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Факультет технологий управления и гуманитаризации
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СОГЛАСОВАНО

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ЭЛЕКТРОННЫЙ УЧЕБНО-МЕТОДИЧЕСКИЙ КОМПЛЕКС
ПО УЧЕБНОЙ ДИСЦИПЛИНЕ

Создание и маркетинг инновационного продукта (на английском языке)

для специальности 7-06-0412-01 «Менеджмент»

Составитель Матяс Ирина Дмитриевна

Рассмотрено и утверждено
на заседании совета ФТУГ от 23.05.2024 г., протокол № 10.

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Перечень материалов

1. Теоретический раздел (конспект лекций по учебной дисциплине «Создание и маркетинг инновационного продукта»)
2. Практический раздел (кейсы, задачи для практических и лабораторных занятий).
3. Блок контроля знаний.

Пояснительная записка

Целью разработанного ЭУМК является формирование специальной компетенции, позволяющей будущему магистру изучать и анализировать управленческие процессы в сфере создания и маркетинга инновационного продукта, используя современные инструменты маркетинга и менеджмента.

К основным задачам ЭУКМ относятся следующие:

– активизация познавательной деятельности магистрантов на основе использования интерактивных методов обучения;
– ориентация на оптимальное достижение учебных целей;
– повышение эффективности традиционной методики обучения на базе использования современных информационных технологий;
– повышение готовности и интереса магистранта к будущей профессиональной деятельности;
– взаимосвязь образовательного процесса с научно-исследовательской работой обучающихся;
– профессиональная направленность образовательного процесса с учетом специфических условий и потребностей организаций - заказчиков кадров;
– предоставление возможности магистрантам заниматься самообразованием за счет эффективного управления самостоятельной работой по овладению учебным материалом.

Разработанный ЭУМК способствует не только удовлетворению индивидуальных образовательных потребностей обучающихся и повышению качества образовательного процесса в целом, но и созданию условий для формирования нравственно зрелой, интеллектуально развитой личности будущего специалиста, которой присущи социальная и исследовательская активность, стремление к профессиональному самосовершенствованию.

Особенности структурирования и подачи учебного материала

ЭУМК содержит три раздела: теоретический, практический и контроля знаний. В теоретическом разделе представлен лекционный материал. Практический раздел содержит кейсы, задачи, тесты, необходимые для закрепления лекционного материала. Раздел

контроля знаний включает перечень вопросов для индивидуальной работы и задание для итогового проекта.

Рекомендации по организации работы с ЭУМК

ЭУМК по дисциплине «Создание и маркетинг инновационного продукта» для магистрантов дневной формы получения образования, обучающихся на английском языке, предназначен как для аудиторных занятий, так и для самостоятельной работы обучающихся.

Belarusian National Technical University
Faculty of Management Technologies and Humanitarization
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Head of the Department
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27. 05 _____ 2024 г.

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ELECTRONIC EDUCATIONAL AND METHODICAL COMPLEX ACCORDING TO THE ACADEMIC DISCIPLINE

Creation and marketing of an innovative product (in English)

for the specialty 7-06-0412-01 "Management"

Compiled by Iryna D. Matsias

Reviewed and approved
at the meeting of the FTUG Council dated 27.05.2024, Minutes No. 10.

List of materials

1. Theoretical section (lecture notes on the academic discipline " Creation and marketing of innovative product").

2. Practical section (topics and situations for practical exercises).

2. Knowledge control unit.

Explanatory note

The purpose of the developed EEMC is to form a special competence that allows the future master to study and analyze management processes using modern methods of sociological analysis.

The main tasks of the EEMC include the following:

– activation of cognitive activity of undergraduates based on the use of interactive teaching methods;
– focus on the optimal achievement of educational goals;
– improving the effectiveness of traditional teaching methods based on the use of modern information technologies;
– increasing the readiness and interest of a graduate student for future professional activity;
– the relationship of the educational process with the research work of students;
– the professional orientation of the educational process , taking into account the specific conditions and needs of organizations - customers of personnel;
– providing an opportunity for undergraduates to engage in self-education through effective management of independent work on mastering educational material.

The developed EEMC contributes not only to meeting the individual educational needs of students and improving the quality of the educational process as a whole, but also to creating conditions for the formation of a morally mature, intellectually developed personality of a future specialist, who is characterized by social and research activity, striving for professional self-improvement.

Features of structuring and presentation of educational material. The EEMC contains three sections: theoretical, practical and knowledge control. The theoretical section presents lecture material. The practical section contains cases, tasks, tests necessary to reinforce the lecture material. The knowledge control section includes a list of questions for individual work and an assignment for the final project.

Recommendations for the organization of work with EEMC. The EEMC on the discipline "Creation and Marketing of an Innovative Product " for full-time undergraduates is intended for both classroom classes and independent work of students.

CONTENT

THEORETICAL SECTION

Lecture notes on the discipline

Content

1. DEVELOPMENT THROUGH THE RELEASE OF NEW PRODUCTS

2. ACTIONABLE METHODS FOR VALIDATING BUSINESS IDEAS

3. THEORY OF INNOVATION. AND INDUSTRY CHANGES

4. COMPETITION: HOW TO EVALUATE A COMPETITOR

5. INNOVATION MARKETING

6. THE CHALLENGES OF MARKETING IN THE DIGITAL WORLD

7. THE ORGANIZATION'S READINESS FOR DIGITALIZATION

TOPIC 1. DEVELOPMENT THROUGH THE RELEASE OF NEW PRODUCTS

1.1 Risk assessment of innovation

1.2 Marketing of high-tech goods

1.3 Analysis of success factors of innovations

1.4 Organization of the development process

1.5 The stages of the innovation process

1.6 The essence of the innovation market

1.1 Risk assessment of innovation

The risks in different cases are of a different nature and differ significantly in level. Therefore, it is important to correctly assess a variety of innovations and the risks associated with them. We will look at various classifications of innovations and the factors that determine the success or failure of these products.

Innovation is the creative and successful implementation of a progressive discovery, invention or simply a concept.

Three components of innovation:

- **Need -** to be satisfied, i.e. a function or set of functions to be performed;

- **Concept -** object or set of objects capable of satisfying a need, i.e. a new idea;

- **Components -** representing a set of available knowledge, materials and available technologies that allow to bring the concept to working condition.

The level of risk associated with the innovation will depend on two factors:

- **Market risk.** The degree of originality and complexity of the concept that determines the susceptibility of the market and the cost of transition for the user.

- **Technological risk.** The level of technological innovation necessary for the implementation of the concept, i.e. the technical feasibility of the innovation.

To these ever-present risks is also added **strategic risk**, depending on the degree of novelty for the firm itself, i.e. on the degree of its familiarity with the market and technology.

Three possible **classification criteria**:

- The degree of novelty for the company

- The nature of the concept on which the innovation is based

- Intensity of innovation

I classification: The degree of novelty for the company

The evaluation according to this criterion is important, because the competitiveness of the innovation depends to a certain extent on the novelty. The further the firm delves into new areas, the higher the risk becomes.

Table 1. The degree of novelty for the company

MARKET	PRODUCTS AND TECHNOLOGIES	
	Known/ Popular	**New**
Known	Concentration	Technological risk
New	Commercial risk	Diversification

The market and technology are known: the risk is minimal, since the firm relies on its special competence.

The market is new, but the technology is well-known: The risk is mainly commercial, and success is determined by the marketing know-how of the firm.

The market is known, but the technology is new: the risk is technical, and success depends on the technological know-how of the company.

The market is new and the technology is new: the risks are summed up, and the grounds for a diversification strategy are revealed.

Diversification (diversity) is the expansion of the range of products and the reorientation of sales markets, the development of new types of production in order to increase production efficiency, obtain economic benefits, and prevent bankruptcy.

II. classification: Nature and origin of innovations

The second of the above classifications comes from the nature of the new idea. Following it, we can highlight innovations with marketing and technological dominance.

Technological innovations are comparable to the application of exact sciences in industrial practice. Born in a laboratory or design office. Some of them require complex technologies and large capitals (nuclear and space industries), others require complex technologies and smaller capitals (consumer economy).

Innovations with a commercial dominant concern mainly management, marketing and communication as components of the process of commercialization of a product or service.

They relate to any activity related to bringing the product from the manufacturer to the end user. They are organizational.

In general, technological innovations are considered more "heavy", i.e. requiring large financial resources and, therefore, more risky. Commercial innovations are "lighter", less risky, but easier to copy.
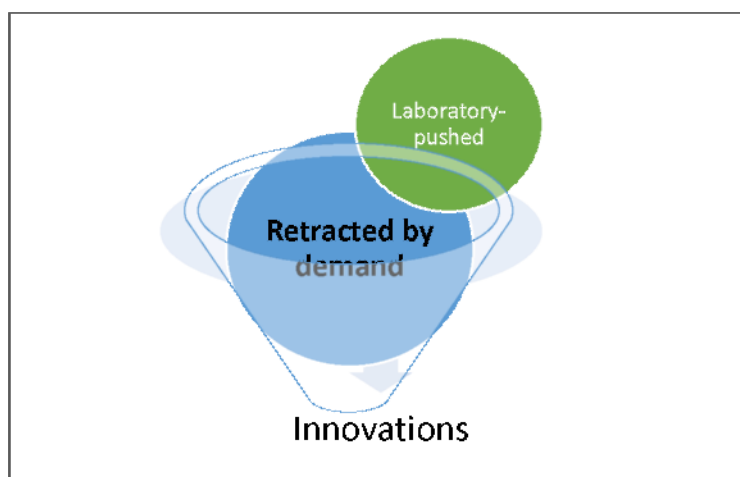

Figure 1. Innovations: from the laboratory or from the market

Approximately 60-80% of successful innovations are of market origin. Innovations based on direct needs analysis are generally more successful. But! The **marketing concept is always limited**!

An innovative strategy based on basic research is riskier in the short term. It has a better chance of bringing about a technological breakthrough that gives the firm an advantage that is difficult to replicate to competitors.

III. classification: Intensity of innovations

The third classification focuses on the degree of novelty for the market, distinguishing between "radical" or breakthrough innovations and "relative" ones. The intensity of innovation is determined by the novelty of its concept and technology for its implementation. The higher the degree of novelty of the concept and technology, the higher the intensity of innovation and the associated risk.

Table 2. Assessment of the intensity of innovation

Concept Technology	Traditional	Improved	New
Traditional		*increasing risk*	
Improved			
New			

Due to the accelerating pace of technological changes and the depth of transformations they entail, technology is now more than ever a key element of competition. The research firm "Arthur D. Little" suggests distinguishing technologies of the following three types when assessing the strategic role of technology:

- **Key technologies**– mastered by the firm and significantly affecting its competitiveness in terms of product quality or productivity.

- **Basic technologies**– widely available and non-forming grounds for competition.

- **Emerging technologies**– are still in the experimental stage, but in the future can play a role in the restructuring of competition.

This separation is due not to the essence of the technologies in question, but to the state of their development by industry.

Taking into account the technological component in the strategy creates a basis for setting priorities in the choice of technologies. Ideally, the firm should:

- Strive for control over your key technologies;

- Deal with at least one emerging technology;

- Be prepared to reduce, in part or even completely, the use of basic technologies.

1.2 Marketing of high-tech goods

The following features are characteristic of hi-tech products:

Short life cycles. While the product life cycle of most industrial products lies within 10-15 years, the life cycle of high-tech goods usually does not exceed 3-5 years. They are also characterized by the practice of copying. Therefore, the time factor in the penetration strategy is key for these products.

Creative approach to application. It is often difficult to predict where fundamental research leads. When a new technology arises, it is generally unclear whether it will find application. Once the technology is created, it is very important to quickly find commercial applications for it and apply it as a new "technology platform" for the maximum number of products. In fact, technology creates a market.

Blurred competitive environment. As a rule, the boundaries of the underlying market are unclear, i.e. competitive threats may come from different technological horizons. As a result of the constant comings and goings of competitors, technological uncertainty is high. The boundaries of industrial sectors are changing, and one can observe both the unification of several markets into a new basic market (for example, automation for the office), and vice versa, the collapse of the market into highly specialized segments).

1.3 Analysis of success factors of innovations

Robert G. Cooper studied the reasons for the success and failure of 195 industrial products. Of these, 102 cases of the enterprise were considered a success, and 93 - a failure.

The superiority of goods over their competitors, i.e. the presence of distinctive properties that contribute to a better perception on the part of consumers.

Marketing know-how of the company, i.e. a better understanding of the market, customer behavior, the pace of adoption of new products, the duration of the LCT and the size of the potential market.

High synergy of R&D and production, i.e. availability of technological know-how.

The success rates for products, rated highly by one of these factors, are 82%, 79% and 64%, respectively. Products with high ratings for all three key factors have a success rate of about 90%.

Of these three factors, two directly depend on the quality of strategic marketing, which, therefore, plays a critical role in the success of innovation. All three factors are under the firm's control, which excludes any fatalism in the innovation strategy. Success is determined by the quality of the organization and management.

Cooper's 15 Rules of Success:

1. Excellent product: the product is differentiated, unique in its kind, bringing the buyer additional advantages.

2. Strong marketing orientation, i.e. the focus of development on the market and the client.

3. Global concept of goods: the idea and development of goods from the very beginning are focused on the foreign market.

4. Intensive primary analysis: even before the start of development, human and financial resources are allocated for an in-depth feasibility study.

5. Exact formulation of the concept: a list of specific tasks, the choice of the target market, a set of properties and positioning of the product.

6. Structured mastery plan: transition from the planned positioning to the operational marketing plan in terms of price, sales and communication.

7. Cross-functional communication: a new product is the business of the whole organization; it is necessary to organize the interface R&D-Production-Marketing.

8. Leadership support: Instead of direct intervention, you need a dedicated innovation support structure, resources, and the right vision for the process.

9. Leveraging Synergy: Realize strengths using technological or commercial synergies.

10. Attractiveness of markets: this factor contributes to success, but cannot compensate for the weaknesses of other factors.

11. Pre-selection: success and failure can be foreseen; preliminary assessment procedures facilitate the decision to "accept/reject".

12. Monitoring the progress of development: The factor of monitoring the implementation of the development plan is very important for success.

13. Access to resources: For a project to succeed, it is necessary to have human and financial resources, which should be considered as investments, not as costs.

14. The role of the time factor: a quick entry into the market is a source of competitive advantage, but this goal should not be achieved at the expense of the quality of performance.

15. Multi-step procedure: it is useful to conduct the development in stages.

1.4 Organization of the development process

It is important to understand organizational procedures and methods that reduce the risk of failure of an innovative project. The company's task is to ensure a systematic and constant dialogue between the various functions involved: R&D, marketing, production, finance.

The development of innovations is the business of the whole company, and compliance with the principle of balance of functions is very important here. In a company with a marketing orientation, cross-functional coordination is especially relevant.

New Products Committee

- Works on a permanent basis, meeting once a week, a month.
- Includes those responsible for various functions: R&D, production, marketing, finance, personnel.
- Ideally, the CEO is in charge.

Venture Team

A group specifically created for a specific project.

Its participants are withdrawn from the relevant units for the duration of the project in order to concentrate on the project.

1.5 The stages of the innovation process

I. Generation of ideas for new products

The process of innovation development begins, of course, with the search for new ideas that meet the adopted development strategy. Some companies operate purely empirically, but the mortality rate of spontaneous ideas is high. The approach today should not be so much reactive as proactive. A creative idea is essentially an unexpected reaction of two or more concepts.

A creative idea is essentially an unexpected reaction of two or more concepts. Creativity can be defined as "the intellectual activity of linking information in unpredictable ways in order to create a new structure".

Methods of generating ideas:

- Methods of functional analysis that examine the product in order to identify possible improvements.
- Methods directly or indirectly addressed to consumers in order to detect problems that are unsatisfactorily solved with the help of available goods.

Methods of functional analysis are based on a systematic analysis of the situation of using the product or its characteris:

- ***Problem analysis***. Problem analysis begins with observing user behavior. Each identified problem related to the use of the product can lead to the idea of improvement. This approach is often used in the analysis of industrial markets, where there are often organized groups of users.

- ***Performance Inventory Method***. The method of inventory of characteristics has the same purpose, but proceeds from the properties of the product itself. It provides for the compilation of a list of the main characteristics and their variation in order to identify a new combination leading to improvement. Within the framework of this method, a set of questions has been developed that should help in putting forward new ideas. «Is it possible to use the product for another purpose, adapt it, change it, increase, decrease, replace, re-equip, deploy, combine»?

- ***Morphological analysis***. Morphological analysis involves the identification of the main structural dimensions of the product, followed by a pairwise analysis of the relationships between the dimensions in order to identify new interesting combinations. Pairwise combinations of measurements at each level are evaluated in terms of their potential value as a new product.

The ***search for ideas by the creative method*** is based on imagination and intuition. It is usually implemented within the framework of "creative groups" in accordance with the hypothesis that due to the effect of synergy, or interaction, a group of people is more capable of creativity than each of them individually. Most often they use "***brainstorming***" (according to Osborne) and "***senectics***" (Gordon).

