

The Influence of Innovation on Distribution and Network Markets

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ABSTRACT

Innovation as a phenomenon in distribution and network markets has conceptualised in the recent years due to the rise in globalization and adoption of new advanced technologies. The objective of the study is to understand the influence innovation has in the form of technology on distribution and network markets in the city of Mumbai where the respondents consisted of working population and business owners. The key aspects that have been focussed are attributes like effect of innovation on the relationship between the members of the channel and influence of economic, cultural, institutional, concept on innovation in the international marketing channels. Thus, prevailing that there is a vision that does not completely acknowledge the consistency of the relationship upstream and downstream value chains.

Keywords: Innovation, Upstream and Downstream value chains, marketing channels

INTRODUCTION

Innovation acts as a creation and the exploitation of providing value or the value that is built in the newness or difference in the product, technology, process, methods and the business models which are built by the consecutive occurrence of one or various events with little success probability that require high problem resolution and which show the possibility effect of a solution or the deliverable in the initial stage of the occurrence of the events in the product

Innovation in marketing channels is a concept that has been treated with reference to cater to specific areas of innovation or to single categories of topics within the channels. Not much of study has been conducted with a perspective that has been referring to the channel as complete. The major contributors have focussed on the retailing of products innovation for the distributing companies, or as the innovation present in the supply chain. In such cases, the attention has been placed on the technological issues in particular to the ones relating to communication and information technologies and the impact of these that may be observed for the marketing channels.

The few aspects that have been focussed on the channel have been highlighted in single specific attributes like effect of innovation on the relationships between the members of the channel and influence of economic, cultural, institutional, concept on innovation in the international marketing channels. Thus, in the prevailing literature, there is a vision that does not completely acknowledge the consistency of the relationship upstream and downstream value chains.

Network marketing is a huge business. The network marketers have taken great trouble in order to distinguish themselves which are legal from the ones that are not. In this type of business legitimate firms rely on the sales of the real products which act as their source of income. Network marketing has been the thing that came to India since the past 15 years and the one because of innovation has been increasing at a faster speed than ever.

Network Marketing today has actually changed the way goods and products are viewed and accessed by the customer. The buying behaviour and pattern has changed incredibly among the customers due to network marketing. It has proved to be a boon to the markets today. Some firms today are unable to cede network markets. They need to enter these markets in order to defend core businesses and to grow through relative diversification. Dominance in the network marketers always leads to winning situation which have led to the focused on how the firms can win dominant shares as the markets emerge. The literature today says that there is little challenge to compete which clearly states that there is absolutely no choice but to create a competitive environment in order to penetrate these markets

REVIEW OF LITERATURE

1.2.1 The Evolution of Innovation

Innovation can be a planned movement by an organization, which is defined by the core mission of business expansion. The potential of an organization and its ability to develop its competencies actually define the limits as how a firm can innovate and what is the best to be accomplished by the firm. Innovations diffuse the markets till they are inculcated by the individual potential customers in the market. The process of realizing the demand till the inculcation is complete can be defined as the potential of the market and the customer's adoption process by which is at the aggregate or the social system which can be termed as diffusion of the innovations. Theories of innovation were put forth by the great economists like Joseph A Schumpeter, sociologist Everett M Rogers and anthropologist H G Barnett. Innovation includes the construction of new plants and equipment, the introduction of new firms and gives rise to leadership among the people. Innovation is defined as 'any thought, behaviour or thing that is termed to be new since it is qualitatively different from the basis of the cultural change'.

The Roger's curve on the timeline of adoption of the innovation is given as Figure 1 in the appendix which outlines the various categories of the customers on the adaptive time line as the innovators, the early adopters, the early majority and the late majority which comprises of the main stream markets and the lastly laggards. There exists a chasm between realizing the innovator and the subsequent market by majority. Also, in the market for product innovation, the sales are comparatively low and as new firms are added the quality improves with effect of reducing prices, we get a shoot in the sales.

