other small problems, the marketing innovation project has already exceeded the budget. Financial problem becomes a new significant problem. However, due to that the top management knows the importance of this innovation project, they allowed an increased budget for this project. Although this project met a lot of problems, it will be continued. These problems made YiBai waste some resources, but the problems are solved one by one. The project manager said that, until now, there was no significant problem that called for a termination of the project. Generally speaking, their trouble is to continually deal with the change of situation; the strategies cannot follow the change speed of the situation. This project runs less than one year and YiBai does not have a formal annual report for the effects of this project. This study focuses on the implementation process of the marketing innovation project, not the result, so this is not a significant problem for this thesis. But comparing YiBai’s retained profits from October, 2009 to March, 2010 with the same period in the last year; its average growth is 12%.
6. Analysis

This part will analyzes YiBai’s marketing innovation project by using the result of YiBai’s innovation capability, the theories of innovation and marketing innovation mentioned above. Some of the theories about marketing innovation have not been proved by practice before, through the analysis we will see whether they are helpful for the implementation of marketing innovation.

6.1 Analysis of YiBai’s innovation implementation

As the results of the questionnaire shows, YiBai does well in the linkages and learning aspects, strategy and organization are in the middle level, but its processes for innovation is not very well. The description of YiBai’s implementation of the innovation project shows that, in some aspects, YiBai capitalized on its own strengths, but in other aspects, it did not avoid its weaknesses.

6.1.1 Linkages and learning

YiBai has good linkages with external institutions and are willing to provide trainings to employees. This helps newly hired employees master their job quickly and help the employees in the data centre learning how to use the software system. It is also helpful for the employees in the technical department to learn how to maintain the software system in a short time. YiBai did not have experiences about this kind of innovation project. If YiBai had consult the consultant firm before the implementation, maybe they could got some professional suggestions to make the implementation more efficiently. However, due to the purpose of keep this project in a low profile, YiBai refused to cooperate with any consultant firm at the beginning. It was pity that although YiBai has a long-term cooperation with a consultant firm, they did not establish a credible relationship with any consultant firm and was afraid the consultant firm will leak their project. This means that YiBai did not use one of its useful external linkages.

6.1.2 Organization and strategy

Talking about the strategy and organization for innovation in YiBai, innovation in YiBai has always been encouraged. Managers and employees know the importance of innovation. Top managers support this marketing innovation project and give it financial support when
necessary. But due to lack of experiences, some of the managers who were directly involved in this project were doubt it at some periods. Their feelings can be understood. As the executors or strategy makers of this project, they hold a great responsibility to its successful implementation. Although risks are unavoidable, each strategy they made may affect the company’s future development, their own career and the careers of employees. So, implementing the project more cautious is right. However, caution does not mean flinching. Suspicion that comes from top management will affect staff morale and become the biggest obstacle of the project’s implementation (Tidd & Bessant, 2009; Lynn & Reilly, 2002). YiBai’s internal structure operated well. Different departments communicate well and the work convergence between the different departments is efficient.

Another problem in YiBai is strategy. Before implementing the project, YiBai set a clear aim and made some general strategies for it according to YiBai’s overall development strategy and market situation. But because YiBai did not make enough investigation and evaluate risks previously, managers had difficulties in making correct detail strategies for the next steps. What YiBai did frequently in this project was to find methods to solve problems after the problems arise. To make strategies to guide the next work step is very important for innovation (Goffin, 2005). Top management, department management and employees are all needing strategies to show a clear work direction. The lag of strategy making increased the difficulty of implementation. The market situation changed quickly, which allowed changing strategies according to the new situation. But to prepare some protective strategies before is helpful for the employees to know what they could do to reduce the lost. To having detail strategies would mean that YiBai need to do deeper investigations about the market which is beneficial for the project’s implementation.