The described methods of searching for ideas are usually implemented on the initiative of the developer. But in the markets of industrial goods, ideas for new products often come from customers if they realize the existence of a problem. In the consumer goods sector, the initiative to find ideas usually comes from the manufacturer. In the industrial sector, close communication with customers, leaders in their sector, can be very useful for forming the concept of a new product.

Table 3. Search for ideas for new industrial products

Industrial customer needs	Manufacturer's Capabilities	
	Limited	Wide
Perceived needs	The client's initiative dominates	Joint initiative
Latent needs	No initiative	The manufacturer's initiative dominates

II. Filter ideas

The goal of the second stage of the innovation process is to filter the proposed ideas of new products, excluding those that are incompatible with the resources or tasks of the company or

simply unattractive. The evaluation of proposals implies selection criteria. At this stage, in-depth analysis is not carried out, it is only necessary to identify projects that deserve further consideration quickly and at low cost. This is not yet a feasibility study, but preliminary estimates.

A simple and effective method is the scoring grid, the main principles of which are as follows:

- A complete list of **key success factors** for each function is created: marketing, finance, production, R&D.
- Each factor or group of factors is assigned a **weight** based on its **relative importance**.
- **Experts** assign points to each idea of a new product for each of the factors.
- On the basis of these assessments, a composite **quality index** is calculated

This method, on the one hand, uses a simple and systematic accounting of all consequences and, on the other hand, proceeds from the interests and capabilities of the company. The structure of the grid establishes a committee for new products. It is important that it be matched to the company's offer.

Main criteria
1. Implementation costs
2. Probability of technical success
3. Expected profitability
4. Potential market size
5. Development timeline
6. Market trends
7. Compatibility with goals
8. Commercial know-how
9. Technological know-how
10. Expected market share
11. Patent availability
12. Potential risk
13. Necessary investments

III. Product concept development

At this stage, the transition is made from the "ideas" that have passed the preliminary assessment to the concept of the product. which can be defined as follows: a written description of the physical and perceived final characteristics of the product and the set of benefits that it promises to a certain group of users.

- The concept of a new product is a scientifically based and practice-based idea of what the new product should be. Proceeds from the fact that the new (projected) product must meet the needs that will be formed by the time the product enters the market.
- A written description of the physical and perceived (end) characteristics of a product and the set of benefits it promises to a specific group of users.

Having a clear and precise definition of the concept is important for many reasons:

- For the managers of the company, the concept of the product describes its desirable positioning and indicates the nature of the funds that need to be allocated to achieve the expected result.
- A product concept is a **list of requirements** for an R&D service that must assess the technical feasibility of a concept.
- The description of the promise, i.e. the benefits brought to the user, also serves as a list of requirements for the **advertising agency**, which will be tasked with bringing to the attention of the market the claims of a new product.

The concept defines the basic **market of the product** in which the future product should be positioned. In this case, you need to answer 4 questions:

- What **properties** or characteristics do potential buyers react favorably to?
- How are **competitors perceived** by these properties?
- What **niche** can a new product occupy taking into account the expectations of the target segment and the positions occupied by competitors?
- What are the best **marketing tools** to achieve the desired positioning?

IV. Product Concept Check

Proof of concept is the company's first investment in development (not counting the time spent by the management staff). It provides an assessment of the perception of the concept by a group of selected users, to whom its description is transmitted.

The check should reveal:

- A measure of the respondent's **interest** in the concept with an explanation of interest;
- Preferred and less preferred **properties**;
- A **comparative measure of preference** determined in relation to existing brands or competing goods, as well as the reasons for this preference;
- The **price** that the respondent will be willing to pay for a new product;
- The degree of **readiness to buy** at a certain price;
- Any other information necessary to determine **the positioning of the product perceived by the respondent**.

V. Bringing a new product to the market

After the concept of the product has been developed and the company's management has decided on its release, the marketing service should organize work on the introduction of the product to the market. Company needs to give a forecast of sales when entering the target market and estimate their volume corresponding to achieving a given profitability, taking into account the costs of marketing support.

At the first stage of marketing analysis, sales volumes are estimated during the first three years after the release. For this purpose, expert research methods and methods based on sales in the control market can be applied. These methods are usually used together. Using any of the above or any other approach, the marketing service should set a target sales volume. This requires the development of a product launch strategy based on the analysis of many variants of the basic plan.

Forecast of sales of a new product

- Expert assessment
- Capability studies
- A market check, or control sale

1.6 The essence of the innovation market

In a general sense, the **innovation market** is a set of market relations that arise in the process of creating, transferring, mastering and using new technologies, services and goods.

Objects of the market of innovative products have common features of consumer value (*novelty, suitability, riskiness*), which allows their users to receive **additional profit**.

Subjects of the innovation market:

- State/ country
- Creators of innovations
- Consumers of innovation
- Intermediaries
- Manufacturers-suppliers of related products and services
- Manufacturers-suppliers of substitute goods (substitutes)
- Competitors

The main functions of the innovation market:

- Information
- Distribution (redistribrating)
- Control
- Stimulating

Innovation market. Specificity:

- Inaccessibility of information about the innovation for consumers and the impossibility of its use at the development stage and the initial stages of commercialization;
- A significant share of the intellectual component in the cost of an innovative product;
- The possibility of introducing a whole range of innovative technologies, and not just individual innovative products;
- Significant impact of product demand and consumer purchasing power on the cost of innovation;
- A high degree of uncertainty due to the impact not only of socio-economic factors, but also of the influence of the scientific, technical and economic potential of innovations;
- The need for interaction of several participants at the same time in the process of introducing innovations;
- Organizational type of the market of technological innovations with a predominance of enterprises and organizations as suppliers and buyers;
- Different rate of diffusion of innovations, depending on both the effectiveness of the advertising campaign and the interpersonal connections of consumers;

- Modification of innovations in form and content at each stage of development and commercialization;
- The presence of unconscious demand at the level of need, which must be clearly articulated;
- Availability of special forms and methods of sale;
- Separation into the market of innovative goods and services and the market of ideas, which causes the presence of unfinished intellectual products at different stages of their commercialization, information about which is practically not available.

TOPIC 2. ACTIONABLE METHODS FOR VALIDATING BUSINESS IDEAS

2.1 LEAN-method: "Ask First, Then Do" (by Eric Ries)

2.2 Test Disney: Imagineering

2.3 First Mile test

2.4 10-Second test: About Oxygen, Aspirin and Jewel

2.5 Edison's way: quotas for acquisitions

2.1. LEAN-method: "Ask First, Then Do" (by Eric Ries)

- Even before creating a minimum version of the product (MVP), Eric Ries advises placing a simple landing page on the Internet, which leads to a link in advertisements.
- The page should have a short description of the product and a "Buy" button. It is possible to make many variations of landing pages, varying the price and the essence of the offer.
- Once you've collected the statistics, you can start developing a prototype.

2.2 Test Disney: Imagineering

Walt Disney used a method of testing ideas in his work, which he called Imagineering — intermediate between imagination и engineering.

Working on an idea required looking at it from three different perspectives: the dreamer, the realist, and the critic.

The bottom line is that ideas can be fantastic and very beautiful, but you need to test them based on a real situation.

This is a test for the realism of the idea, it gives an answer to the question of whether you will be able to bring your idea to full implementation. Ideas should be earthly and working. Therefore, testing involves testing an idea from the point of view of a dreamer, a realist, and a

critic. Everyone in turn. By this, he meant the process of "grounding" fantasies, turning them into something realistic and possible.

The first stage is that of the dreamer. At this stage, a variety of thoughts are recorded, including unbelievable and absurd ones. Everything is allowed. In the realist stage, you think about the performance of the model. At this stage, they are looking for answers to the questions of what will be needed to implement the idea, whether such an implementation exists, and who is doing it. The third stage invites the discussion of the "critic". At this stage, they analyze what difficulties await us in the implementation of the idea, whether the idea is needed at all and to whom.

The method is effective not only in testing hypotheses, but also in creating them.

2.3 First Mile test

Scott Anthony, the founder of "Innosight", writes in his book The First Mile about how his company usually tests ideas:

1. They conduct a thorough analysis of what has already been created in this area, study the experience of competing companies, and check patent applications.

2. They set up a thought experiment by answering the questions: "What will the world look like if the idea is successful? What will change in it? Which companies will compete with us? What challenges will we face? What would we do, for example, if our main developer left us"?

3. They build a monetization model "by eye": you need to determine the size of the potential audience of the future product, how much it will costь, как часто его будут покупать, сколько времени потребуется, чтобы достичь точки безубыточности.

4. They make calls. For example, if your idea is to deliver healthy lunches to universities with a single call, you may find out that such issues are usually resolved through a tender that takes place every three years.

5. They get evidence that consumers need the product. This can be a "coffee test" where you ask people you know to honestly tell you what they think of your idea in exchange for you paying for their coffee. This could be a cold survey on a database of potential customers or a survey done with SurveyMonkey.

2.4 10-second test: About Oxygen, Aspirin and Jewel

- Janet Kraus, a lecturer at Harvard Business School, is the founder of several successful companies (among them Circles and Spire).
- She tells her students about the 10-second test she applies every time she comes up with a startup idea.
- She asks herself the question: Is this idea Oxygen, Aspirin, or Jewel for potential customers?

Oxygen refers to foods that are an essential need of life, such as food, clothing, and funeral services. Both individuals and organizations can have needs. In general, this is something without which they will not be able to function normally.

Aspirin is something that saves you from pain and makes life more bearable, although it is not related to immediate survival. For example, coffee – life without it is possible, but not so pleasant.

The term «precious» refers to products and services that can be considered luxury, excess. For example, desserts, movies, video games, and other pleasures associated with relaxation. Kraus says that a really good startup idea has to satisfy all three requirements. And the main thing in this test is to be honest with yourself and quickly admit that one or more components of your idea are missing.

2.5 Edison's way: quotas for acquisitions

Researchers trying to understand the secret of Tomas Edison's creative productivity have identified several features of his method of working with ideas.

Edison's first rule is quantity.

- For himself and his company's employees, he set so-called quotas for inventions. His own quota was one small invention every ten days and one big one every six months. To test this principle for yourself, imagine that you are given the task of coming up with all the alternative uses of bricks.
- On average, the average person offers six to eight options. Now imagine you're given the task of coming up with 40 ways to use a brick. Thanks to the quota, your head will start working differently.

TOPIC 3. THEORY OF INNOVATION. AND INDUSTRY CHANGES

3.1 3 theories that clarify the process of introducing innovations to the market

3.2 How to anticipate changes in the industry

As a rule, any theory of management describes cause-and-effect relationships taking into account a specific situation. A correct theory has two main components:

- Solid foundation

- Set of provisions on cause-and-effect relationships

3.1 3 theories that clarify the process of introducing innovations to the market

The books "The Innovator's Dilemma" and "Solving the Problem of Innovation in Business" by Clayton Christersen are based on three important theories designed to clarify the complex process of introducing innovations in the market.

3 theories that clarify the process of introducing innovations to the market:

- The theory of "disruptive" innovation

- Theory of Resources, Procedures, and Values

- Theory of value chain development

The theory of "disruptive" innovation (simple, inexpensive, radically new)

The theory of "disruptive" innovation helps to identify the conditions in which new businesses using relatively simple, inexpensive innovative products can achieve sustainable growth and defeat firmly entrenched market leaders.

According to the theory, companies, already operating in the market, will most likely not allow newcomers to break through here if we are talking about *supporting innovations*. But market leaders are very likely doomed to defeat when newcomers attack with disruptive innovations.
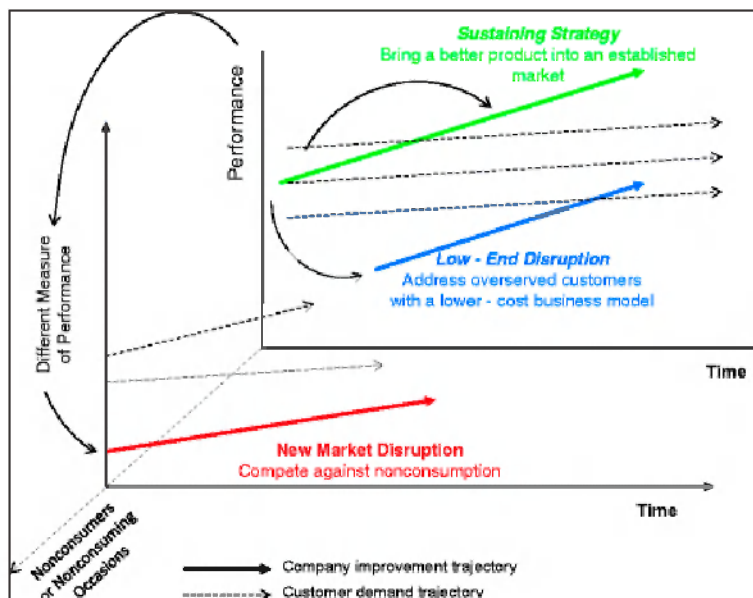

Figure 2. The theory of "disruptive" innovation

The diagram shows the main provisions of the theory of "disruptive" innovations. We see two lines – a solid line reflects the process of improving the company's product. The dotted line is an indicator of consumer demand: not quantitative demand (for a certain volume of goods), but

qualitative - that is, requirements for consumer properties of products. As these lines clearly demonstrate, the needs of buyers in relation to a particular product turn out to be quite stable for quite a long time. The diagram shows three types of innovations. These are supportive innovations; "disruptive" innovations for lower market sectors and "disruptive" innovations designed for new markets.

Supportive innovations concern existing products and their consumer properties, which for a long time seem to customers to be especially valuable.

"Disruptive" innovations usually offer to evaluate new products or new qualities of a product. Disruptive innovation either creates new markets or rebuilds existing ones. There are two types of disruptive innovations: innovations that target the lower sectors of the market and innovations that are created for new markets.

Thanks to "disruptive" innovations, either new markets are created or existing ones are rebuilt.

"Disruptive" innovations focused on the lower sectors of the market appear when existing products or services are "too good", and therefore cost more than consumers can afford.

Innovations focused on new markets arise as a counterbalance to products that, due to their characteristics, are available to a very limited number of consumers, as well as a counterbalance to such goods and services, the consumption of which was possible in certain places or under certain conditions, which was not entirely convenient for the consumer.

Theory of Resources, Procedures and Values (Building material for new features)

The theory of resources, procedures, and values explains why established companies have such difficulty mastering "disruptive" innovations. According to the theory, **resources** (what is at the disposal of the company), **procedures** (how the company works) and **values** (what the company strives for) in total determine the advantages, disadvantages, as well as the "blind spots" of the organization.

- **Resources** are property, assets that the company has the right to dispose of. They are sold and bought, created or destroyed.

- **Procedures** are established schemes of work by which a company turns resources into a finished product – that is, goods or services whose cost significantly exceeds the cost of invested resources.

- **Values** are the criteria by which a company places resources.

Table 4. Components of company resources, procedures and values

Resources	Procedures	Values
• Personnel • Technology • Products • Equipment • Information • Finance • Brand • Distribution channels	• Recruitment and training • Product Development • Production • Budget and planning • Market research • Resource Placement	• Cost structure • Profit statement • Customer needs • Prospects and opportunities • Ethical Principles

The theory asserts that an organization can successfully use the opportunities that open up only when:

- it has the necessary resources;

- when procedures facilitate rather than hinder the necessary actions;

- when corporate values make it possible to make a promising project a priority - unlike others claiming corporate resources.

Theory of value chain development (Integration will help to improve the product)

In order to manufacture a certain product or provide certain services, it is necessary to perform a number of operations. The company always has a choice: it can integrate the entire production at home, or prefer specialization - focus on several strictly defined types of activities. In the latter case, the company relies on suppliers and partners to provide it with other necessary components of the value chain. The last theory that underlies the theory of innovation is the theory of value chain development.

The theory states that companies should keep under control all those activities (or combinations of activities) in the value chain that directly affect the consumer properties of the product that are especially valuable to buyers.

This theory allows us to assess how successful the organizational structure the company has chosen for itself; whether such a structure ensures the success of this company in the competitive struggle.

Integration allows you to achieve serious improvements in technical characteristics or consumer properties, it has significant drawbacks. But! Integrated architecture becomes less

flexible compared to other types of architectures. Integrated companies are slower to respond to market changes.

If a certain type of activity does not affect those consumer properties of the product that are most important for buyers, then this type of activity is better to transfer to external suppliers.

Specialized companies are the best option for such fragments in the value chain.

Theory suggests: modular architectures, that simplify (or simply make possible) disintegration, are inferior in terms of technical characteristics, but they win in another way: they allow the company to enter the market faster, respond more flexibly to customer needs, and thereby make the product more convenient to use. The company loses in the technical characteristics of its products, but it gets the opportunity to individually adjust products based on customer needs: individual subsystems can be improved without redesigning the entire product. Such companies can mix different components, selecting parts from the best suppliers in their field, which allows them to meet the needs of even individual buyers.