If the innovation that has taken place creates markets and disrupts the existing prevailing market or the value network and technology is new, then this is known as the disruptive innovation. The market created by innovation that would disrupt the existing markets and create new market without having to change the technology is called as the successive generations of the technology.

Innovation requires market and technical feasibilities (Abernathy-Clark Model Figure 2 in Appendix); which requires the knowledge of the aspects that go through the making products as well as of the linkages among them which is called as architectural knowledge (Henderson- Clark Model Figure 3 in Appendix), it requires the hold over the complementary assets which are necessary as well as ability to protect the innovation through patents, copyrights, trademarks, tacit knowledge, casual ambiguity, trade secrets (Tecee Model Figure 4 in Appendix). Innovation today also follows the evolution of technology which acts as a life cycle as well as the evolving technology in the market.

Innovation leads to change in the process in organizations and the market offerings and it tends to be a key weapon that marketing strategist are using to win the customers and markets through the development of the sustainable competitive advantage. Innovations today use the assets and competency of the firms along with the innovation processes to bring about the new or the different market offerings which when were successful in the market bringing goodwill to the business organization. Therefore, the innovation succeeds as an advantage that should lead to benefit of the innovation through proper marketing strategy.

1.2.2 Innovation in marketing Channels

A marketing channel helps the business organization by providing the right product to the right potential customers on time for procurement by the consumers. All the goods are put through a process of channel distribution and it depends upon the business organization as who these goods are to be marketed and distributed. The route that a particular commodity or service will take place is important because an organization must determine which channel is best for his particular product. The marketing channel differs from one organization to the other. A marketing channel is used as an important tool for management and is indeed crucial for creating an effective and concrete marketing strategy.

In the recent few years, innovation processes in the marketing channels have occurred with high variance and pace. This has been observed due to the changes that were spurred by the revolution in the world of technology that gave access to the adoption of effective organizational solutions. As a consequence to this, there has been an increased competitiveness among all the firms in the channels that have emerged. Other factors that acted as the catalyst for the invention of innovative processes in the marketing process was the process if the modernization of the retail sector that has recently strengthened and enriched the roles of many players in this sector. Various other examples included the traceability and compliance to the rules and

regulations with the social, ecological and ethical values that have been laid down by the government while the manufacturing of the products.

These catalysing factors have been active in nature giving a strong context of emphasis on the competitive dynamics, at both the level, i.e. horizontal and vertical. As per a recent survey conducted segmentation and personalization is a top priority for marketers in 2016.

1.2.3 Innovation in Network Marketing

Network marketing which is also known as Multi-level Marketing is a business model wherein independent contractors buy into a particular business organization and earn on a certain amount of commission on the products or service that they might have rendered. This profession has become appealing to many as they sit at their own hours and convenience. But it can prove to be a very lucrative path that has been chosen.

The few of the major features that impact the business of the network marketers or make them stand out in the industry today is that they have a very pre-determined target audience, it tends to provide value to its customers and the most important feature is that it provides consistency in the quality of service and product.

In India today where network marketing took root 10 years ago, we see that 3% of its population that is, 350 million people are involved in network marketing. There has been a 10% increase in the network marketing industry in India which is today valued at 3 billion US Dollars. Major companies like HLL which has a turnover of 10,000 crores is now planning to shift to network marketing as it has seen the potential in the market and the constant and consistent feature of quality product in it.

1.3 RESEARCH METHODOLOGY

The objective of this research paper is to find out the innovative strategies used in marketing channels and network marketing and their respective effect on the company, products and customers. The strategies are an effect of the changing consumer needs, demands and the market sentiments. Also, the increasing competition has led to constant adoption of the innovative strategies by the companies.

A questionnaire method was used to collect data from the respondents. For the purpose of the survey a sample of 120 people were decided on. To further define the population, the elements taken into consideration were the public at large without any specification, sampling units were colleges, entrepreneurs and working population. The sampling design decided was non-probability sampling for the sole reason that since the topic under survey was very subjective, the respondents need not had to be selected very rigidly. For the purpose of analysis, the sample was divided according to the age, wherever needed.