6.1.3 Processes

Processes aspect got the lowest scores in YiBai’s innovation capability. YiBai’s process from generating idea to launching the idea cannot be counted as efficient. It was finished quickly, but the inadequate preparation made that a lot of problems occurred during the implementing process. Mangers did not have the confidence to ensure that the innovation project could be completed on time and within budget.
A complete innovation process contains four phases. Generate new ideas, select the best one, implement it and capture benefits from it (Tidd & Bessant, 2009). Every phase is important for the whole project and for the successful implementation of the next phase. Reviewing YiBai’s innovation project shows that YiBai did not prepare several optional projects to improve their relationship with retail pharmacies. It was more like that at the same time YiBai decided to do something to improve their relationship with retail pharmacies, the project had been selected. They did not consider other projects, after considering the cost and feasibility of the only project, YiBai decided to implement it. The first two phases of innovation were finished hastily. Lack of investigation and risk evaluation made that many problems occurred during the implementation process.

6.1.4 Comparison with the key elements for innovation

From the key elements of innovation mentioned above, we can find that some of them are related to YiBai’s marketing innovation project. Top management’s commitment and support (Tidd & Bessant, 2009; Lynn & Reilly, 2002), organization (Tidd & Bessant, 2009), clear aims, planning (Goffin, 2005) and collaboration (Lynn & Reilly, 2002), have already been analyzed above. Next, we will compare YiBai’s marketing innovation project with other elements for successful innovation.

Market knowledge and information

Market knowledge and information (Tidd & Bessant, 2009; Lynn & Reilly, 2002) are important for innovation. One of the main targets with YiBai’s marketing innovation project is to gain more and better marketing information, so, even if YiBai did not want to tell their project to the consultant firm, they could get some useful market information from the consultant firm before and during the implementation of the project. Due to lack of time, YiBai did not evaluate the market and risk well. To take the full advantage of the external linkages and collaboration under pressure (Lynn & Reilly, 2002) and get the basic information from the consultant firm could have covered the shortage to a certain extend.

Risk assessment

Risk assessment is helpful for implementation of innovation projects (Tidd & Bessant, 2009). The project manager said that they could not predict all risk because of the lack of experience. It is true that no one can predict all risk but YiBai had thought that some problems may will
occur, like the need to segment the market according to the different scale of retail pharmacies, but they did not prepare anything for it. This situation should be avoided in the future. When implementing innovation, referential experience cannot be found every time. So before implementation, investigation should be done and it is better to prepare large amounts of information for the quick response when problems occur (Tian, 2007).

**Proficiency of execution**

This element was presented by Tidd and Bessant (2009). The project managers of YiBai have executed a lot of innovation projects before. However, they did not have any experience about this kind of terminal marketing innovation. Their execution cannot be accounted as proficiency. YiBai met a lot of unprepared problems during the implementation, but these problems were conquered, and the dealing speed of YiBai is not slow. From this different point of view, the managers’ execution is proficiency. To implement this innovation project, YiBai hired many new employees with relative knowledge to join into the project which made the implementation of this project more efficient.

**6.2 YiBai’s marketing innovation**

The above part analyzed YiBai’s marketing innovation by using the theories for general innovation. The next part will treat YiBai’s marketing innovation as terminal marketing innovation. According to the literature we found about marketing innovation, we will analyze this marketing innovation project from several aspects below. We will also analyze how these aspects affected YiBai’s marketing innovation project.

**6.2.1 Define potential market**

The overall purpose of YiBai’s marketing innovation project is to increase their sales and get more profit. Its specific target is to improve the strained relationship with retail pharmacies, and to control the terminal market. The terminal market exists all the time but was ignored by many other pharmaceutical companies. For a long period, pharmaceutical companies have paid their attention to improve sales from wholesalers and customer market. Some companies began to notice the value of terminal market recently, but YiBai implements an innovation project first when other companies still remain hesitation. The marketing innovation provides YiBai a new way to serve the terminal market better (Johne, 1999; Halpern, 2010). It is interesting and clever that YiBai choose a different market to improve their sales. And YiBai did not just
promote their products to retailer pharmacies. Top management in YiBai knows that YiBai can survive only when the retailers can survive so YiBai tries to establish a win-win relationship with the retail pharmacies.