The "Golden Rule" of the theory:

- Integration should affect those areas that need to be improved.

- External suppliers should be outsourced to areas where everything is already «too good».

The Power of Theory:

- A good theory is the surest way to identify important advances and trends, even in cases where there is very little data to analyze.

- The theory helps to filter out information noise and amplify the informative signals themselves - signs of market changes.

3.2 How to anticipate changes in the industry

First of all, in order to apply the theory and forecast changes in the industry, it is necessary to understand when to expect the emergence of such innovations that will require the creation of new companies or business models. These companies and business models, in turn, will become harbingers of changes in the industry.

The main thing to do to identify signals of changes in the industry is to pay special attention to the following consumer groups:

1. Consumers who ignore a particular product altogether, or those who purchase a product but cannot use it properly ("non-consumers").

2. Consumers whose requirements and needs are not properly or completely satisfied.

3. Consumers for whom the quality of this product is too high.
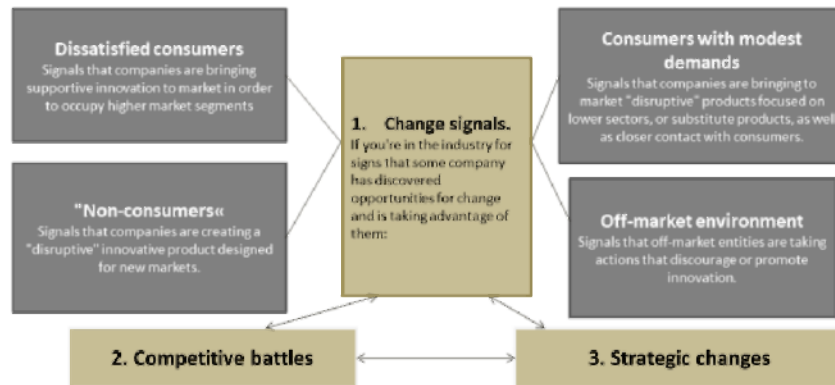
Signs of change

Dissatisfied consumers
Signals that companies are bringing supportive innovation to market in order to occupy higher market segments

"Non-consumers"
Signals that companies are creating a "disruptive" innovative product designed for new markets.

1. Change signals.
If you're in the industry for signs that some company has discovered opportunities for change and is taking advantage of them:

Consumers with modest demands
Signals that companies are bringing to market "disruptive" products focused on lower sectors, or substitute products, as well as closer contact with consumers.

Off-market environment
Signals that off-market entities are taking actions that discourage or promote innovation.

2. Competitive battles ⟷ **3. Strategic changes**

Figure 3. Signs of change

Each of these consumer groups is fraught) with unique opportunities. For example, companies can create "disruptive" products and conquer new markets, thus involving recent "non-consumers" in the market sphere. It is also possible to launch supporting innovations on the market so that they find their way to the upper segments of the market where consumers are not satisfied with the quality of available goods. Finally, it is possible to bring "disruptive" innovations to the market, which will be focused on the lower market sectors, or substitute products (in particular, with modular architecture), the latter are intended for those consumers who are not satisfied with the "overpriced", in their opinion, the quality of existing products.

Schemes for the success of disruptive innovations entering new markets

- A "disruptive" innovative product is, as a rule, *a fairly simple or inexpensive product (service)*. With this product, consumers who until now lacked the financial resources or the necessary skills are now coping with certain actions.

- This product helps consumers ***do the "work" they have done so far with another product more efficiently and more easily***. At the same time, the transition to a new product does not require consumers to change their shopping habits or priority system.

How to "reveal" competitors?

What are the signs that a company is developing "disruptive" products and is therefore about to grow rapidly at the expense of new markets?

1. One of these distinct signals is the high growth rates in new markets, which are also constantly increasing.

2. Revival in certain target consumer segments: these can be college students, teenagers, small business owners, programmers and computer scientists, the population of developing countries.

Can you detect "non-consumers"? How do I do this?

- *Explore the supply chain for buyers of a particular product (service).* "Disruptive" innovative products introduced to new markets allow you to eliminate one link from this chain - and people manage to do on their own what the specialist did before.

- *Correctly organized market research.* Its purpose is to identify such activities that exist, but no product can help to carry them out.

Dissatisfied consumers: opportunities for supportive innovation focused on the upper sectors of the market.

After companies are discovered that are trying to find new ways to "non-consumers", the next step is to evaluate those consumers that already exist.

Any market consists of several consumer segments (sectors). **The upper sectors** of the market are demanding consumers who need products to "fulfill" extremely serious "orders". **The lower sectors** of the market are less demanding buyers, who do not have such high requirements for products, and these requirements are easier to satisfy.

The upper sectors = Dissatisfied consumers. Dissatisfied consumers are not satisfied with the quality or technical characteristics of the product.

The lower sectors = Consumers with modest demands. For consumers with modest requests, the high quality of the product seems superfluous.

From such an opposition, a natural question arises: why are dissatisfied consumers not satisfied with the products that already exist? What are the "tasks" that this product should "perform"? When we say that a product "does not satisfy" needs in a broad sense, we mean that this product does not suit the consumer in a particular sector of the market for all those properties that are most important for buyers of this sector. These product parameters will be the basis for competition in the industry.

A sign that a company is bringing a "disruptive" innovative product to the lower sectors of the market is the creation of a business model in which the company makes a profit differently compared to an established company. For example, such a company sells its products at lower prices, but it has a higher turnover of fixed assets.

Or, for example, the ratio of sales revenue and technical support of the product after the sale changes.

Entering the market of a specialized company: substitute products

Substitute products are a special category of innovation.

Unlike supportive innovations focused on the upper sectors of the market, substitute products appear when the principle of modularity is ubiquitous in the industry.

Unlike "disruptive" products, whose target audience is the least demanding customers, substitutes appear in already established markets, where the main industry products and technologies predominate.

If you want to discover substitute products, look for areas where product functionality exceeds the needs of customers, and where the modular structure of products and services comes to the fore as a result.

Entering the market for substitute products usually means a victory for specialized companies in the industry, and this greatly simplifies the process of displacement, which begins with the introduction of a "disruptive" product to the lower sectors of the market. How? A new company emerges that combines the components of the value chain in a non-standard way and thus acquires the opportunity to obtain high profits and other advantages.

Standards and regulations: the manufacturer is approaching the end user

The last type of changes that occur in conditions of high-quality saturation in the industry is the emergence of standards and rules that contribute to the fact that a manufacturer that produces quite high-quality products takes a step towards the end consumer who does not have sufficient technical skills.

A really great science is one that simplifies life. As new industry players discover new opportunities for using certain products or develop business models in which sufficiently high-quality products are sold at a not very high price, prospects for creating "disruptive" products open up. Moreover, products designed not only to bring to the lower segments of existing markets, but also to conquer new markets.

Over time, companies accumulate experience in solving certain problems, and gradually the management begins to clarify the cause-and-effect relationships for themselves. Finally, the structure of the entire system becomes sufficiently clear, and rules are formulated that will guide the developers. Eventually, these rules become so generally accepted that people begin to perceive them as standards. And if the products on the market are too good for consumers, then in this situation even people with a not very high level of special education or professional skills can, following the relevant rules and standards, produce sufficiently high-quality products - similar to those that previously required deep special knowledge.

The proliferation of generally accepted standards according to which system components interact with each other is the first sign of change in the industry. The second sign is that the company that hires the next employee pays less attention to deep scientific knowledge in a certain area.

The Off-Market Environment and Its Impact on Innovation

Innovation always takes place in a certain economic environment. Non-market forces, especially government and government regulators, can play a very important role in creating such an environment.

The development of some of our most important industries, such as telecommunications, healthcare, financial services, and education, is not without government regulation. In order to comprehensively illuminate the future of these industries, we must have the apparatus to analyze how innovation is affected by non-market forces. The simple answer "less is more" (i.e., less government regulation, the better, and vice versa) does not exhaust the complexity of the problem.

There are areas where many innovations flourish; this abundance arises due to two factors:

1. In these areas, there are market incentives – what encourages the development of innovative products.

2. There are opportunities – access to resources, the ability to turn resources into products and services, and then offer those products and services to consumers.

But there are markets that only look free: there are plenty of incentives and opportunities, but at the same time a whole range of non–market factors (industry standards, trade unions, cultural norms, the state of technological developments, and most importantly - government regulation) not only suppresses incentives to create innovations, but also minimizes the necessary opportunities.

Companies that bring "newborn" innovative products into an unfavorable market environment will sooner or later begin to look for markets with a more suitable environment or give up their attempts.

The influence of state power on innovation appears when political decisions are made (including subsidies and other types of incentives) or when the conditions for the development of the industry are regulated. The government, together with other non-market forces, influences both the incentives and the opportunities of companies operating in the industry. And therefore, non-market forces may well change the situation in the industry so that in the end there will be more or less suitable conditions for innovation.

In general, the incentives and opportunities model assumes that innovation flourishes when companies have both the motivation to develop innovative products and the required resources and skills.

Applying the incentive and opportunity model includes the following steps:

1.Explore the incentives for innovation that your industry has and your company's competencies. Is the market environment conducive to the different types of innovation we discussed. If not, highlight the main obstacles to developing innovative products.

2. Identify those off-market forces whose actions may affect the incentives and capabilities of firms that innovate.

3. Would you say that these actions somehow address the main obstacles to product innovation? If so, it's safe to say that these actions contribute to the advancement of innovation.

Summary

At the first stage of applying the theory of innovation, it is necessary to analyze changes in the industry – this is the search for signs of these changes. It is important to look for evidence that a certain company is going to make a profit by using the opportunities for change that exist in the industry.

Possibilities

- A company can launch "disruptive" products into new markets, thereby bringing recent "non-consumers" into the market sphere.
- It is also possible to promote supportive innovation in the upper sectors of the market, targeting dissatisfied consumers.
- The third possibility: "disruptive" innovations focused on the lower sectors of the market, or modular substitute products. Such products are designed for consumers with modest requests.

Market forces

- The emergence of rules accelerates changes in the industry.
- Through the actions of non-market forces, companies have incentives or opportunities to release innovative products.
- These phenomena signal changes with powerful potential: they can give a new shape to the entire structure of the industry.
- Every innovative development is born in certain conditions, and depending on these conditions, we can predict its fate: for sure, a company that produces an innovative product in the wrong conditions will fail.

Key questions, answering which, you can detect signs of change at the earliest stages of the process:

1. What functions should, in the opinion of consumers, be performed by the product produced in the industry? Do consumers use the products offered on the market? What group do these people belong to, whether they are "non-consumers", dissatisfied consumers or jaded consumers? What parameters do the products of companies fighting for their consumers compete with?

2. What improvements to the product have allowed it to be sold at a high price in the past?

3. Which business models prevail in the industry – integrated or specialized? Is it possible to specify contact zones, check their compliance with specifications and predict the specifics of their interaction? If so, in which contact areas do modular structures predominate?

4. Where are new business models emerging? What are the growth rates in new, non-traditional markets?

5. How do the state and its regulators influence the development of innovation? Does government regulation encourage innovation? Or on the contrary, strangles them in the bud?

TOPIC 4. COMPETITION: HOW TO EVALUATE A COMPETITOR

4.1 How to evaluate the advantages and disadvantages of competitors

4.2 "Shield" and "Sword"

4.1 How to evaluate the advantages and disadvantages of competitors

How to apply the theory of innovation in order to choose the right competitive strategy. If we have collected information about those who will meet on the "battlefield" and identified a company better equipped for both attack and defense, then we can already answer the main question: "What will be the outcome of the battle in which the "fighters: of the industry will converge?" The topics discussed in our lecture are presented in the picture.

When two companies have the same incentives and opportunities, it means that the outcome of the battle is of equal importance for each side, and each has the necessary skills to win. The only difference is how these skills will be implemented in practice.
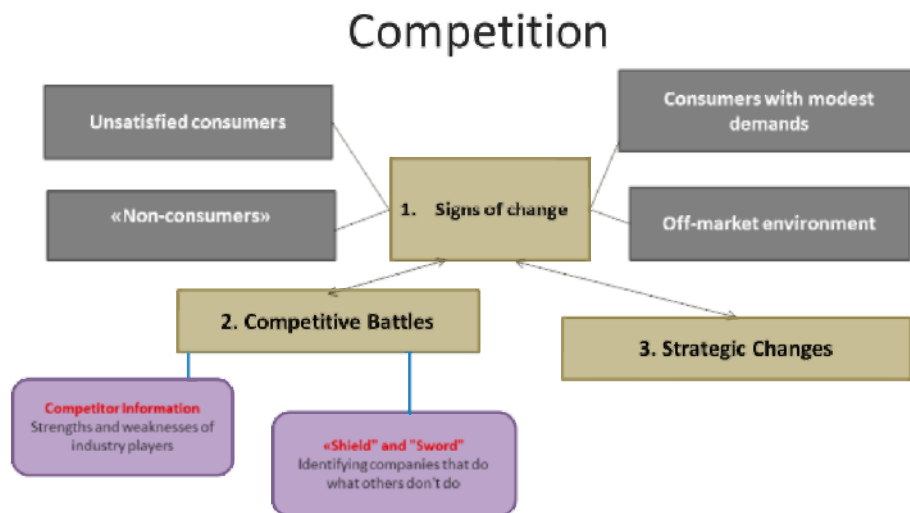

Figure 5. Competition

Each of consumer groups is fraught with unique opportunities. For example, companies can create "disruptive" products and conquer new markets, thus involving recent "non-consumers" in the market sphere. It is also possible to launch supporting innovations on the market so, that they find their way to the upper segments of the market where consumers are not satisfied with the quality of available goods.

It is possible to bring "disruptive" innovations to the market, which will be focused on the lower market sectors, or substitute products (in particular, with modular architecture). The latter are intended for those consumers who are not satisfied with the "overpriced", in their opinion, the quality of existing products.

But what innovations will ultimately prove to be unprofitable, is determined only by the situation in the industry, and that is why it is worth understanding these conditions well. In other words, if the situation favours supportive innovations focused on promotion to the upper segments of the market, then we would expect that companies that have chosen a strategy of "undermining" with a focus on the lower sectors will have a hard time. This theory helps to predict and anticipate changes in the industry.

When a company first starts serving sectors where there was no consumption, its products usually do not fully meet the needs of customers. Companies need to bring supportive innovations to market in order to promote them to higher sectors.

Those companies that really try to meet the needs of customers eventually begin to produce too high-quality products, which opens up new opportunities for "disruptive" companies in the lower sectors and for substitute products that can change the basis of competition in the industry. Less demanding customers will consider substitute products and "disruptive" products aimed at the lower sectors of the market to be products of sufficiently high quality; but more demanding consumers will remain dissatisfied. Therefore, the company must bring supporting innovations to the market again. And so on.

As this cycle unfolds, companies are constantly improving their products and services in order to attract the attention of consumers who are not confused by high prices. Ascending along the trajectory of improvements, the company is getting closer and closer to the most valuable clients of leading companies. Here are the vital questions that arise in this situation: how will established market leaders react to this attack? Will they flee? Or will they not pay attention? Will they fight for their customers? And if they choose to fight, do they have a chance of winning?

To get answers to these questions, it is necessary to collect information about all participants in the upcoming battle, identifying the strengths and weaknesses of competitors, and start searching for a company that has both a "sword" for attack and a "shield" for defense; it is this company that will be able to do what its competitors cannot.

The theory of Resources, Procedures and Values, which we discussed before, gives us the opportunity to more fully characterize the strengths and weaknesses of the company. If you remember, this theory states that the strengths of a company are determined not only by its resources, but also by its values and procedures. The company is best able to use those opportunities that correspond to its resources, procedures and values; conversely, those projects that run counter to the company's procedures, values and resources will bring only losses.

To evaluate a company from the point of view of the theory of the Resources, Procedures and Values, it is necessary to answer three questions:

1. Does the company have the resources needed to go on the attack? If not, can the company access them in the future?

2. To what extent do the company's procedures allow you to attack a competitor professionally and effectively?

3. Do the company's values allow you to prioritize so that one option of opportunity gets an advantage at this stage, and not another?