1.4 EMPIRICAL RESEARCH

Since the topic under study was subjective in nature and open to all, it could be answered by all. Therefore, though care was taken to maintain a balanced sample of respondents, after the pilot study it was seen that the more people from varied backgrounds filled the questionnaire, the more variety was brought into the survey. For this reason, the final questionnaire was sent to the respondents via mail and each respondent was encouraged to forward the link to potential respondents. The desired target of 120 respondents was achieved within a period of 25 days.

The target sample that was decided on was 120 respondents, however due to incomplete responses and failure to answer correctly 20 questionnaires had to be deleted and was not considered for the purpose of analysis. The total number of respondents that was considered for the analysis was 100

For the better understanding of the questionnaire, a few important questions were individually analyzed. The results of two or more such questions are considered with each other to see if there is a link between the two. In the subsequent paragraphs a cohesive description of the major findings is given along with the chi square and annova that were used.

1.5 EMPIRICAL ANALYSIS

The aim of the primary research was to get a broad understanding of the existence of the innovative strategies in marketing channels and network marketing

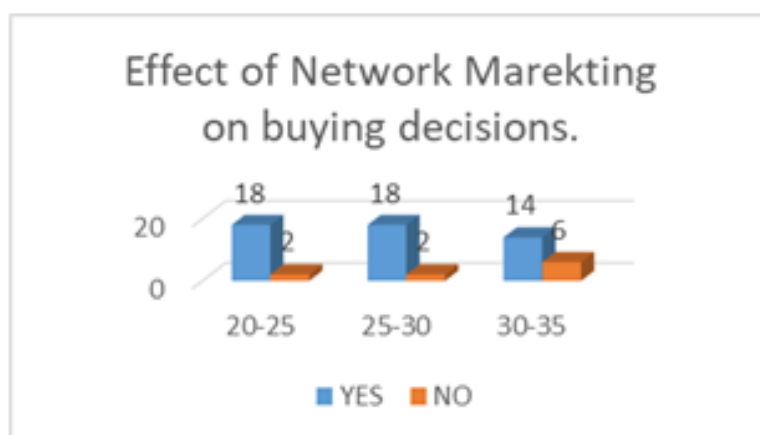
Change in the way marketers market the product



(Based On Author's Primary Data)

As per the survey conducted to the working population from the age group of 20-35, which is basically the age group of the millennials we see a trend which shows that the consumers have accepted the fact that there has been a change in the way marketers market their product. As we see in the data shown above 100% of the respondent feel a change in the age group of 20-25. The age group of 25-30, 75 % of the respondents feel the change and 90% from the group of 30-35.

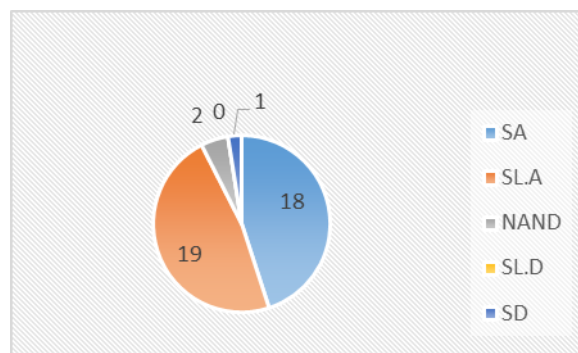
Effect of Network Marketing on buying decisions



(Based on Author's Primary Data)

Network marketing has been gaining pace since the digitalisation of the service. The individual platforms have observed a constant change and evolution. As per the research conducted on the group of millennial we observe that a greater population feel that network marketing has changed or rather had an effect on the buying decisions of the consumers. In each group of the population that was surveyed we see that 16-18 of the respondents have agreed that innovation has led to an effect of network marketing on their buying decisions