6.2.2 Public relationship and channels
As the end of pharmaceutical companies’ marketing channel, retail pharmacies can touch customers directly. Their relationship with the pharmaceutical company can affect the sales of this company. What YiBai do can be considered as an improvement of its marketing channels through changing the relationship between them. As Du (2008) presented, public relationship and channels, these two aspects are worthy to be considered carefully in marketing innovation. YiBai’s public relationship in this innovation project focused on the relationship with retailers. Besides this, the relationship with wholesalers, customers, cooperators and public institutions should not be ignored.

6.2.3 Segment markets
After deciding to implement the project, YiBai first segmented the market according to the geographical position. Chian has a large area, and different provinces have different customs. Segmenting the market according to the geographical position becomes a convention if a project will be implemented in a national scale (Tian, 2007). YiBai also uses this segmentation method without any doubt. Some of YiBai’s managers thought that different scales of retail pharmacies should be segmented, but they did not prepare any strategy for this idea. As matters turned out, to segment the market according to the scale of retail pharmacies is necessary, and this mistake caused subsequent problems. When segmenting market, experiences may be useful, but carefully investigation is required too. Since not only one manager thought another segment method may be necessary and it was entirely possible, YiBai should have prepared something for it.

6.2.4 Provide value to customers
In YiBai’s innovation project, besides customers care and giving sale suggestion to improve their relationship, surrendering suitable profits to retail pharmacies is another important thing retail pharmacies were concerned about. As described above, the main reason that caused the battle broke out between the pharmaceutical companies and the retail pharmacies in 2005 was that the pharmaceutical companies took most part of profits, retail pharmacies just got a narrow
margin profit. As Li, S.L.’s (2009) said, customers will purchase your product only when they can get their expected value from the purchasing. It is the same that retail pharmacies will sell the companies’ products initiatives if they can get expected value from it.

6.2.5 Technology

Information is helpful to marketing innovation (Chen, 2006). YiBai invested in technology and used advanced methods to record and analyze information which was a key strategy for their successful implementation of the marketing innovation project. Technology is more connected to product and process innovation before. It was seldom mentioned in marketing innovation. But in today’s modern society, technology has already penetrated into everywhere. From YiBai’s experience, it is obviously that technology also is helpful to marketing innovation. Chen (2006) mentioned that new ways of gathering consumer information is helpful to marketing innovation. YiBai’s experiences prove Chen’s theory. This was not only helpful to gather information, the PDA system and 3G technology also made that YiBai’s employees worked more efficiently.

6.2.6 Combination of market factors

Zhang (2006) considered that combinations of market factors as the contents of marketing innovation. She thought the market factors contain new products, new market segment, new marketing methods and new marketing concepts. In this study the combination of market factors is seen as a strategy. Improving relationship with customers, CRM system, PDA system and 3G technologies, call centre, customer care and sales suggestion, are not new things if we look at them parts. But YiBai is the first company to combine these factors together and implement them in practice. This makes YiBai an innovator and made that problems that occurred during the implement process could be solved.

6.3 Risks of YiBai’s marketing innovation

If the risks from above analysis is summarized and compared with the common risks presented by Hoecht (2006) and Tian (2007), there are some main risks for YiBai’s implementation of their marketing innovation project. We list them below and analyze how they affect YiBai’s marketing innovation project.
6.3.1 Cost
The costs of YiBai’s marketing innovation project exceeded the budget because of many unpredictable problems, YiBai wasted many resources. It was lucky that the top management allowed extra budget for it, otherwise, the project may have failed. During the implementation process, YiBai tries to find some methods to reduce their cost. YiBai maintains their software by their own employees, this not only save the cost, but also save the time spent on waiting the maintenance person before.

6.3.2 Underestimate the difficulties, innovation projects are out of control
This risk was presented by Tian (2007). YiBai’s project cannot be accounted as out of control. But it was true that unpredictable problems always occurred that made managers and employees work tensely.