It is usually quite easy to find out everything about the company's resources. Many companies have resources in plain sight – for example, these are technologies, products, and finance.
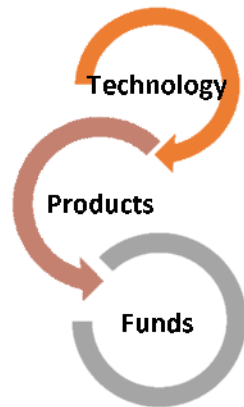

Figure 6. Visible Resources

Similarly, it is quite easy to make guesses about those resources that are not so conspicuous: this is the staff, accumulated knowledge or a well-known brand.
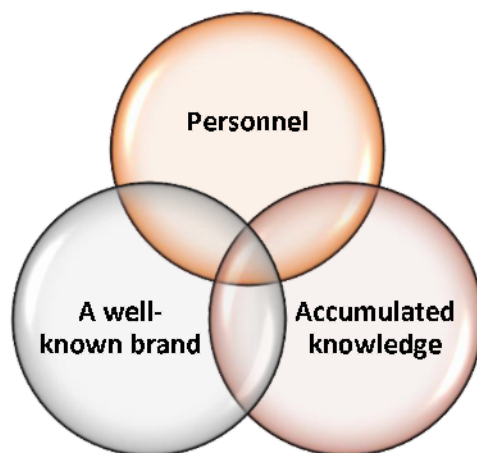

Figure *7. Invisible Resources*

Resources are a rather volatile thing. These are material objects that a company can buy or create, on the one hand, and sell or destroy, on the other. The same resources can be used productively in several markets or by several organizations at once.

Finally, one last remark about resources: it is not entirely correct to say that a company has resources. Rather, the company has access to them. Successful entrepreneurs are able to benefit from the use of resources that do not directly belong to them.

Table 5. How to Evaluate a Competitor Company

Term	Definition	What to look out for
Resources	Materials and objects to which the company has access.	• **Tangible assets:** technologies, products, accounting, equipment, distribution networks. • **Intangible assets:** personnel (employees with certain education and skills), brands, accumulated knowledge.
Procedures	Ways and skills of doing business.	• **Complex problems** that we know the company has to solve on a day-to-day basis**.** • **Common procedures:** hiring and training, product development, production process, planning and budgeting, market research, resource allocation.
Values	Principles of Prioritization (Motivation)	• **Business Model:** - How the company makes money; - Ratio of revenue from warranty and maintenance; - Value structure and income declaration; - The size of the company and its growth prospects. • **Stories of investment decisions – what priorities the company had before.**

It is much easier for an external analyst to assess the company's resources than to get into the nature of its procedures. Procedures are schemes of interaction, coordination, communication and decision-making that are used by company employees when they transform resources into products, services or new, more valuable resources.

A company that has to constantly solve the same problems gradually develops formal and informal procedures in order to successfully cope with these problems again and again, minimizing the risk of failure. If companies did not develop and use such procedures, they would have to constantly spend time trying to find the same solutions again. In fact, the term organizational learning largely includes building procedures and following them.

Unlike resources, procedures cannot be changed, and if you still can't do without transformations, then you need to introduce them using tightly controlled procedures. Thus, it is the procedures that determine the competence of the company and its strengths, and these

competencies and strengths, in turn, determine what the company cannot do and what its weaknesses are.

When employees resort to a procedure to solve the task for which this procedure was developed, most likely, the task will be solved successfully. But if people try to apply the same procedure for another task, they will surely find that this is too bureaucratic and inefficient process.

For an outsider, the best way to identify the company's procedures is to imagine what problems it has constantly faced during its existence, and how solving these problems contributed to its success.

There are also less visible second-plan procedures that help support vital decisions – where to invest resources, how to conduct market research, how to create financial forecasts, how to negotiate budgets and planning within the company, etc. Many of these important procedures that determine the strengths of the company are not always noticeable to an outside observer (as well as to an observer within the company).

The list of constantly emerging problems and tasks that the company has learned to successfully solve is an accessible and sufficiently convincing "substitute" for the list of company procedures. Based on this list, another conclusion can be made: if a company has not yet encountered a particular problem, then it does not have an optimal procedure for solving it.

How to Identify a Company's Values by Analyzing Its Financial Statements and Past Investment Decisions

The company's values also underpin the broader strategic decisions made by senior management.

- Which of the two companies should you buy?
- Should a request for additional funding be granted by one unit while cutting funds from another?

Values are the criteria by which a company allocates its resources, and this is the mechanism that determines what opportunities the company will use and what it will perceive as a threat.

How to identify the company's values? Look for that which is their embodiment. The ratio of the company's revenue from sales to from maintenance; cost structure; the size of the company; the customers she considers the most valuable; Investment decisions made over the course of the company's history will help you understand which strategies and investments will seem the most profitable to the company's management, and which, on the contrary, will be perceived as unattractive. Based on this data, it will be possible to say with confidence which opportunities the management will consider the most profitable and will try not to miss it.

4.2 "Shield" and "Sword"

When two companies have the same incentives and opportunities, it means that the outcome of the battle is of equal importance for each side, and each has the necessary skills to win. The only difference is how these skills will be implemented in practice.

A more interesting scenario arises when there is a clear asymmetry – the incentives or competencies of companies differ significantly. An asymmetric distribution of incentives occurs when one of the companies wants to take such actions, which the other company resolutely refuses. We can talk about asymmetry in the field of competence in a situation where the weaknesses of one of the companies are the advantages of the other.

We discuss three main questions:

1. How Asymmetric Distributions trigger "disruptive" processes.

2. How to detect a company armed with a "shield" (the asymmetrical distribution of incentives is in its favor) and a "sword" (it has an advantage in the uneven distribution of competencies on its side).

3. How to identify situations in which a "disruptive" development with great potential will fail, and this will lead either to a fierce struggle or to the leader "appropriating" the new enterprise.

How asymmetric distributions help newcomers and their disruptive products? A "disruptive" strategy creates an asymmetry of incentives and opportunities, and then allows the company applying that strategy to benefit from this kind of uneven distribution.

The process of implementing this strategy consists of **three stages** (steps).

Step 1

- A new company is entering the market that shields itself with a "shield" of uneven distribution of incentives;
- The leader's response at this stage leads to the appearance on the market of products with many technical characteristics.

"Disruptive" markets begin with those consumers who seem to the leader either undesirable or non-existent.

Step 2

- The company that entered the market achieves market growth and improves its products;
- The leader prefers to flee.

Newcomers who choose a "disruptive" strategy begin to move along their own trajectory of supportive innovation; at this time, they raid the lower sectors of the market or involve less discerning consumers in new situations where they could use a "disruptive" product.

Step 3

The company that entered the market uses its "sword" - an asymmetric distribution of competence.

What started as a small project turns into a big business – too big for the leader to allow himself to ignore it.

As the new company successfully solves problems that no one has solved before, it learns new skills and does better and better at what is necessary to succeed in the current market conditions. When a leader who has retreated to the upper quadrants of his market is forced to clash because there is nowhere else to run, it means that his competitive position is very disadvantageous.

By promoting disruptive innovation, newcomers often benefit precisely because they enjoy (sometimes unwittingly) the enormous benefits that the asymmetric distribution of competencies gives them.

And in this situation, the advantages of the leading company turn into disadvantages. A leader's values of selling superior products to demanding customers prevent him from entering markets where the strongest competitors will eventually develop their own new values and procedures. A leader's procedures – the very ones that allow him to serve his customers well – become his weak point when the rules of the game change and new resources, skills, and capabilities are required.

Table 6. How to identify 2 types of uneven distribution.

What to look for	Definition	Signs
Uneven distribution of incentives	The company performs such actions that another company is not going to take (this is a "shield" that protects the attacker from retaliatory strikes).	• Market size in relation to the size of the company; • Target customers; • The business model in this market and its differences about the available business models.
Uneven distribution of competencies	The company knows how to do something that another company in principle can't do (this is a "sword" - a weapon that can be used to attack).	The discrepancy between what procedures are necessary for success and what procedures the company actually uses.

There are three factors that also contribute to the skewed distribution of incentives, and all three relate to company values.

- The first is the growth opportunities that a "disruptive" product has.
- The second factor concerns the first customers, the first consumers of the product.
- The third factor has to do with the business model that is needed for a "disruptive" project.

Table 7. Defining a leader's response strategy

Strategy	Definition	Signs
Flight	The leader leaves the market at the disposal of the newcomer.	- The Company announces that it intends to specialize exclusively in servicing core customers; - The company leaves the lower sectors of the market; - The company plans to abandon the release of products focused on the lower sectors of the market.
Appropriation	The leader tries to repel the attack using his internal resources.	A leader creates "disruptive" innovations or acquires a "disruptive" company.
For the purpose of growth	The leader focuses on the newcomer's customers.	- The leader focuses on the markets of the newcomer, creating modifications of the main product. - The leader announces that the markets of the "disruptive" company have a strategic priority for it.
Protective	The leader protects his customers to prevent the invasion of "disruptive" products into this market.	- The leader brings new products to the lower sectors of the already established customer base; - The leader announces that the markets of the "disruptive" company are not included in his strategic priorities.

Key questions, the answers to which will allow us to predict the possible outcomes of competitive battles.

What is the business model of each of the players? What are their incentives? Their competencies?

• Compare industry players: who wins and who loses? How do they respond to the needs of the market? How do their incentives and skills coincide? Where do they disagree?

• Who benefits from the uneven distribution of incentives and competencies – the attacking newcomer or the leader?

• How naturally does the innovation "fit" into its target market? Are there signs of "squeezing"?

• Are there any signs that the company is retreating from the lower sectors to the upper ones? Is there even a "top" in this market? And if so, how close is this "top" to the possible limit?

TOPIC 5. INNOVATION MARKETING

Innovative marketing is a marketing concept based on the desire of the enterprise to continuously carry out qualitative improvement of goods, services and methods of attracting customers.

Innovative marketing is not only a change in products, but also methods of attracting the target audience to them. It generates demand, its main task is to meet the desires and needs of current and future customers.

This type of marketing is considered **from two perspectives**:

• *As a philosophy of entrepreneurial activity.* Marketing offers a business ideology, the purpose of which is to orient the company to achieve superiority over competitors in the application of innovation.

• *As an analytical process.* Marketing involves conducting various kinds of research aimed at studying the market, the concepts of competitors, identifying consumer preferences, forecasting jumps in demand for innovative goods and services. Marketing solves the problems associated with bringing innovation to the market.

Marketing innovation - is a set of processes directly related to the introduction or unity of knowledge of this activity, the introduction of the latest products and services. Through marketing innovations, the competitiveness of the enterprise is increased.

Marketing innovations are divided into **three types**:

• New ways of doing business;
• Creating innovative products or services;
• Finding a new target audience.

There are **two types of innovative marketing**: strategic and operational.

Modern marketing can be differentiated based on the use of digital marketing techniques:

• Using BigData

- Increase conversions
- Ad impressions (social media retargeting)
- Contextual advertising
- PR on the Internet
- CRM Marketing
- SEO

TOPIC 6. THE CHALLENGES OF MARKETING IN THE DIGITAL WORLD

6.1 Marketing 5.0: technology for humanity

6.2 Challenges of the digital world for marketing and marketers

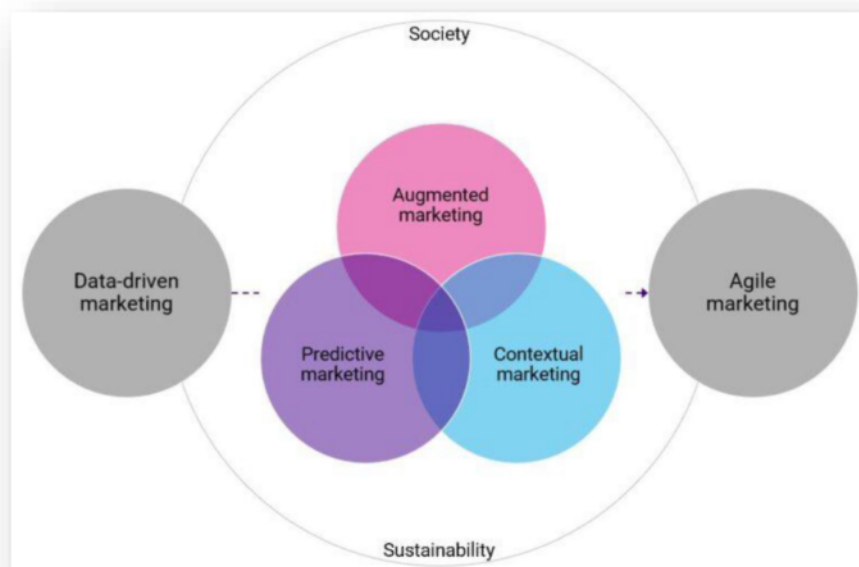## 6.1 Marketing 5.0: technology for humanity

Figure 9. Technology for humanity

It took about 70 years for marketing to evolve from product-oriented to human-centered concept. With their genuine concern for society, the young people of Generation Y and Generation Z have actually forced companies to embed social impact into their business models.

Key Marketing Shifts:

1.0 – Product-Focused Marketing

2.0 – Consumer-Oriented Marketing

3.0 – Human-Centered Marketing

4.0 – Centerfold Towards digitalization

Marketing in the digital world does not rely entirely on digital media and channels.

Digital separation persists and marketing requires an omnichannel approach: both online and offline.

Artificial intelligence (AI), natural language processing (NLP), sensor technology, and the Internet of Things (IoT) have the potential to completely change marketing practices.

Marketing 5.0.

Marketing Time 5.0: Challenges and Prerequisites

- Generation gap
- Polarization of society according to the level of well-being
- The Digital Divide

It arises in opposition to three major challenges: the generation gap, the polarization of society in terms of wealth, and the digital divide.
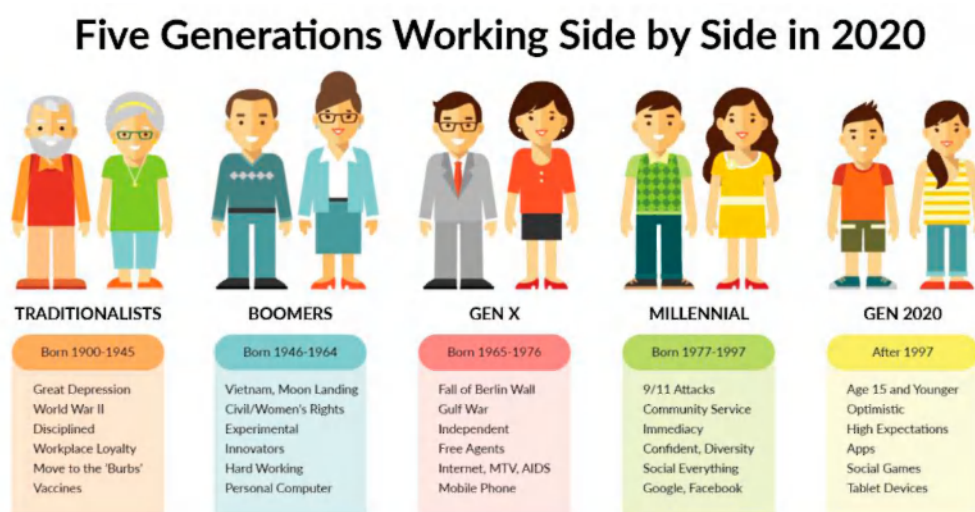
Five Generations Working Side by Side in 2020

TRADITIONALISTS	BOOMERS	GEN X	MILLENNIAL	GEN 2020
Born 1900-1945	Born 1946-1964	Born 1965-1976	Born 1977-1997	After 1997
Great Depression	Vietnam, Moon Landing	Fall of Berlin Wall	9/11 Attacks	Age 15 and Younger
World War II	Civil/Women's Rights	Gulf War	Community Service	Optimistic
Disciplined	Experimental	Independent	Immediacy	High Expectations
Workplace Loyalty	Innovators	Free Agents	Confident, Diversity	Apps
Move to the 'Burbs'	Hard Working	Internet, MTV, AIDS	Social Everything	Social Games
Vaccines	Personal Computer	Mobile Phone	Google, Facebook	Tablet Devices

Figure 9. Working Generations.

Generation Gap

- For the first time in history, there are five generations on Earth with differing attitudes, preferences, and behaviors.
- Baby Boomers and Generation X still hold leading positions in business and have the highest purchasing power.
- Tech-savvy Millennials and Millennials already make up the majority of the workforce as well as the market's consumers.

The disconnect between more experienced corporate executives, who make most of the decisions, and younger managers and clients, becomes a major stumbling block.

Polarization of society according to the level of well-being

- The upper class with high-paying jobs is growing and fueling the luxury goods market.
- The class at the base of the pyramid is expanding, increasing the mass market for low-quality low-cost goods.
- The middle class is shrinking, forcing players in the market to move to a lower or higher segment to survive.

Marketers are beginning to encounter chronic inequality and unbalanced distribution of wealth, which are leading to polarized markets.

The Digital Divide

- Digitalization brings with it a fear of the unknown, with threats of job losses and fears of privacy breaches.
- In digitalization, there are prospects for exponential growth and a better life for humanity.

Businesses need to bridge the gap so that technological progress continues and is not met with resistance. Marketers need to bridge the digital divide between people who believe in the potential of digitalization and those who don't.

> "Marketers need to bridge the digital divide between people who believe in the potential of digitalization and those who don't".
>
> Philip Kotler

One of the key themes in Marketing 5.0. is what we call "next-generation technology," which includes a group of technologies that seek to recreate the work of marketing experts.