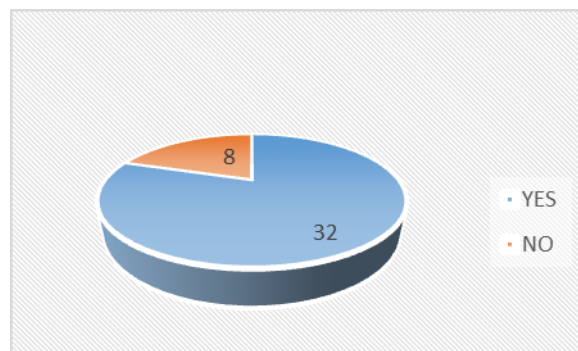
Innovation in relationship to final demand



(Based on Author's Primary Data)

Network marketing has been gaining pace since the digitalisation of the service. The individual platforms have observed a constant change and evolution. As per the research conducted on the group of entrepreneurs we observe that a majority of the entrepreneurs feel that network marketing has changed or rather had an effect on the buying decisions of the consumers. As we observe the trend we find that 18 respondents strongly agree, 19 respondents slightly agree and only one respondent strongly disagrees that there has been an effect.

Effect of Innovation on the Buying Pattern



(Based on Author's Primary Data)

Customers today gravitate towards the personal touch network that the current marketing provides them. The advancement in the technology has helped the channel to continuously keep evolving.

As per the survey conducted, 32 entrepreneurs out of the 40 have stated that innovation in marketing channels in the emerging markets has changed the buying behaviour of the customers. Only 8 entrepreneurs have denied this fact.

CHI Square Analysis

It was imperative to study whether the buying behaviour of the consumers vary as per their age. Hence a Chi Square test was calculated. The results of which are shown in Table 1 and Table 2

H_0 . There is no relationship between the buying pattern and the age

H_A There is a relationship between the buying pattern and the age.

AGE	YES	NO	TOTAL
20-25	20	0	20
25-30	16	4	20
30-35	18	2	20
TOTAL	54	6	60

Table-1: Observed Values (Based on author's primary data)

Formula for calculating expected values = (row total*column total)/grand total

Formula for Chi Square = sum of $(O-E)^2 / E$

Age	Observed	Expected	(O-E) ² /2
20-25	20	18	0.222
25-30	16	18	0.222
30-35	18	0	0
20-25	0	2	2
25-30	4	2	0
30-35	2	0	0

TOTAL 4.444

(Based on Author's Calculations)

Here, as the value of the chi square does not fall in the range of the critical value which is 0.103 Hence, we reject the null hypothesis which states that the decision to buy a new product will remain the same and accept the alternate hypothesis which states the buying decision of a new product varies as per the different age groups.

Hence, we can conclude from this finding that the buying behaviour of the consumers differ from the different age groups and classes.

1.6 LIMITATIONS OF THE SURVEY

The survey was definitely a success in terms of meeting the target sample as well as finding insightful results; however it wasn't without the limitations. Since the survey was conducted by just one researcher and was also for a short period of time, a lot of respondents could not be covered.

There is also a possibility of incorrect information. Another major limitation to the survey is that the answers that people gave are what they are consciously doing. However it was impossible to record their unconscious thoughts.

1.7 MAJOR FINDINGS

The influence of inculcating innovation in distribution and network markets has thus made it more effective with giving the return on investment to be higher than the actual cost that is to be incurred on the traditional marketing distribution. Effectiveness of this is seen by a wider reach of the product in the markets.

The buying pattern of the customer is evolving due to the innovative techniques that have been used by the companies in their marketing channels as well as in network marketing which gives the customers a variety of products to be made available to choose from through which their buying decision depends on.

Marketers today are striving hard to gain the confidence in the customer and penetrate into markets that have not been tapped into and are niche markets. These efforts are being recognized by the customers and thereby giving maximum satisfaction to them by providing personalized and products tailored as per their needs

1.8 CONCLUSION

Through this research it can be concluded that companies do consider innovation as a strategy in marketing channels and network marketing. This shows that consumers are aware that companies today are using innovative techniques in their marketing channels and network marketing and it has effect on the buying behaviour, relationship with the final demand and pricing. On the other hand companies are using it to increase their customer base and also to penetrate into the untapped markets and to beat competition prevailing in the respective industry.