6.3.3 Overdependence on experience
We found that managers liked to contribute the mistakes and unpredictable situations to lack of experience. No one can deny that experience is important but when implementing innovation projects, the situation of lack experiences cannot be avoided and learning from doing is an important capability. If every strategy or step has experiences to guide, it may not be innovation. YiBai’s managers do well in recovering from mistakes, quickly and effectually, but it will be better if they did more preparations before the implementation. Even under an emergency situation it is important to leave enough time for investigation and preparation that make the implementation easier.

Besides above risks, Hoecht (2006) presented that the most common risks in marketing innovation come from: information leakage, distrust from employees and the uncertainty of the market.

6.3.4 Information leakage and imitation
About the information leakage, in order to avoid this, YiBai refused to cooperate with a consultant firms and paid close attention to other companies to prevent it. Until now, it does not cause any significant events to YiBai. But the future is difficult to say; especially when this project has already been implemented for a long time. The manager of this project also thinks it is certain that there exist imitators. YiBai’s advantage is that they build the database earlier and
that it is the most adequate database. If other companies control more and better data than YiBai, it will be dangerous for the project.

6.3.5 Distrust from employees

This risk has been analyzed before. But YiBai’s situation may not be serious enough to “distrust”, it is more like uncertainty and a skeptical attitude. Most employees in YiBai believe in the decisions made by managers. What affected the implementation of this marketing innovation project is the uncertainty from the decision makers themselves. The uncertainty from the decision makers will affect the momentum of employees involved in this project and time and opportunities are wasted due to their hesitation.

6.3.6 Uncertainty of market

The last common risk is the uncertainty of the market. This is a grievous thing for the project managers and employees and it cannot be avoided, but YiBai can prepare for it, if it can be predicted. Due to the lack of experiences and detailed strategies, like we have talked about before, YiBai was on a passive position.

6.4 Comparison with the development situation of China’s innovation practice

Although the pharmaceutical market is special in China, if YiBai’s terminal marketing innovation project will be successful, it will be significant for other industries which have a retail terminal market.

China’s innovation practices are not very mature (Wang, 2007) and it is important to develop innovation management theory and practice in the context of China. Yang (2004) mentioned that there exist some main difficulties in the innovation practice in China: lack of targeted theoretical guidance, singleness of marketing strategy, lack of long-term planning for enterprise development and lack of innovation spirit. These difficulties will be discussed below:

Lacks of targeted theoretical guidance

YiBai’s project managers are well educated and know relative theories about their job. But the theories are insufficient because many theories known by the project managers are not suitable for China.
**Singleness of marketing strategy**

This difficulty is not obvious in YiBai. But reviewing the first failing company’s marketing innovation project and YiBai’s marketing innovation project, both of them use the same general idea and YiBai did not consider another one. This shows the problem from another angle. Although it is an innovation project, people are still keeping a little conservative and like following other people’s experiences.

**Lack of long-term planning for enterprise development**

This is also not obviously in YiBai. If there is no long-term planning for enterprise development, YiBai would not have implemented this marketing innovation project.

**Lack of innovation spirit**

Nowadays, innovation is not an unfamiliar topic. The importance of innovation is mentioned by government, public agencies, schools, universities, merchants and many other people and institutions. But understanding the importance of innovation is different with having the courage to implement innovation. Like some managers of YiBai, they know the importance of innovation, but when implementing innovation, they kept a suspicious attitude on it.
7. Conclusion

From the above analysis and the literature study, we can summarize some useful elements for successful marketing innovation implementation. Some elements mentioned by other authors are not being proved through this study. But these elements cannot be said to be wrong because different marketing innovations projects have different content and contexts and maybe they will be helpful in other projects.

7.1 Positive elements and their impact on marketing innovation

From this study, we can summarize some elements which are useful for the implementation of marketing innovation.

- Pay attention to the neglected market – Competition is fierce on the main market. If just focusing on the main market, the company’s own advantages will be weakened and the cost is high. Opportunities in the neglected market may bring unexpected results.

- Segmenting markets – Appropriate segmenting methods can help the collected data to be recorded and analysed more reasonable and clear and managers can make strategies more targeted.