- Artificial Intelligence (AI)
- Natural Language Processing (NLP)
- Sensors

- Internet of Things (IoT)
- Robotics
- Augmented Reality (AR)
- Virtual Reality (VR)
- Blockchain

The combination of these technologies is the driving force behind Marketing 5.0.

Artificial intelligence helps discover patterns in consumer behavior that allow ecommerce companies to recommend appropriate products and content to consumer clusters based on their profiles. Recommendation systems are crucial points of differentiation for e-commerce players and other types of digital businesses such as Amazon, Netflix, You Tube, Tik Tok. They constantly analyze the purchase history to create dynamic segmentation and fill customer profiles – to find hidden relationships between externally unrelated products in order to cross-sell and increase the amount of sales (upsell).

Implementation of Marketing 5.0. is not limited to the actions of the back office. When used in conjunction with natural language processing technologies, sensor technologies, and roboticists, AI can help marketers communicate with customers.

Technology should follow the strategy, not the other way around - Focus on humanity.

A key point of the concept is that companies need to have marketers who understand how to develop a strategy using technologies suitable for different marketing purposes. The goal is to create a new generation of customer experience: seamless and engaging.
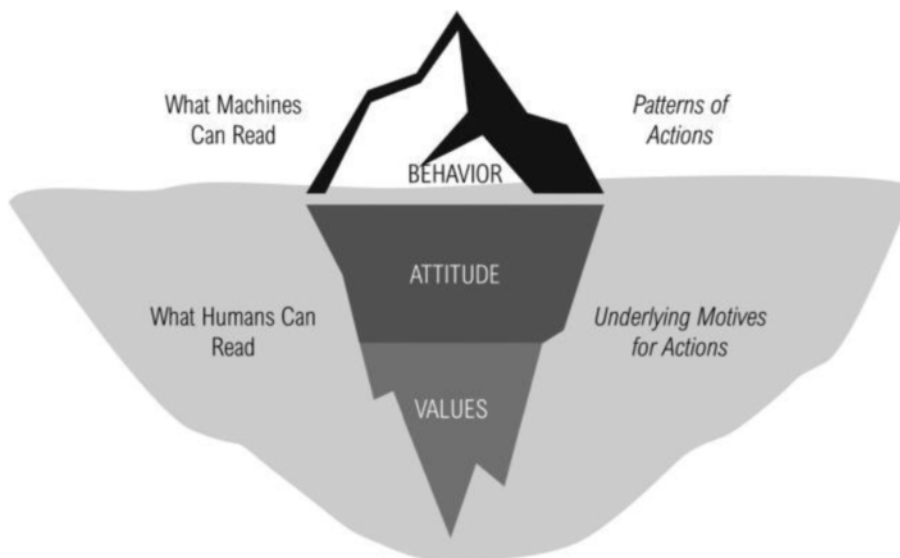

Figure 10. How People Create Value in Technology-Driven Marketing

Source: F. Kotler. Marketing 5.0.

Based on an array of data, AI can identify previously unknown patterns in customer behavior. However, despite the computing power of AI, only humans can understand other people. Human marketers are needed to select and interpret the motives behind the actions of customers (see figure).

Since we can't teach computers things we don't know how to learn, the role of human marketers remains very important in marketing 5.0. As such, the key discussions here revolve around the choice of where exactly machines and humans can be adapted to deliver the most value across the entire customer journey.

Marketing in a digital context is much more than moving customers to digital channels and building a digital media presence. Digital technology has the potential to fundamentally change the way marketers work.

5 Ways Technology Improves Marketing:

- Make smarter decisions based on big data:
- Predicting the Results of Marketing Strategies and Tactics;
- Implementing Contextual Digital Experiences in the Physical World;
- Empowering opportunities to deliver value to the customer on the front line;
- Accelerating Marketing Processes.

The Five Fundamental Elements of
Marketing 5.0 (fig 11)

Marketing 5.0 is centered around three interrelated applications:

- ✓ predictive marketing,
- ✓ contextual marketing,
- ✓ augmented marketing.

These applications are built on two organizational disciplines:

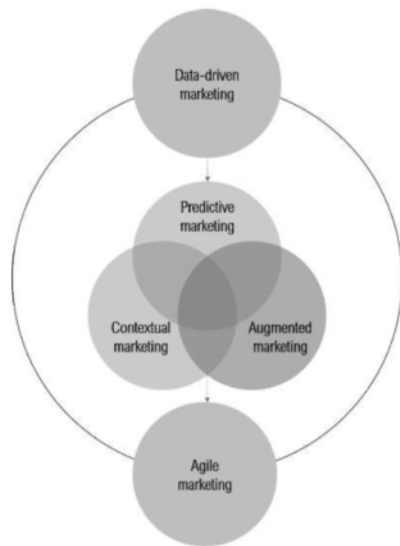- ✓ data-driven marketing and
- ✓ agile marketing.

Figure 11. *Fundamental Elements of Marketing 5.0* (*Source: F. Kotler. Marketing 5.0).*

Discipline 1: Data-Driven Marketing. This is the work of collecting and analyzing big data from various internal and external sources, as well as building a data ecosystem to target and optimize marketing decisions. Это первая дисциплина маркетинга 5.0: каждое решение должно приниматься с достаточным количеством данных на руках.

Discipline 2: Agile Marketing. Agile marketing is the use of decentralized, cross-functional teams to quickly conceptualize, design, develop, and validate hypotheses about a product and marketing campaigns. Organizational agility is becoming the second discipline that companies must master in order to successfully implement Marketing 5.0.

Application 1: Predictive Marketing. It is the process of building and using predictive analytics, sometimes machine learning, to predict the results of marketing activities before they are launched. *The first application allows the business to predict how the market will react and influence it in advance.*

Application 2: Contextual Marketing. It is the process of identifying and creating buyer personas, as well as providing a personalized interaction with them using sensor technologies and digital interfaces in the physical space. It's the pillar on which marketers deliver real-time one-on-one marketing based on the customer's situation.

Application 3: Augmented Marketing. It's the use of technology to increase the productivity of customer interactions with human-like technologies such as chatbots and virtual assistants. A third application is for marketers to combine the speed and convenience of a digital interface with the warmth and empathy of human-centered interactions.

6.2 Challenges of the digital world for marketing and marketers

- Generation Gap
- Polarization of Society by Level of Wealth
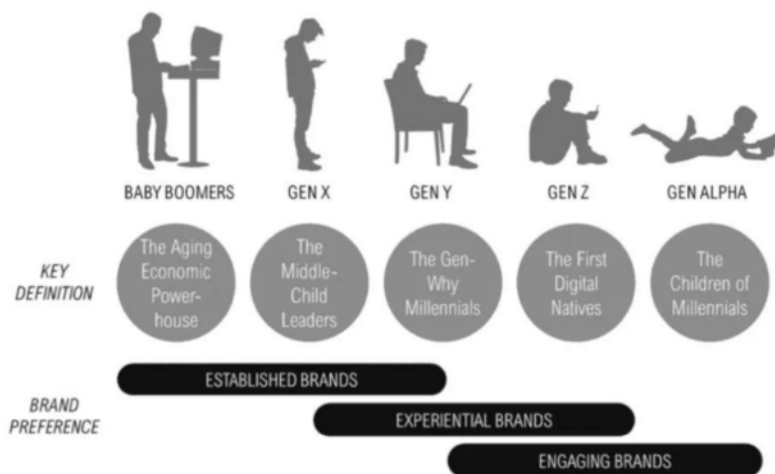- Digital Divide

Generation Gap

Figure 12. Five Generations and Their Brand Preferences (Source: F. Kotler. Marketing 5.0)

"Baby Boomers": Aging Lokomative

Born between 1946 and 1964.

For decades, baby boomers were the focus of marketers, until Gen Y outnumbered them.

Thanks to improved health and life expectancy, more and more baby boomers are delaying retirement and continuing their careers well into their sixties.

Still in leadership positions in corporations, they are often criticized by younger generations for their unwillingness to adopt new technologies and act contrary to conventional business practices.

Generation X: Middle Kids and Leaders

Born between 1965 and 1980.

Although they are overlooked by most marketers, Gen X has become one of the most influential generations in the working population. With an average of twenty years of experience and a strong work ethic, Generation X has taken the majority of leading positions in business.

Faced with more difficult career advancement, limited by the deferring baby boomers, many of Gen X in their forties stopped working and started their own businesses, becoming successful entrepreneurs.

Generation Y: The "Why" of Millennials

Born between 1981 and 1996.

The older group of millennials is the "bridge generation" as they have learned to adapt to both the digital and physical worlds, just like the generation X that preceded them.

The younger group, however, is more like Generation Z. Since they have been using the internet since a very young age, they naturally see the digital world as a seamless extension of the physical world.

Generation Z: Speaking the Language of Technology

Born between 1997 and 2009.

They are always connected to the internet through their devices for learning, news, and social media. They consume content constantly and across multiple screens even when they are socialized. As a result, they don't actually see the boundaries between the online and offline worlds.

They expect brands to be as exciting as their mobile and gaming devices. They expect companies to provide an interactive customer experience at every brand touchpoint. Failure to meet their expectations leads to low brand loyalty. Companies targeting Gen Z must learn to work with a shorter product lifecycle.

Generation Alpha: Millennial Kids

Born between 2010 and 2025

The release of the first iPad in 2010 – a device that appeals to most children – was the starting point for this generation.

They see technology as not only an integral part of their lives, but also an extension of themselves.

Today, Generation Alpha does not yet have tremendous purchasing power, but they are already having a strong influence on the consumption of others. A study by Google and Ipsos found that 74% of millennials involve their Gen Alpha children in household economic decision-making. Many children have already become influencers who are role models for other children. A report by Wunderman Thompson Commerce shows that 55% of children in the US and UK would like to buy things that social media influencers use.

Marketers around the world face the challenges of serving five different generations: Baby Boomers, X, Y, Z, and Alpha. The first four generations are already on the job market. Most baby boomers are still working. However, Generation X now holds the largest number of leadership positions in the world.

Generation Y represents the largest group of workers by number, and Generation Z is now entering the labor market. These generations have different levels of technological proficiency. Market research through a generational lens will enable marketers to identify the best way to implement technology-driven marketing 5.0.

Understanding the collective demographic shift in the market is the most thorough way to predict the direction of marketing.

Generational cohorts are one of the most popular ways to segment the mass market. It is assumed that people born and raised in the same time period were influenced by the same significant events. Therefore, they have been shaped by similar sociocultural experiences, and they are more likely to share similar sets of values, attitudes, and behaviors. Today, five generational groups live together: Baby Boomers, Generation X, Generation Y, Generation Z, and Generation Alpha (see figure 12).

In the future, marketers will cater to "segments of one," i.e., each customer with their unique set of preferences and behaviors. However, it is useful to note the general direction of marketing evolution by observing the mass market that companies will serve in the future.

Life Stages of Five Generations

Understanding what is most important for the five generations requires an analysis of the stages of life they go through. In general, there are four stages of human development: fundamental, avant-garde, creative and final. Each stage usually lasts about twenty years, and as you move to a new stage, your life goals and priorities change significantly.
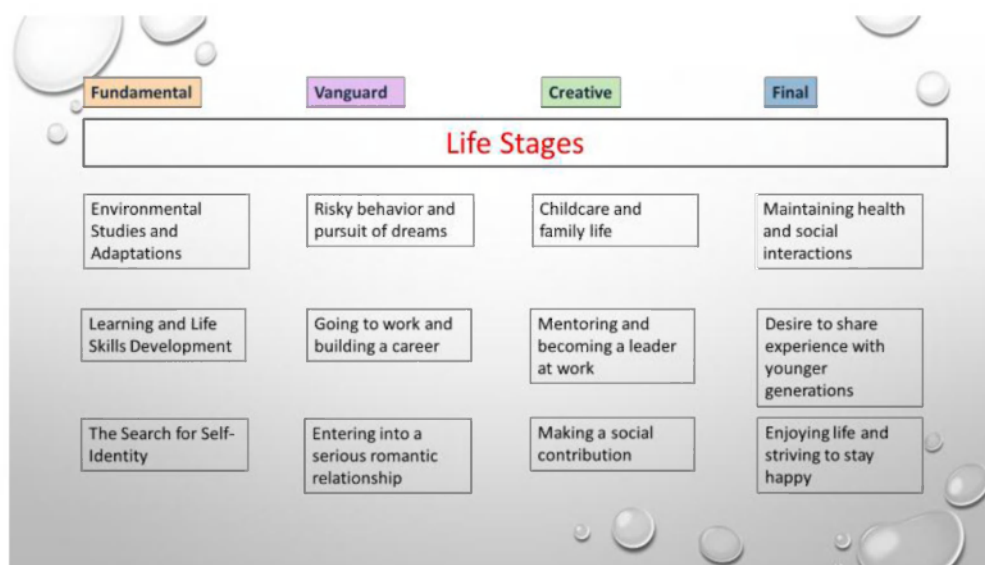
Figure 13. Human Life Cycles and Key Priorities

The first stage of life is called the fundamental stage, when a person is focused on learning. During the first twenty years of life, a person learns about the environment and adapts to it. He acquires knowledge and skills not only through formal training, but also through friendships and social interactions. This stage is also characterized by the search for one's identity and the meaning of life.

The second stage is called the avant-garde. In the second 20-year period, a person begins the transition from training to work. Starting with his own earnings and building a career, he becomes more independent. Since health is at its peak in this stage, it is more common for a person to take risks and live life to the fullest. At this stage, a person begins to commit themselves to a romantic relationship.

In the transition to the third, creative, stage, a person begins to acquire a household and build a family. It is human nature to return to a healthier lifestyle after the increased stress levels of the second stage of life. More time is also spent caring for others. At home, a person focuses on parenthood and family life, and at work he attaches special importance to mentoring and coaching younger generations. Contributing to the development of society also becomes a key life goal at this stage.

In the final stage, a person strives to adapt to an older age and remain happy. This period is mainly focused on managing declining health and social relationships. A person focuses on enjoying life by immersing themselves in meaningful and satisfying activities. Filled with contemplation of life's lessons, one begins to gain wisdom and seeks to share knowledge with younger generations.

Baby boomers usually take about twenty years to move from one stage to the next. Today, most boomers are in their final stages and are saving retirement to stay active and live fulfilling lives.

Generation X is following a roughly similar pace through their life stages. Most of them are now in the creative stage of life. Many have become successful startup founders in their early forties and are running new companies. They focus on work-life balance while investing in social development.

Generation Y is taking a slightly different path. They reach traditional life turning points, such as marriage or the birth of a child, much later in life. As a compromise, they are quicker to reach other life milestones, especially in the areas of career and social contribution. Millennials aren't ready to go up the corporate ladder at the same speed as baby boomers and gen X. They want to catapult to the top, changing jobs frequently and starting their businesses at an early age. As a result, they pass through the next stages of life more quickly than baby boomers.

Generation Z and generation alpha will go through the life stages even faster and thus show more mature thinking at an earlier age.

They are characterized by a high willingness to take risks and learning by doing, which in fact combines the fundamental and avant-garde stages. Their desire to contribute socially is stronger even when they are not yet in their twenties. Their attitude towards technology is not meaningless, they don't see technology as just a cute trinket.

For them, technology is what allows them to complete tasks faster and more efficiently, leaving more time for the things that really matter.

The Generation Gap and the Evolution of Marketing

Marketing 1.0 – Product-Oriented Marketing

- Marketing 1.0 originated in the U.S. In the 1950s, mainly focused on serving well-to-do baby boomers and their parents.
- The main goal is to create ideal products and services that bring maximum value from the point of view of consumers. Those products and services that have the most features and advantages in comparison with competitors win.

Marketing 2.0 – Consumer-Oriented Marketing

- The era of marketing 2.0 came down to understanding segmentation, targeting, and positioning. Companies were no longer creating perfect products and services for everyone. They learned more about their target markets and clearly defined their positioning in the market.
- Companies have removed technical excesses and focused on the functionality of products selected for customer needs and desires. This was reflected in the formation of a suitable price level for the planned target audience.

Marketing 3.0 – Human-Centered Marketing

- The rise of generation Y, as well as the global financial crisis in the late 2000s, triggered another significant evolutionary shift in marketing.
- Armed with free access to information and alarmed by the scandals of the financial industry, millennials had low levels of trust in profit-seeking corporations.
- Millennials demanded that companies create products, services, and cultures with positive social and environmental impact.
- This is how the era of human-centered marketing or marketing 3.0 was born. Companies have begun to embed social and ethical responsibility marketing practices into their business models.

Marketing 4.0 – Moving from Traditional to Digital

- Digitalization has also strengthened the trend towards human-centrism.
- Generation Y and, to some extent, generation Z gravitate towards the digital economy.
- The rise of mobile internet, social media, and e-commerce has changed the customer journey to purchase.

- Marketers have adapted to these changes by communicating and delivering products and services omnichannelly. They started the transition from traditional to digital marketing and implemented marketing 4.0.