The analysis conducted in this study was aimed at contributing to a vision of innovation in marketing channels and network marketing which was not limited to a certain few specific aspects of innovation or to the individual stages of the channel. The need for this foresight comes from the fact that categorically a majority of the innovation in the marketing channels are observed in the interactive activities whose effects are accessible only with a comprehensive perspective. Customers, retailers or even the manufacturers are becoming increasingly problematic to be analyzed as separate bodies. The ultimate role of retailers and their participants seems to have evolved when it comes to activities such as designing of the products, determining the price, procuring and manufacturing of goods. Private labels, online markets and organizing of the rest are

the few aspects where the roles of the three major roles of manufacturers, retailers and customers are becoming more blurred.

A strong network indeed brings value to the particular product besides giving them a positive feedback, whereas a large network of users can lead to the actual development of more complementary and compatible products. This leads to the lock-in and represents the change in the cost making the customers stagnant to the change in the competitors' products. Ultimately a standard can emerge which then eliminates the uncertainty which concerns the size of the networks and thus encouraging the early adoptions.

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APPENDIX

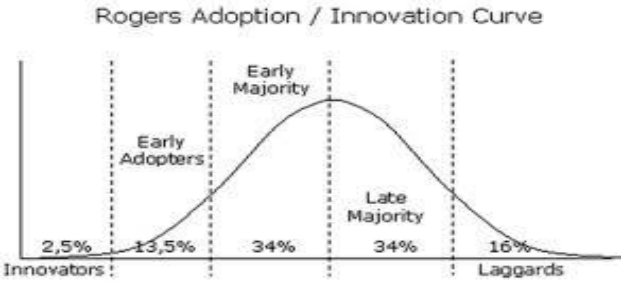


Figure-1

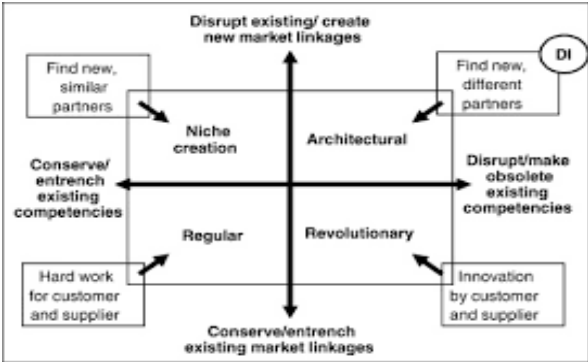


Figure-2

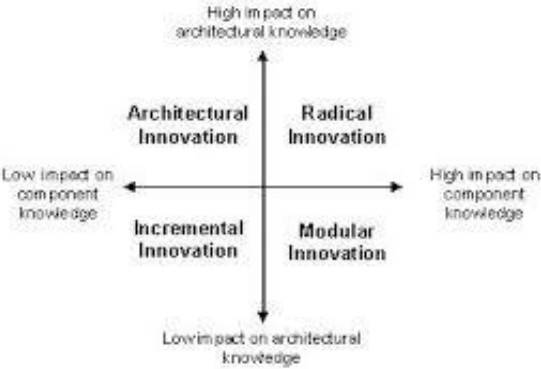


Figure-3

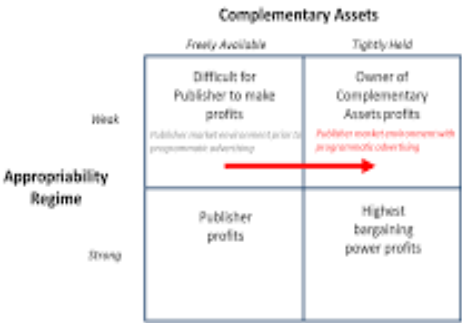


Figure-4