- Information – Market information and customer information are both important for strategy making. Lack of information will cause unpredictable troubles and waste of resources.

- Public relationship – The relationship with customers, wholesalers, retailers and other institutions are very important. Compare with strained relationship, try to build a win-win relationship with cooperators and establish a positive image for customers are important for marketing innovation.

- Provide value to customers – Earn more profit is good, but surrender part of profit to customers is a useful strategy too. A company can survive only when its customers exist. Of course, the value does not only mean money.

- Combination of market factors – It is no need to create new things every time. Sometimes, finding a new and effective combination of existing market factors can bring a successful marketing innovation.

- Marketing channels – Like market, do not just focus on the most familiar channels. Every channel’s advantage is worthy to be fully exploited. This element was presented by Du (2008) but was not proved by practice. YiBai’s marketing innovation project shows that channels can be a key element for marketing innovation.
Technology – Technology is not only important for product and process innovation, but also important for marketing innovation. There were no studies that count technology as a key element in marketing innovation before. But technology contributed much in YiBai’s marketing innovation project. So, we list technology here and count it as one key element for marketing innovation.

7.2 Risks / negative elements and their effect in marketing innovation

Risks are various and many of them are unpredictable. Here, we just identified some of them.

- **Cost** - Cost is not a new risk in innovation. But it is really a big problem. YiBai is lucky that top management allowed the project extra budget and YiBai can afford it. There is a general risk that projects must be terminated if it exceeds budget. So, calculate the cost carefully and prepare the project better before implementation is necessary. To find methods to reduce cost is also important during the implementation process.

- **Uncertainty of market** - The change of the market cannot be avoided, and some of them are hard to predict. This makes the implementation of marketing innovation more difficult.

- **Information leakage** - This is a big problem for marketing innovation. Sometimes, in order to avoid information leakage, companies need to do unfamiliar jobs by themselves, so, before deciding what to do by themselves the company should measure clearly which risk they are willing to take: failing of the unfamiliar job or the risk of information leakage. By the way, establishing a long-term and credible cooperate relationship is hard and cost resources, but it will play a key role sometimes.

- **Imitation** - A lot of imitators will occur if a marketing innovation project is successful, and imitators often spent less cost than initiator. Companies need to keep improving and maintain themselves in a leading position. This is why continuous innovation is important.

- **Overdependence on experience** – Having rich experience is a good thing. But to do marketing innovation, there must be something no one has done successfully before. Overdependence on experience makes managers less confident and does their job with misgiving and fear.

7.3 Some suggestions for improving marketing innovation in companies

After analyzing the advantages and disadvantages of the implementation of marketing innovation, this thesis tries to give some useful suggestions.
• Marketing innovation is not familiar for many companies, it can be understood that because of lacking experiences, companies cannot prepare everything before implementation, and learn from doing is necessary. But if the conditions permit, it will be better to leave more time to do the adequate preparation before implementation. Collecting more information can help executors predict risks and calculate budget more exactly.

• External linkages are very important. Companies need to make a long-term planning to cooperate with external institutions, but the cooperation should not only be a long-term relationship, but also a credible relationship. When some projects need to be done under a low profile, these external linkages can be used.

• If having the feeling that some problems may occur in the future, do not ignore it. Do some investigation and prepare for it previously if necessary.

• Implement projects more cautious but do not hold the suspicious attitude all the time. The uncertainty attitude from strategy makers will affect employees working mood and sometimes the opportunities maybe lost because of indecision.

• Do not overdependence on experience.

7.4 Some suggestions for improving marketing innovation in China

Through the study, we found that in China, most widely known innovation theories are translated from western countries. In recent years, innovation becomes a hot topic and many researchers begin to pay attention to this area, but some authors just presents some supposition which lack empirical support. In companies, when doing innovation projects, managers tend to depend on experiences and not theories. It is necessary to develop theories suitable for China’s situation that can be used as guidance when implementing marketing innovation projects.