Marketing 5.0 – Technology for Humanity

- With the rise of gen Z and generation alpha, it's time for the next evolutionary leap.
- The main interests and concerns of these two youngest generations are aimed at two areas. First, positive changes for humanity and improving the quality of people's lives. Secondly, to stimulate further technological advancement in all aspects of humanity.
- To serve gen Z and gen alpha, marketers must continue to apply next-generation technologies to improve people's lives. In other words, marketing 5.0 will bring together marketing 3.0 (human-centered) and marketing 4.0 (driven by technology).

Summary: Marketing for Baby Boomer Generations, X, Y, Z, and Alpha

- In the next decade, generation X will take most of the leadership positions in the marketing world. As marketers, they represent the only generation to have adopted marketing 1.0, marketing 2.0, marketing 3.0, and marketing 4.0 at different stages of their lives. Supported by gen Y middle managers, gen X will be the ones to offer marketing initiatives to serve gen Z and gen alpha.
- These two youngest generations will be the catalyst for marketing 5.0, which will bring together marketing 3.0 and marketing 4.0. They are deeply concerned about how technology will empower and strengthen humanity: improve the quality of life and make people happier. Companies that can win the trust of gen Z and gen alpha will be able to beat the competition in the 5.0 era of marketing.

Polarization of society according to the level of well-being

Tough Challenge:

- A widening gap between rich and poor that makes society polarized in every aspect of life.
- Discussions of gender equality, clean energy, and smart cities seem meaningful only among the elite.
- At the other end of the spectrum, people are struggling to lift themselves out of poverty and have access to food, health care, and basic sanitation.

The use of technology is still concentrated at the top:

- Companies follow their money and bring technology to segments where it makes business sense.
- Artificial intelligence algorithms track the behavior of a select minority and assume that the majority behaves in a similar way.
- Advanced technology tends to be irrelevant to most people.
- Increasing the availability and relevance of technology is a top priority for Marketing 5.0.

A Polarized Society:

- *Polarization of work.* There are more high-paying jobs and low-paying low-class jobs, and fewer options in between.
- *Polarization of ideologies.* Opposing worldviews and ideologies drive people (e.g., protectionism versus free trade) in opposite directions.
- *Lifestyle polarization.* Both minimalist and consumerist lifestyles are on the rise, influencing the way people buy products.
- *Polarization of markets.* Premium, elite and low-price segments are growing, while the middle segment is shrinking.

The Digital Divide

Almost all of the world's population lives in the coverage areas of mobile cellular networks.

- As of february **2024**, there were 5.4 billion **internet users** worldwide, which is 67% of the global population.
- China, India, and the United States rank ahead of all other countries in terms of **world**'s **internet users**.
- As of january 2023, China had 1.05 billion **internet users**, and India had approximately 692 million online **users**.
- The global **internet** penetration rate is 66.2%.

The fundamental barrier to connectivity is no longer the availability and availability of the internet. The main obstacle is the unaffordable access prices and ease of use.

Internet penetration is not yet evenly distributed, with new users coming mainly from emerging markets. Such markets often function through mobile devices, and that's all. Affordable mobile devices, lightweight operating systems, cheap Internet traffic and free Wi-Fi hotspots are the main drivers of the "next billion users" segment.

The Internet connects not only people, but also devices and machines, which is also called the "Internet of Things". With the Internet of Things, where devices and machines can communicate with each other, everything can be controlled remotely and automated, without the need for human operators. Ultimately, the Internet of Things will become the fundamental linchpin of automation, while artificial intelligence will become the brain that controls devices and machines.

The defining driver of digitalization is consumer pressure.

When consumers demand digital channels to interact and conduct transactions, companies will be forced to comply. When consumers place a high value on the digital customer experience, the case for investing in this topic will be justified.

In this way, the digital divide can be bridged. Markets with a higher level of digitalization will lead to better marketing practices and allow companies to implement marketing 5.0.

Threats and opportunities of digitalization

Threats:

1. Automation and job losses.
2. The problem of trust and the fear of the unknown.
3. Concerns about personal data protection and security.
4. The Information Bubble and the Post-Truth Era.
5. Digital Lifestyle and Behavioral Implications.

Opportunities:

1. The digital economy and the growth of well-being.
2. Big data and continuous learning.
3. Smart life and augmented reality.
4. Improving the quality and duration of life.
5. Sustainability and social inclusion.

TOPIC 7. THE ORGANIZATION'S READINESS FOR DIGITALIZATION

Global businesses have been hit during the COVID-19 outbreak. Most companies were not prepared for such a blow. The pandemic and, as a result, social distancing have forced businesses to go digital faster. This has changed behavior not only during the crisis, but for many years to come.

Since buyers have been forced to stay at home for several months, they have become accustomed to a digital lifestyle. They relied on e-commerce. And food delivery apps. Digital banking and non-cash payments have increased in volume. People started meeting and learning on Zoom, Google Meet, watched more videos on YouTube, Netflix. We contacted doctors and trainers remotely.

COVID-19 as a catalyst for digitalization:

- *Online Shopping;*
- *Food Delivery;*
- *Telemedicine;*
- *Online Games;*
- *E-Wallet;*
- *Digital Banking;*
- *Content Consumption;*
- *Online Fitness;*
- *Online Learning;*
- *Online Meetings;*
- *Home Services;*
- *Virtual Tourism.*

Different levels of readiness dictate different digitalization strategies for implementation. You need to create a diagnostic tool to assess readiness. Both the production and consumption sides should be taken into account in the assessment.

The first step is to determine if the market, i.e. consumers, is ready and willing to move to digital touchpoints. The next step, from a manufacturing perspective, is to assess a company's ability to digitize business processes to take advantage of this transition. These two factors form the matrix by which a company's position in one of the quadrants of digital readiness is determined.
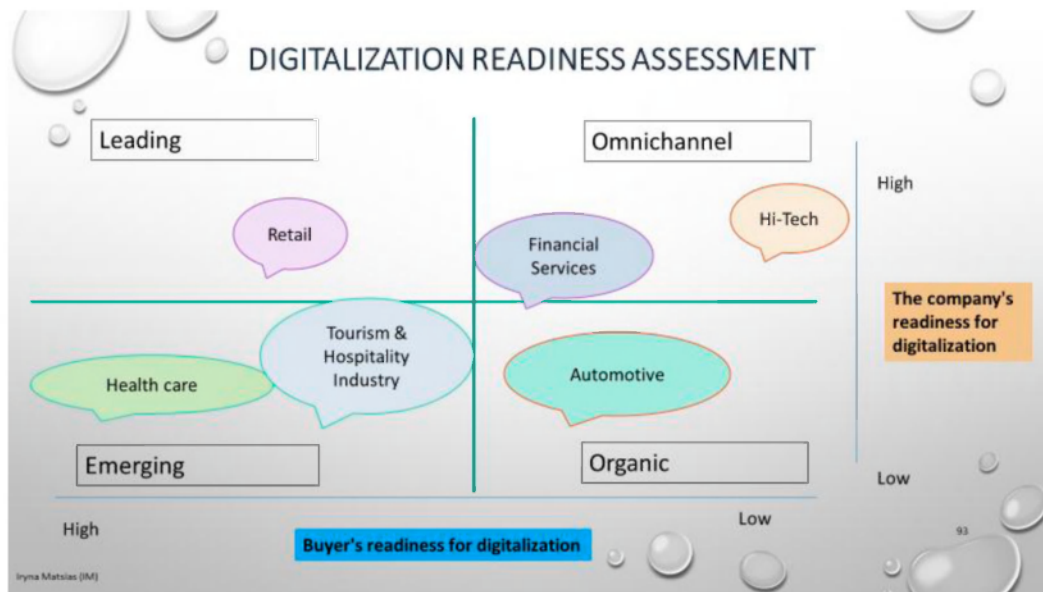

Figure 14. Digitalization Readiness Assessment (Re)

The position of each sector is based on the current situation and may change as the market develops. Buyers in other markets have a different degree of readiness. The readiness of individual industry players in each sector may also vary.

1 quadrant. Being in their original state - (ORIGIN) Emerging

This quadrant includes the industries most affected by the pandemic. Companies in this industry were the least prepared to face a crisis, as these business processes still involve a large number of physical interactions that are difficult to imitate or replace. At the same time, in these industries, it is unlikely that consumers will switch to digital touchpoints, mainly due to a lack of urgency to purchase during a crisis.

Examples in this quadrant are healthcare, tourism, and hospitality. Digitalization is already fundamentally changing the tourism and hospitality industry. Travel review sites, online booking platforms have brought transparency to the market about the level of quality and prices. Online platforms such as Airbnb have also put pressure on major hotels.

But digitalization happens more at the beginning and end of the customer journey. Shoppers use digital tools to plan and book a trip, for reviews and recommendations. And the middle part of the customer journey is mostly non-digital.

And digitalization is mostly superficial and has not yet reached the level to transform the industry. Only basic forms of technology are used, for example, the Internet is used for digital advertising, content marketing, and electronic distribution channels. Some market participants are trying to use robots or the Internet of Things, but users are not enthusiastic about it so far.

The healthcare industry has a similar level. The telemedicine trend is developing quietly. In addition to legislative barriers, it seems that providers find it difficult to provide infrastructure and healthcare professionals, who would be ready for digitalization. And doubts remain as to whether clients will be willing to pay as much for telemedicine as they would for a traditional appointment.

2 quadrant – 'Advanced (ONWARD)

This quadrant consists of industries and companies that are struggling to transfer customers despite significant investments in the digitalization of their business processes. Industrial sectors in this quadrant have functioning digital ecosystems and encourage shoppers to move online. But most shoppers haven't changed their shopping preferences yet, and digital onboarding is limited.

One example is the retail industry. Initially, the digital company Amazon has dominated the e-commerce market for many years. She even entered the field of grocery retail by acquiring Whole Food. On the other hand, long before the pandemic, traditional retail also began to transform in anticipation of the upcoming changes.

American retail giant Walmart has launched Walmart .com for e-commerce and will partner with Shopify to expand its marketplace activities. The move allowed the two big retailers to converge in the omnichannel space. The supporting infrastructure is also growing. Social media is invading the realm of online shopping.

3 Quadrant – Organic

This quadrant includes industries that deliver products and services with a high degree of physical interaction. In most cases, these industries also make extensive use of manual labor, and therefore take advantage of the complexities of remote workforce management.

On the other hand, most buyers are ready to go digital. They will push companies to adopt digital technologies.

An example in this quadrant is the automotive industry. Most car buyers are already webrooming, that is, they first study the offer on the Internet, and only then buy from a dealer. Google and ComScore search analytics show that 95% of shoppers use digital channels as their primary source of information, but more than 95% of sales are still made through the dealer network.

But the pandemic has accelerated the growth of online car purchases. Some car sales platforms, such as Carvana and Vroom, have reported a surge in online car sales, as shoppers prefer contactless ways to buy.

Unlike tourism and healthcare, physical contact when buying a car is optional and less valuable once buyers have already done most of their research. What's more, cars have become increasingly technologically advanced, with trends such as electric vehicles (EVs), self-driving cars (AVs), and car-to-car networks (V2V). As the machine experience becomes more technologically advanced, the buying process is the only major step in the customer journey that remains traditional.

4 Quadrant – Omnichannel

This quadrant is where companies want to end up. Businesses in the other quadrants should look to move their customers and build their potential to become an omni company. In the omni-company quadrant are those industries that have experienced less difficulties during the COVID-19 crisis.

Two examples of such industries are the high-tech industry and the financial services industry. Tech companies, of course, are most willing to embrace social distancing measures and stay-at-home behaviors. With digitalization taking up the biggest part of their DNA, these companies were looking to make a breakthrough in traditional industries, and the pandemic just gave them a significant boost. Companies such as Amazon, Microsoft, Netflix, Zoom, and Salesforce have shown strong growth.

Digital financial services have also grown as customers seek to avoid going to the bank and contactless payments become the norm.

However, banks began to move their customers to digital channels with all sorts of incentives long before the coronavirus outbreak. Today, all major banks offer both online and mobile banking. In banking, customers choose a channel based solely on convenience. Customers do not enter a bank branch to get the opportunity to feel and feel the goods, as in traditional retail. They go to the department because it is more convenient for them. Therefore, if digital banking can replicate convenience for a wide range of customers, electronic channels will become preferable.

But digitalization in this industry goes much deeper. Financial services have explored the use of chatbots to reduce the load on the call center, blockchain to strengthen transaction security, and AI to detect fraud. This industry has become one of the most digital industries, apart from high-tech and media business.

How ready is business for digitalization?

The four quadrants provide a high-level view of how ready each individual industry is for digitalization. But companies, even within the industrial sector, can vary greatly in their readiness and may find themselves in a different quadrant than other companies in the same industry.

Every company can take advantage of self-diagnostic tools for readiness for digitalization and the desire of customers to move to digital channels. A business that satisfies most of the criteria of this assessment tool is ready for digitalization.

Tabl 8. 1 Assessment of the company's readiness for digitalization

(Source: F. Kotler. Marketing 5.0)

Digital Customer Experience	
1	A company can engage with customers for most of the customer journey.
2	All digital customer touchpoints can deliver a seamless and seamless customer experience.
3	A company can create value and generate revenue through digital business models.
Digital Infrastructure	
1	Technologies are available to collect, store, manage, and process more customer data in real time.
2	Business processes have been digitized and reorganized for a new digital business model.
3	The digitalization of physical assets such as buildings, fleets and Internet of Things devices has been implemented.
Digital organization	
1	Most employees are presented with digital tools to work remotely and collaborate with others in a virtual space.
2	A key priority is to strengthen digital competencies in the team through data analysts, interface designers (UX designers), and information systems architects.
3	A strong digital corporate culture has been implemented, encouraging communication between business managers and employees with digital competencies.

Tabl 8. 2 Assessment of the company's readiness for digitalization

(Source: F. Kotler. Marketing 5.0)

Digital Customer Base	
1	The majority of the company's customers are tech-savvy members of Generation Y and Generation Z.
2	Most customers are already engaged and transacting with the company through a digital platform.
3	When consuming or using a product or service, customers need to interact through digital interfaces.
Digital Customer Journey	
1	The customer journey has already been partially or fully transferred online (webrooming or showrooming).
2	Physical touchpoints that annoy customers can be replaced and improved digitally.
3	There is enough information on the internet for customers to make an informed decision on their own.
Customer's commitment to going digital	
1	Customers view physical interactions with the company as unnecessary, irrelevant, and unvaluable.
2	Goods and services are considered to be less complex, and therefore the risks and trust issues are low.
3	*Most customers are more interested in going digital: more choice, lower prices, better quality, and better convenience.*

PRACTICAL SECTION
Topics and situations for practical training

1. PRACTICAL TASK: 8 MARKETING TRENDS IN CHINA

Assignment:

1. Get acquainted with the article.

2. Give your own written comment on each of the trends (how right is the author of the article, where do you observe it) and give real examples from business practice.

Following China: 8 Marketing trends in China*

* **Source**: https://www.e-xecutive.ru/management/marketing/1994283-vsled-za-podnebesnoi-8-marketingovyh-trendov-v-kitae?utm_campaign=3294&utm_medium=marketing-xxi&utm_source=email

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Marketing tactics successfully implemented by Chinese entrepreneurs. What solutions can be borrowed by domestic companies?

Chinese consumers are particularly demanding, and the market is so developed that brands have to continuously look for new ways of growth and promotion. As a result, rather unusual solutions are born that allow you to look at marketing issues from a new angle. I suggest discussing Chinese marketing trends that will be useful right now and may be necessary in the future.

1. Development of private pools

In China, working with bloggers and other channels to attract customers are expensive. Whether it's banner ads or streaming with a top blogger, it's almost impossible to get a positive ROI from one campaign, even if this campaign is focused on sales. How do brands grow? Each consumer is placed in an ecosystem of interaction, which implies personal communication – this is how the so-called private pool is formed. The brands then use the upsell method within this pool. In this case, the probability of achieving a positive ROI is much higher, because the client has already made

several purchases in the past, which means that he is more inclined to trust the company. The essence of creating a private pool is for consumers to join the ecosystem through popular messengers in China – WeChat, Weitao... It is important to communicate with users one-on-one by sending them private messages, adding them to interest groups and helping them feel like friends of the brand. This method is economically advantageous because it significantly reduces the cost of attracting customers. And through direct communication with customers, brands also manage to increase the conversion rate.

Your comment_____

2. Streaming is gaining momentum

Streaming in China is not just one of the marketing tools, you just can't do without it. In March 2020, the number of users who conduct or watch streams reached 560 million people. This is about 40% of the total population of China and 62% of Internet users. The pandemic has further spurred the development of this trend. Thanks to the support of technology giants, streaming will remain one of the key marketing tools on various e-commerce platforms, on social networks and on video platforms.