7.5 Comparison of marketing innovation and product innovation

In fact, marketing innovation and product innovation have many common points. Like cost, information collection, avoid information leakage and imitators. If marketing innovation is compared with the key elements of product innovation presented by Bessant and Tidd (2007), it shows that in marketing innovation, segmenting market, public relationship, channels and emotion management are important. In product innovation, product concept, lead-time and productivity are more important (Table 6).
Table 6: Key elements for marketing and product innovation.

<table>
<thead>
<tr>
<th>Marketing Innovation</th>
<th>Product Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Segmenting markets (Tian, 2007; Tidd and Bessant, 2009)</td>
<td>• Market</td>
</tr>
<tr>
<td>• Define potential market (Johne, 1999; Halpern, 2010)</td>
<td>• Lead-time</td>
</tr>
<tr>
<td>• Product (Du, 2008; Tian, 2007)</td>
<td>• Product concept</td>
</tr>
<tr>
<td>• Gather customer information (Duke, 1990; Chen, 2006)</td>
<td>• Cross-functional teams</td>
</tr>
<tr>
<td>• Public relationship (Du, 2008)</td>
<td>• Internal communication</td>
</tr>
<tr>
<td>• Marketing channels (Du, 2008)</td>
<td>• External links</td>
</tr>
<tr>
<td>• Effectual to company (Li, S.L., 2009)</td>
<td>• Productivity</td>
</tr>
<tr>
<td>• Cost (Du, 2008)</td>
<td>• Financial</td>
</tr>
<tr>
<td>• Combination of market factors (Zhang, 2006)</td>
<td>• Moderate tenure</td>
</tr>
<tr>
<td>• Emotion management (Du, 2008)</td>
<td>• Gatekeepers</td>
</tr>
<tr>
<td></td>
<td>(Bessant and Tidd, 2007)</td>
</tr>
</tbody>
</table>

Although both the internal and external environment are important for marketing innovation and product innovation, we think that during the implementation process of marketing innovation, external environment is needed to pay more attention. Like the marketing situation, market segment and public relationship, these are the main object in marketing innovation. No matter what improvements were done inside of the company, the purpose of these improvements will contribute to the external marketing. And during the implementation process of product innovation, companies need keep sharp eye on internal environment, like the product concept and function, productivity and technology.

7.6 Unique findings and conclusions

In this thesis, we found that there is lack of innovation theories both for marketing innovation in general and marketing innovation implementation in particular, especially in the context of China. Most of innovation theories in China are translated from western countries, lack of suitable theories to guide implementation make managers relying heavily on experience in marketing innovation projects. We found when implementing a marketing innovation project, companies should pay more attention to the external environment and that technology is an important element in marketing innovation. We have also shown that marketing channels are a key element in marketing innovation which has not have been supported by empirical evidence before.
8. Limitations and future research

This thesis focuses on one case only, so the possibility to generalize the findings in a statistical way is limited. Because the marketing innovation project we studied has not been finished, the findings and conclusions are derived from the implementation process in progress which makes it hard to value the process considering the result.

The Chinese government has some special requirements for the pharmaceutical industry’s market, although the experiences of YiBai’s marketing innovation project may be useful for other industries which have a retail market, like cosmetics industry and commodity industry. The conclusion we made in this thesis may not represent all kind of marketing innovation projects and all other industriess so marketing innovation in other industries and countries still need further research. This thesis just takes China as research background, but different countries have different customs and legal requirements. In other countries, some of the conclusions presented in this thesis may not be valid.

Besides the above, how to overcome the difficulties in China’s innovation practices need a long term future studies. What is more, in this thesis, some key elements for marketing innovation presented by other authors have not been proved empirically so future studies are needed to see whether they are important to marketing innovation and in which situations they can get maximum effectiveness.
9. Managerial implications

When implementing marketing innovation, it does not only mean new markets or the launch of new products to markets. Sometimes, making some changes to the existing markets which were ignored can bring unexpected benefits to the company. If a company can manage its external linkages and cooperation relationships well, they can play a positive role when implementing marketing innovation projects. Companies should pay attention to these linkages and learn how to make maximum use of them. We got some managerial implication for companies, managers and other actors:

- Do not ignore preparation.
- Pay more attention to the external environment during the implementation process of marketing innovation.
- Consider different ways to segment the market.
- Do not stingy on technology investment.
- Seek the neglected market.
- Market information and cooperators’ information are both important.
- Provide value to customer and channel intermediaries.
References


### Appendix A

#### Questionnaire

This simple self-assessment tool (Tidd and Bessant, 2009) focuses attention on some of the important areas of innovation management. Below you will find statements which describe ‘the way we do things around here’ - the pattern of behaviour which describes how the organization handles the question of innovation. For each statement simply put a score between 1 (= not true at all) to 7 (=very true).

<table>
<thead>
<tr>
<th></th>
<th>Statement</th>
<th>Score 1=not true at all to 7=very true</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>People have a clear idea of how innovation can help us compete</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>We have processes in place to help us manage new product development effectively from idea to launch</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Our organization structure does not stifle innovation but helps it to happen</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>There is a strong commitment to training and development of people</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>We have good “win-win” relationships with our suppliers</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Our innovation strategy is clearly communicated so everyone knows the targets for improvement</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Our innovation projects are usually completed on time and within budget</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>People work well together across departmental boundaries</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>We take time to review our projects to improve our performance next time</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>We are good at understanding the needs of our customers/end-users</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>People know what our distinctive competence is – what gives us a competitive edge</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>We have effective mechanisms to make sure everyone (not just marketing) understands customer needs</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>People are involved in suggesting ideas for improvements to products or processes</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>We work well with universities and other research centers to help us develop our knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>We learn from our mistakes</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>We look ahead in a structured way (using forecasting tools and techniques) to try and imagine future threats and opportunities</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>We have effective mechanisms for managing process change from idea through to successful implementation</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Our structure helps us to take decisions rapidly</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>We work closely with our customers in exploring and developing new concepts</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>We systematically compare our products and processes with other firms</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Our top team have a shared vision of how the company will develop through innovation</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>We systematically search for new product ideas</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Communication is effective and works top-down, bottom-up and across the organization</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>We collaborate with other firms to develop new products or processes</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>We meet and share experiences with other firms to help us learn</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>There is top management commitment and support for innovation</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>We have mechanisms in place to ensure early involvement of all departments in developing new products/processes</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Our reward and recognition system supports innovation</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>We try to develop external networks of people who can help us - for example, with specialist knowledge</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>We are good at capturing what we have learned so that others in the organization can make use of it</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>We have processes in place to review new technological or market developments and what they mean for our firm's strategy</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>We have a clear system for choosing innovation projects</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>We have a supportive climate for new ideas - people don't have to leave the organization to make them happen</td>
<td></td>
</tr>
</tbody>
</table>
When you have finished, add the totals for the questions in the following way:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>22</td>
<td>23</td>
<td>24</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>27</td>
<td>28</td>
<td>29</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>32</td>
<td>33</td>
<td>34</td>
<td>35</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>37</td>
<td>38</td>
<td>39</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>÷ by 8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Your Score for… Strategy Processes Organization Linkages Learning

Now plot a profile for the five dimensions:
Result of questionnaire

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>6</td>
<td>10</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>6</td>
<td>12</td>
<td>6</td>
<td>13</td>
<td>5</td>
<td>14</td>
<td>4</td>
<td>15</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>3</td>
<td>17</td>
<td>4</td>
<td>18</td>
<td>4</td>
<td>19</td>
<td>6</td>
<td>20</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>5</td>
<td>22</td>
<td>4</td>
<td>23</td>
<td>5</td>
<td>24</td>
<td>6</td>
<td>25</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>6</td>
<td>27</td>
<td>4</td>
<td>28</td>
<td>5</td>
<td>29</td>
<td>6</td>
<td>30</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>4</td>
<td>32</td>
<td>4</td>
<td>33</td>
<td>6</td>
<td>34</td>
<td>5</td>
<td>35</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>4</td>
<td>37</td>
<td>3</td>
<td>38</td>
<td>5</td>
<td>39</td>
<td>4</td>
<td>40</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>33</strong></td>
<td><strong>41</strong></td>
<td><strong>43</strong></td>
<td><strong>42</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\div$ by 8</td>
<td>4.9</td>
<td>4.1</td>
<td>5.1</td>
<td>5.4</td>
<td>5.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Your Score for... | Strategy | Processes | Organization | Linkages | Learning

Ideal score...
Appendix B

Main questions in interviews

There are some main questions asked during the interviews, these are not all the questions. Some detailed questions are not listed here.