Your comment_____

3. Forming your own opinion leaders

When choosing opinion leaders (KOL – Key Opinion Leaders) for cooperation, brands need to carefully analyze candidates. KOLs in China have huge influence and are often expensive. And although many of them create excellent content, some statistical indicators are inflated, which is why a "KOL bubble" is formed. About 80% of opinion leaders in China provide incorrect data. And brands not only pay bloggers themselves, but also spend money on promoting posts and advertising to help bloggers grow. Smarter brands form their own opinion leaders. Usually they find a blogger for this and offer him a contract with the company for 2-3 years. As a result, the blogger becomes responsible for creating content for the brand and represents only one company. At the same time, he continues to create content for his own audience. This is how brands manage to achieve higher conversion rates and repeat purchases at much lower costs.

Your comment_____

4. Local collaborations and concept guochao

Brands can achieve better results if they decide to play on the popular concept of national pride (known as guochao) and start working closely with local brands. This method is especially effective for attracting a young audience in which a strong sense of national pride is developed. Millennials and Generation Z are much more likely than others to use guochao products. Collaborations with clothing or sneaker brands have become the most effective interaction with young consumers: they account for about 60% of purchases.

Your comment_____

5. Cross promotion

Collaborations are a real marketing hit in China. Someone cooperates with celebrities, someone unites with other brands from the industry to create a common product. For example, the Chinese brand **Dong'e Ejiao**, engaged in the production of ejiao (gelatin from donkey skins), together with the American **Pacific Coffee** launched their own coffee drink. However, brands from completely different industries collaborate much more often. For example, the chili sauce brand **Lao Gan Ma** presented its streetwear collection at New York Fashion Week. Collaborations are very well

received, and cross-promotion works successfully. Therefore, we can expect that this trend will continue to develop actively.

Your comment

6. E-commerce = social networks and vice versa

E-commerce platforms develop content-based functionality, and social networks develop sales-related functionality. Platforms of both types will try to maximize their capabilities in order to "bind" users to their ecosystem. Content platforms (Douyin, RED and Weibo) add sales functions and restrict the addition of external links. And e-commerce platforms like Tmall are focusing on expanding communities through Weitao and Taobao Live.

Your comment

7. Monitoring emerging consumer groups

Targeting a broad group of consumers as a target audience is no longer enough. It is necessary to take into account the details and include at least three characteristics in each target group in order to form a clearer portrait of the consumer. For example, describing your target audience as "millennials", it is worth adding three characteristics: "millennials (1) from the three largest cities (2) who like to cook at home (3)." It is important to remember that within each group there are several completely different segments of consumers.

Your comment

8. Producing great content, always!

This trend does not lose its relevance. Brands need to constantly create relevant, interactive content with meaning. To do this, it is necessary to understand which types of content are best suited for the target audience on a particular platform. It is also worth considering that the content should reflect the current agenda and fit seamlessly into the news stream. These rules were important before, but now, when creating content, you also need to keep up with the constantly changing environment.

Your comment

2. ESSAY: «WHAT DO WE BUY BY BUYING»

Assignment:

Read carefully an excerpt from the book "The Law of Successful Innovation" by Harvard Business School professor and creator of the theory of disruptive innovation Clayton Christensen.. See an example.

Think about why you "hire" this or that product. Answer the question "What do we buy by buying..."Write a short essay (one product, 1-2 page).

Offers: smartphone, perfume, watch, medical insurance, book, frozen foods..(on your choice).

The Law of Successful Innovation: how to convince a customer to "hire" your product*

*Source: Christensen, K., Hall, T., Dillon, K., Duncan, D. Law of successful innovation: Why the customer «hires» your product and how knowledge about it helps new developments. — M., 2017

Milkshakes in the morning

In the mid-1990s, two consultants from Detroit approached me for permission to visit my office at Harvard Business School to learn more about the theory of disruptive innovation that had just been published. Bob Mosta and his then partner Rick Pedy were developing a new niche business, advising bakeries and snack makers on the release of new products that people were more likely to be willing to buy.

In the process of discussing the theory of disruptive innovation, I came to the conclusion that it clearly predicted how companies that have been on the market for a long time will behave in the face of the impending disruption from small bakeries and snack manufacturers. In this regard, it offers a clear formulation of cause and effect. But in the conversation, it became obvious that the theory of disruptive innovation does not point the way for these particular customers. This theory does not offer an unambiguous and complete explanation of the preventive actions of the company for the sake of success: if you do this, and not that way, you will win. In fact, I realized that even if a company intends to overthrow a vulnerable leader, the chances of creating a product or service that is ideally suited for these purposes are probably less than 25%. Or even less.

For many years I have focused my efforts on trying to understand the reasons for the fall of companies, but, as it turned out, I have never thought about the opposite problem: how do companies succeed?

I found the answer within a few months. Moesta shared with me a project for a chain of fast food establishments: how to sell more milkshakes. The network spent months on the most thorough study of the problem. She identified customers matching the description of the main milkshake buyer and bombarded them with questions: "Tell us how we can improve milkshakes so that you buy them more often? Should we make them cheaper? Thicker? With pieces? Even if customers talked about their preferences and wishes, it remained unclear what exactly should be done with all this. The chain has tried a lot in response to consumer comments, trying to please numerous potential buyers of milkshakes with the help of innovations. Something remarkable has happened in a few months: nothing. After all the efforts made by marketers, there were no changes in sales in the category of milkshakes.

Therefore, we decided to approach the question from a completely different angle: I wondered what kind of work arises in people's lives that encourages them to "hire" a milkshake?

This angle of analysis of the problem seemed interesting to me. These customers did not just buy a product, but hired a milkshake to do a certain job. We are motivated to purchase goods or services by the events of everyday life. Each of us has a job to do every day, and we hire goods or services to complete the tasks.

Armed with this approach, one day the team stood for eighteen hours in one of the restaurants, watching people. What time do people buy cocktails? How are they dressed? Did you come alone? Did you buy something else in addition? Did you drink a cocktail in a restaurant or did you take it with you?

It turned out that an amazing number of milkshakes were sold before 9 a.m. to people who came to the restaurant alone. And almost always they ordered only a cocktail. They didn't stay in the restaurant, but got into the car and drove away. So we turned to them: "Excuse me, please, but we need to solve this problem. What kind of work that you're trying to do for yourself makes you come here and hire this milkshake?"

At first, the buyers themselves could not really answer this question, until we began to wonder what else they sometimes hire instead of a milkshake. It soon became obvious that the morning visitors had the same job ahead of them: a long and tedious road to the office. They needed to diversify the trip somehow. They had not yet had time to get very hungry, but they understood that in a couple of hours their stomachs would begin to rumble. It turned out that many competitors applied for this job, but none of them coped with it perfectly. "Sometimes I hire bananas. But take my word for it: bananas are nonsense. They end too quickly, and you have time to get hungry before twelve," said one of the visitors.

Donuts crumble too much, and besides, they are greasy, they dirty hands, clothes and the steering wheel if you drive and eat. Bagels often turn out to be dry and tasteless, forcing drivers to hold the steering wheel with their knees while they spread cream cheese and jam on the bagel. Another visitor confessed: "I once hired a Snickers bar. But I was tormented by such a feeling of guilt for the sweets for breakfast that I never did it again." And a milkshake? The best option. It takes a long time to finish off a large glass of a thick cocktail with a thin straw. And it's nutritious enough to keep you from getting hungry by ten o'clock. One visitor from those who had to take a long time to get to work, said: "This milkshake. It's so thick! Through this thin straw, you can suck it for as long as twenty minutes. Who cares about its ingredients there - I personally don't care. The main thing is that I am full all morning. And the cocktail fits perfectly in the car holder." And he raised his empty hand. It turned out that the milkshake copes with the work better than competitors, which in the minds of customers include not only milkshakes from other chains, but also bananas, bagels, donuts, smoothies, protein bars, coffee and so on.

When the team collected all the answers and analyzed the personal data of the survey participants, another point became obvious: the buyers of milkshakes had nothing in common in terms of demographic indicators. But they all had one common job that they needed to do in the morning.

"Help me stay awake and keep myself occupied with something interesting during my morning trip to the office." We had the answer!

Alas, it wasn't that simple. It turns out that a lot of milkshakes are bought both during the day and in the evening, and this has nothing to do with commuting. In such circumstances, the same customers may hire a milkshake for a completely different job. Parents often refuse various children's requests during the week. "No new toys. No, you can't stay up late. No, we can't buy a dog!" I was aware that I belonged to those fathers who are constantly trying to seize the moment and establish contact with children.

I was looking for something harmless that I could say yes to and feel like a kind and loving father. And so in the afternoon I stand in line with my son and make an order. Then the son stops talking, raises his eyes and looks at me the way only sons look, and asks: "Dad, can I have a milkshake too?" Here it is, this moment. We are not at home, where I promised my wife to limit unhealthy food during lunch. We are just at the place where I can finally say yes to my son, because this is a special case. I put my hand on his shoulder and say, "Sure, Spence, you can have a cocktail." At this very moment, a milkshake does not compete with a banana, a Snickers bar or a donut, as a morning cocktail does. It competes with stopping by a toy store or playing ball, which I need to find time for after work.

Think about how different this job is from a morning trip—and how different is the competition for doing these jobs. Imagine that our fast food establishment asked a father like me to participate in one of the surveys of visitors, asking the question voiced above: "How can we improve the milkshake so that you buy it more often?" What will this father tell in his answer? Is it the same as a morning visitor going to work?

Morning work requires a thicker cocktail, which can be sipped for longer during a long boring trip. You can get pieces of fruit, but not for the sake of health benefits. That's not the reason they hire a cocktail. Just pieces of fruit or even chocolate — such a little surprise in every sip, which will diversify the trip. One could think about moving the cocktail vending machine from behind the counter to the front of the establishment and providing special cards. Then those going to work could drop by in the morning, pour a glass of cocktail and rush on.

During the day I remain the same person, but I find myself in different circumstances. Day job - please the child and feel like a good father - is fundamentally different. Perhaps daytime cocktails should be sold in half portions, so that they end faster and do not provoke such a strong sense of guilt among dads.

If this fast food company focused only on "improving" its product in a general sense—how to make it thicker, sweeter, bigger—it would have chosen the wrong aspect for analysis. You have to figure out what kind of work the client is trying to do in certain circumstances. If the company had limited itself to trying to average all the answers of fathers and those going to the office, it would eventually have turned out to be a product of the same size, not suitable for anyone and poorly performing both jobs.

And that's where the whole secret lies. People hire milkshakes for two different types of jobs in two different circumstances. Each of the works has its own competitors: in the morning it's bagels, protein bars and bottles of freshly squeezed juice; in the afternoon milkshakes compete with a stop

near a toy store or a hasty return home for a ball game. That is why, according to various criteria, each of them was evaluated as the optimal solution. It follows that, most likely, a fast food chain that wants to sell more milkshakes has not one solution, but two. One size for all occasions is not suitable for both cases.

Example: **What we buy, I buy coffee in a café (***(the answers of undergraduates student from Minsk)*

In the morning, on the streets of Minsk, you can increasingly see people going about their business with a cup of coffee in their hand. Coffee in a paper cup has long been a symbol of active urban life. It is difficult to track who was the first in the capital to implement the "takeaway coffee" service, but we can assume that it was McDonald's.

The "takeaway coffee" service in the USA is several decades old. Fashion reached Russia belatedly, but even then not all city coffee shops offered to take drinks with them. The impetus for development came with the opening of the Starbucks chain of American coffee shops in the capital in 2007, followed by other institutions of the city. Of the two consumer cultures – fast American and slow European – Moscow has followed the path of New York. After Russia, Belarus (or rather Minsk) took over the baton, but in its own rhythm – certainly not New York. Today, coffee shops in Minsk are opening wherever possible, using every square meter of free space. However, it should be noted that they are closing at the same speed.

In Minsk, the coffee culture is still in its infancy, but the choice of establishments is already quite large. The only thing missing is the well-known Starbucks, which still won't come to Belarus. Nevertheless, there is a choice - from the budget Cofix, which has recently entered the Belarusian market, to Surf Coffee and Grain, where, despite by no means budget prices, there are almost never empty seats.

So, after all, what makes Belarusians buy coffee at 4 rubles per cup, and coffee shops open at every step and at such a speed?

Look

The greatest influence on the fashion of "coffee with you" was exerted by American films, the action of which takes place in megacities. The heroes of the films "The Devil wears Prada" or "Sex and the City" walk through the streets of the city with a paper cup in their hand, bring coffee to work or sit with a hot drink on a park bench. Now this fashion is being broadcast by bloggers on Instagram and vlogs on youtube rather than by the film industry. Nevertheless, coffee in a paper cup is almost like an accessory that allows you to feel more stylish, modern, successful, busy person. He practically makes it possible to feel like, if not the hero of the film, then at least a resident of another country.

Aesthetics and communication

It is unlikely that takeaway coffee in supermarkets, vending machines or gas stations is able to gain at least some popularity. It's not even about quality, although quality certainly matters.

Almost all coffee shops are made in approximately the same style - a minimalistic space, white or beige prevails in the color scheme, and natural materials are usually used in the decoration: wood, stone, tile, brick. The interior of coffee shops is characterized by lightness of forms, simple geometry, abundance of light. Plus to all this the most friendly service.

So, buying coffee to take away or drinking it on the spot, the buyer is "sold" the opportunity to become a part of something beautiful himself. Here again, you can use the analogy with movies – a person feels like a character from a Woody Allen movie. Agree, not all establishments in Minsk can boast of comfort. An even smaller number can boast of comfort for little money. In everyday life, a citizen encounters canteens, state. department stores, grocery stores, etc. - places that rarely boast of beauty and polite service. In contrast to them, you can put restaurants and cafes, but the average check in them significantly exceeds the cost of a drink and / or dessert in a coffee shop. Hence, in addition to the aesthetics of coffee shops, there follows another opportunity that the consumer receives – the opportunity to spend time with loved ones outside the walls of the apartment without harm to the wallet.

Speaking of coffee shops, do not lose sight of SMM marketing. Every coffee shop today has its own Instagram account, which is maintained in a single style, where some sweepstakes are periodically held and promotions are announced.

Coffee shop instead of office

Freelance outside the home - again, the influence of Western fashion. Starbucks, for example, is ready to develop not only new territories, but also new niches of presence. In 2018, the company entered the workspace market with the Starbucks Reserve Roasteries project - spaces for work, meetings and recreation. If earlier the company had to wait for approval to open a coffee shop in the workspace area, now Starbucks can be it on its own.

People come to the coffee shop not only to chat, but also to work / learn. Whether this is fair to other visitors and to the institution itself is a controversial issue. A person takes one drink at the price of 4 rubles and takes a place for 4 hours, using the coffee shop as a coworking. Nevertheless, this practice is becoming more and more popular in Minsk.

Thus, hardly buying coffee, we buy only coffee. We buy the opportunity to spend free time outside the house, chat with friends, enjoy the contemplation of a beautiful interior, feel a little more successful and better.

3. PRACTICAL TASK: Intentional (planned) obsolescence of the product

Assignment	Your answer
1. Give an answer what is «planned obsolescence».	
2. Briefly describe the types of obsolescence: ✓ Functional ✓ Technical ✓ Systemic ✓ Aesthetic. Give one example at a time.	
3. To name the benefits of the strategy for the manufacturer, trade. And whether it is for the consumer?	
4. Answer the question, what is the danger of this manufacturer's strategy for the ecology/environment.	

4. TEST № 1: Study the lecture notes "Development through the release of new products" and fill out the table by answering the questions:

1	Three components of innovation:	
2	What 2 factors determine the level of risk associated with innovation?	
3	Types of risks associated with innovation:	
4	Risk classification criteria:	

5	How are products classified in terms of their novelty?	
6	What 3 groups are products classified into, based on the nature of the change in the physical or perceived characteristics of the new product?	
7	What 3 types of technologies should be distinguished when assessing the strategic role of technologies?	
8	What features distinguish high-tech products?	
9	What are the key success factors according to Cooper:	
10	What 2 types of structure are typically created for the innovation development process?	
11	What are the advantages of a sequential development process?	
12	What are the advantages of a parallel development process?	
13	What are the 2 main groups of the methods of generating ideas?	
14	What methods of finding an idea include methods of functional analysis?	
15	What methods of finding an idea are creative?	
16	What is a new product concept?	

17	What methods are used to forecast sales of a new product?	
18	List the subjects of the innovation market:	
19	The main functions of the innovation market:	

5. LABORATORY: ANALYSIS OF PROSPECTS FOR THE USE OF NATURAL RESOURCES

Assignment:

To study the sources of innovative technologies for the use of the resources listed in the table. Fill in the table based on the information found on the Internet. Justify the prospects for using resources from your point of view.