1. As a large enterprise, does YiBai pay attention to innovation?
2. How about the innovation atmosphere in YiBai?
3. Does the top managers in YiBai support innovation?
4. Does YiBai has some systematic method to encourage innovation?
5. What kind of innovation had YiBai done before?
6. Are you doing some innovation project recently?
7. How do you define this innovation project?
8. What kind of innovation do you think it is belonged to?
9. Why do you decide to implement this innovation project?
10. On what extent the strained relationships between pharmaceutical factory and retail pharmacies affect YiBai’s development?
11. Which law prescribes the pharmaceutical distribution?
12. Since the problems have existed for a long time, why didn’t you try to solve it until now?
13. Did you ever think about outsourcing this innovation project to some professional firm?
14. How did you generate this idea? Why did you choose this one?
15. Is there any other company try to solve these problems before?
16. Do you have any idea about the reasons which cause the failing of the previous company?
17. Did you learn some experiences from the previous company’s failing?
18. Besides the first failing company, did you learn experiences from other places?
19. Except the idea used by the previous company before, did you generate other ideas to improve your relationship with retail pharmacies?
20. Did you think this idea is the best one?
21. As the previous company was failing, why did you have the confidence to implement the marketing innovation project? Especially you decide to use the previous company’s general idea.
22. Can you simply introduce your background of pharmaceutical industry?
23. Why did you think this idea is the most appropriate one?
24. Did you make some change about the idea?
25. What changes did you make?
26. Can you introduce the main content of this marketing innovation project?
27. Is there any company use your methods before?
28. Did you have necessary theoretical knowledge to support your innovation project?
29. What difficulties did you meet during the implement process?
30. How these difficulties affect your implement?
31. What is most difficult thing for employees during the implement process of this marketing innovation project?
32. What is most difficult thing for managers during the implement process of this marketing innovation project?
33. What methods did you use to overcome these difficulties?
34. Did you have a long-term cooperation with professional consultant firm?
35. Why did not you cooperate with professional consultant firm in this innovation project?
36. What kind of impact will the imitators bring to you?
37. Did you cooperate with other companies in different industries?
38. Did you cooperate well with these companies?
39. If the bank cannot keep up with your working speed, why not choose another bank?
40. Before implement, did you predict these difficulties?
41. Do you have some method to evaluate risks in innovation? If you have, what are they?
42. Do you know some theories about risk evaluation in innovation?
43. What preparation have you done for the potential risks?
44. You mentioned that you have a call centre department. Is this a new department specially set for this marketing innovation project, or it is already exist before this marketing innovation project.
45. What is main job of call centre?
46. It seems that employees in marketing department also play an important role in this marketing innovation. Did you use old employees to do this project or you hired some new employees?
47. What is the main job of marketing department employees who involved in this innovation project?
48. How many new employees did you hired?
49. How many employees does call centre department have?
50. How many employees in marketing department have involved in this project?
51. Did the top management nominate someone to responsible for this project?
52. Does YiBai provide some training to employees? What kind of training?
53. Did you set some pilot market before implement the marketing innovation project in a national wide?
54. Did you segment the market before implement?
55. You segment the market according what?
56. Since you have thought segment market according to the scale of retail pharmacies may necessary before, why did not you prepare for it?
57. Do you have some report to show the result of this marketing innovation project?
58. How is the cooperation between different departments during the implement process of this marketing innovation project?
59. You use a lot of software in this marketing innovation project, how did you maintenance them?
60. Is there any other factory are doing what you have done now?
61. Do you think there are any thing can be improved for your future marketing innovation?