Ethical fashion: reality and prospects

Resource	Product • Technology; • Types of product; • Product Features; • Countries and regions where technology is used today.	Prospects (your opinion)
Salmon skin		
Lotus Juice		
Seaweed		
Nettle stems		
Coffee grounds (drunk coffee)		
Your additional example: resource, product, prospects (at least one)		
1		
2		

Example:

Resource	Product • Technology; • Types of product; • Product Features; Countries and regions where technology is used today.	Prospects (your opinion)
Milk (kozein)	**Technologies** Sour milk is transformed into a solid material by the synthesis of milk protein. The resulting substance is dehydrated, the dry mass is filtered. Powdered casein is dissolved in alkali to then pass this solution through a spinneret - a device for producing fibers. They undergo additional purification with sulfuric acid from alkali residues and yarn is obtained at the output. As a result, a fabric resembling silk is obtained. The fabric is odorless, easy to wash and iron. Everything is exactly the same as with ordinary, familiar clothes for us. **Types of product** Fiber for the textile industry, hygiene and medical products. Among other things, cotton wool, insulation materials from loosened fiber, filters and membranes can be obtained from fibers. **Product characteristics and properties** The fabric made of milk casein is devoid of unpleasant odor, it has a delicate silky texture and a number of advantages that other types of natural and synthetic materials cannot boast of. Casein contains amino acids that slow down aging and have a bactericidal effect, so "milk textile" supports normal thermoregulation of the body and blood circulation, it is hypoallergenic and suitable	Thanks to this technology, instead of turning rejected milk (in Germany alone, about 1.9 tons of milk that does not fit into the standards are rejected annually) into ordinary waste, it is possible to obtain technical casein – milk protein formed under the influence of enzymes in the process of milk fermentation. Using rejected milk, and constantly improving the technology and reducing the cost of resources for the production of cloth from milk casein the business is able to help in solving global environmental protection tasks, saving non-renewable resources of the planet. The high price of products does not yet allow making products from dairy goat meat a widespread product, but consumers with sufficient income and environmental values will purchase clothes and other products from milk casein.

for allergy sufferers and people with sensitive skin.

Countries and regions where technology is used today.

Germany (Qmilch brand). The technology was developed by microbiologist Anke Domaske. One dress of this brand takes about 6 liters of milk. Qmilch claims that unlike other "milk fabrics", it uses water more economically and efficiently. About 2 liters of water are consumed per kilogram of finished products, while more than 10 thousand liters of water are needed to produce the same amount of cotton.

The retail price of the dress is about 200 Euro.

USA (Mi Terra startup, Limitless Milk Shirt T-shirts). Mi Terro production is located in **China**.

The developers report that their T-shirts perfectly tolerate machine washing, are characterized by special softness, antibacterial properties, do not crumple. Microscopic cavities that are formed during the production of fabric create additional insulation that deters the smell of sweat. Casein from five glasses of milk going to waste is enough to get one T-shirt.

The retail price of T-shirts is about $59.

Russia. The Valio dairy company sews clothes (Valio Plant&Milk Design) from Mi Terro brand fabric purchased in China.

The average retail price of the product is about $90.

6. GROUP PROJECT

The creative task (performed in teams of 5 people) in the form of a slide presentation (10- 15 min):

Main points of the task:

- ✓ Invent (find) a small business;
- ✓ Talk about its products or services;
- ✓ Offer an innovative product (service);
- ✓ Justify why this product will be of interest to the market, and how it fits in with current business products (services) (which will allow the company to successfully bring the product to the market - available technologies, demand, experience in launching new products, etc.);
- ✓ Assume possible risks.

7. CASE «MANAGING NEW PRODUCTS: THE PRODUCT LIFE CYCLE»

Learning Objectives

1. Explain how organizations manage offerings after being introduced to the marketplace.
2. Explain how managing an offering may be different in international markets.
3. Explain the product life cycle and the objectives and strategies for each stage.

Over 20,000 new offerings, including convenience foods, health and beauty aids, electronics, automobiles, pharmaceutical products, hotels, restaurants, and so on, enter the marketplace each year. For example, in 2006 almost 1,400 food products making a "whole grain claim" were introduced (Roskelly, 2010). Other recent new product introductions include many technological products such as Nintendo's Wii, iPhones, and digital video recorders (DVRs); many new personal care products such as new fragrances of shampoo and conditioner and new flavors of toothpaste; and new convenience foods such as frozen meals, "100 calorie pack" snacks, and cereal bars (Hunter, 2008).

The 100 Calorie Packs offered by Nabisco proved to be extremely popular.

Once a product is created and introduced in the marketplace, the offering must be managed effectively for the customer to receive value from it. Only if this is done will the product's producer achieve its profit objectives and be able to sustain the offering in the marketplace. The process involves making many complex decisions, especially if the product is being introduced in global markets. Before introducing products in global markets, an organization must evaluate and understand factors in the external environment, including laws and regulations, the economy and stage of economic development, the competitors and substitutes, cultural values, and market needs. Companies also need expertise to successfully launch products in foreign markets. Given many possible constraints in international markets, companies might initially introduce a product in limited areas abroad. Other organizations, such as Coca-Cola, decide to compete in markets worldwide[1].

The product life cycle (PLC) includes the stages the product goes through after development, from introduction to the end of the product. Just as children go through different phases in life (toddler, elementary school, adolescent, young adult, and so on), products and services also age and go through different stages. The PLC is a beneficial tool that helps marketers manage the stages of a product's acceptance and success in the marketplace, beginning with the product's introduction, its growth in market share, maturity, and possible decline in market share. Other tools such as the Boston Consulting Group matrix and the General Electric approach may also be used to manage and make decisions about what to do with products. For example, when a market is no longer growing but the product is doing well (cash cow in the BCG approach), the company may decide to use the money from the cash cow to invest in other products they have rather than continuing to invest in the product in a no-growth market.

The product life cycle can vary for different products and different product categories. *Figure 1 "Life Cycle"* illustrates an example of the product life cycle, showing how a product can move through four stages. However, not all products go through all stages and the length of a stage varies. For example, some products never experience market share growth and are withdrawn from the market.
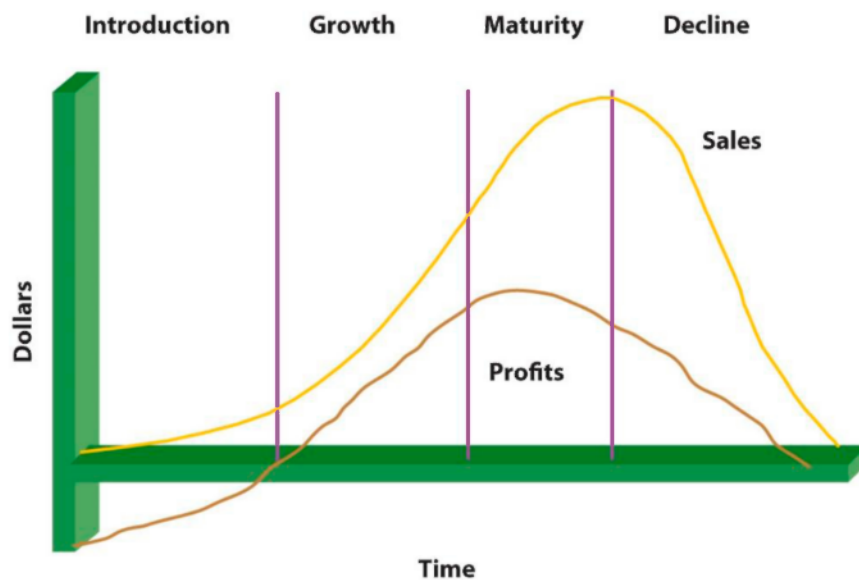
Figure 1. Life Cycle.

Figure 2. Diet Coke changed its can to keep from getting outdated.

Other products stay in one stage longer than others. For example, in 1992, PepsiCo introduced a product called Clear Pepsi, which went from introduction to decline very rapidly. By contrast, Diet Coke entered the growth market soon after its introduction in the early 1980s and then entered (and remains in) the mature stage of the product life cycle. New computer products and software and video games often have limited life cycles, whereas product categories such as diamonds and durable goods (kitchen appliances) generally have longer life cycles. How a product is promoted, priced, distributed, or modified can also vary throughout its life cycle. Let's now look at the various product life cycle stages and what characterizes each.

The Introduction Stage

The first stage in a product's life cycle is the introduction stage. The introduction stage is the same as commercialization, or the last stage of the new product development process. Marketing costs are typically higher in this stage than in other stages. As an analogy, think about the amount of fuel a plane needs for takeoff relative to the amount it needs while in the air. Just as an airplane needs more fuel for takeoff, a new product or service needs more funds for introduction into the marketplace. Communication (promotion) is needed to generate awareness of the product and persuade consumers to try it, and placement alternatives and supply chains are needed to deliver the product to the customers. Profits are often low in the introductory stage due to the research and development costs and the marketing costs necessary to launch the product.

The length of the introductory stage varies for different products. However, by law in the United States, a company is only allowed to use the label "new" on a product's package for six months. An organization's objectives during the introductory stage often involve educating potential customers about its value and benefits, creating awareness, and getting potential customers to try the product or service. Getting products and services, particularly multinational brands, accepted in foreign markets can take even longer. Consequently, companies introducing products and services abroad generally must have the financial resources to make a long-term (longer than one year) commitment to their success.

The specific promotional strategies a company uses to launch a product vary depending on the type of product and the number of competitors it faces in the market. Firms that manufacture products such as cereals, snacks, toothpastes, soap, and shampoos often use mass marketing techniques such as television commercials and Internet campaigns and promotional programs such as coupons and sampling to reach consumers. To reach wholesalers and retailers such as Walmart, Target, and grocery stores, firms utilize personal selling. Many firms promote to customers, retailers, and wholesalers. Sometimes other, more targeted advertising strategies are employed, such as billboards and transit signs (signs on buses, taxis, subways, and so on). For more technical

or expensive products such as computers or plasma televisions, many firms utilize professional selling, informational promotions, and in-store demonstrations so consumers can see how the products work.

Figure 3. Many new convenient snack packages, such as jelly snacks and packages of different sizes, are available in China and the United States.

During introduction, an organization must have enough distribution outlets (places where the product is sold or the service is available) to get the product or service to the customers. The product quantities must also be available to meet demand. For example, IBM's ThinkPad was a big hit when it was first introduced, but the demand for it was so great that IBM wasn't able to produce enough of the product. Cooperation from a company's supply chain members—its manufacturers, wholesalers, and so forth—helps ensure that supply meets demand and that value is added throughout the process.

When you were growing up, you may remember eating Rice Krispies Treats cereal, a very popular product. The product was so popular that Kellogg's could not keep up with initial demand and placed ads to consumers apologizing for the problem. When demand is higher than supply, the door opens for competitors to enter the market, which is what happened when the microwave was introduced. Most people own a microwave, and prices have dropped significantly since Amana introduced the first microwave at a price of almost $500. As consumers in the United States initially saw and heard about the product, sales increased from forty thousand units to over a million units in only a few years. Sales in Japan increased even more rapidly due to a lower price. As a result of the high demand in both countries, many competitors entered the market and prices dropped.

Product pricing strategies in the introductory stage can vary depending on the type of product, competing products, the extra value the product provides consumers versus existing offerings, and the costs of developing and producing the product. Organizations want consumers to perceive that a new offering is better or more desirable than existing products. Two strategies that are widely used in the introductory stage are penetration pricing and skimming. A penetration pricing strategy involves using a low initial price to encourage many customers to try a product. The organization hopes to sell a high volume in order to generate substantial revenues. New varieties of cereals, fragrances of shampoo, scents of detergents, and snack foods are often introduced at low initial prices. Seldom does a company utilize a high price strategy with a product such as this. The low initial price of the product is often combined with advertising, coupons, samples, or other special incentives to increase awareness of the product and get consumers to try it.

A company uses a skimming pricing strategy, which involves setting a high initial price for a product, to more quickly recoup the investment related to its development and marketing. The skimming strategy attracts the top, or high end, of the market. Generally this market consists of customers who are not as price sensitive or who are early adopters of products. Firms that produce electronic products such as DVRs, plasma televisions, and digital cameras set their prices high in the introductory stage. However, the high price must be consistent with the nature of the product as well as the other marketing strategies being used to promote it. For example, engaging in more personal selling to customers, running ads targeting specific groups of customers, and placing the product in a limited number of distribution outlets are likely to be strategies firms use in conjunction with a skimming approach.

The Growth Stage

If a product is accepted by the marketplace, it enters the growth stage of the product life cycle. The growth stage is characterized by increasing sales, more competitors, and higher profits. Unfortunately for the firm, the growth stage attracts competitors who enter the market very quickly. For example, when Diet Coke experienced great success, Pepsi soon entered with Diet Pepsi. You'll notice that both Coca-Cola and Pepsi have similar competitive offerings in the beverage industry, including their own brands of bottled water, juice, and sports drinks. As additional customers begin to buy the product, manufacturers must ensure that the product remains available to customers or run the risk of them buying competitors' offerings. For example, the producers of video game systems such as Nintendo's Wii could not keep up with consumer demand when the product was first launched. Consequently, some consumers purchased competing game systems such as Microsoft's Xbox.

Figure 4. Demand for the Nintendo Wii increased sharply after the product's introduction.

A company sometimes increases its promotional spending on a product during its growth stage. However, instead of encouraging consumers to try the product, the promotions often focus on the specific benefits the product offers and its value relative to competitive offerings. In other words, although the company must still inform and educate customers, it must counter the competition. Emphasizing the advantages of the product's brand name can help a company maintain its sales in the face of competition. Although different organizations produce personal computers, a highly recognized brand such as IBM strengthens a firm's advantage when competitors enter the market. New offerings that utilize the same successful brand name as a company's already existing offerings, which is what Black & Decker does with some of its products, can give a company a competitive advantage. Companies typically begin to make a profit during the growth stage because more units are being sold and more revenue is generated.

The number of distribution outlets (stores and dealers) utilized to sell the product can also increase during the growth stage as a company tries to reach as much of the marketplace as possible. Expanding a product's distribution and increasing its production to ensure its availability at different outlets usually results in a product's costs remaining high during the growth stage. The price of the product itself typically remains at about the same level during the growth stage, although some companies reduce their prices slightly to attract additional buyers and meet the competitors' prices. Companies hope by increasing their sales, they also improve their profits.

The Maturity Stage

After many competitors enter the market and the number of potential new customers declines, the sales of a product typically begin to level off. This indicates that a product has entered the maturity stage of its life cycle. Most consumer products are in the mature stage of their life cycle; their buyers are repeat purchasers versus new customers. Intense competition causes profits to fall until only the strongest players remain. The maturity stage lasts longer than other stages. Quaker Oats and Ivory Soap are products in the maturity stage—they have been on the market for over one hundred years.

Given the competitive environment in the maturity stage, many products are promoted heavily to consumers by stronger competitors. The strategies used to promote the products often focus on value and benefits that give the offering a competitive advantage. The promotions aimed at a company's distributors may also increase during the mature stage. Companies may decrease the price of mature products to counter the competition. However, they must be careful not to get into "price wars" with their competitors and destroy all the profit potential of their markets, threatening a firm's survival. Intel and Advanced Micro Devices (AMD) have engaged in several price wars with regard to their microprocessors. Likewise, Samsung added features and lowered the price on its Instinct mobile phone, engaging in a price war with Apple's iPhone. With the weakened economy, many online retailers engaged in price wars during the 2008 holiday season by cutting prices on their products and shipping costs; they repeated this price war strategy in 2011. Although large organizations such as Amazon.com can absorb shipping costs, price wars often hurt smaller retailers. Many retailers learned from their mistakes and ordered less inventory for the 2009 holiday season; it remains to be seen what will happen in the 2012 holiday season.

Companies are challenged to develop strategies to extend the maturity stage of their products so they remain competitive. Many firms do so by modifying their target markets, their offerings, or their marketing strategies. Next, we look at each of these strategies.

Modifying the target market helps a company attract different customers by seeking new users, going after different market segments, or finding new uses for a product in order to attract additional customers. Financial institutions and automobile dealers realized that women have increased buying power and now market to them. With the growth in the number of online shoppers, more organizations sell their products and services through the Internet. Entering new markets provides companies an opportunity to extend the product life cycles of their different offerings.

Figure 5. McDonald's in China

Many companies enter different geographic markets or international markets as a strategy to get new users. A product that might be in the mature stage in one country might be in the introductory stage in another market. For example, when the U.S. market became saturated, McDonald's began opening restaurants in foreign markets. Cell phones were very popular in Asia before they were introduced in the United States. Many cell phones in Asia are being used to scan coupons and to charge purchases. However, the market in the United States might not be ready for that type of technology.

Figure 6. Older consumers in international markets are being targeted with different products.

Modifying the product, such as changing its packaging, size, flavors, colors, or quality can also extend the product's maturity stage. The 100 Calorie Packs created by Nabisco provide an example of how a company changed the packaging and size to provide convenience and one-hundred-calorie portions for consumers. While the sales of many packaged foods fell, the sales of the 100 Calorie Packs increased to over $200 million, prompting Nabisco to repackage more products (Hunter, 2008). Kraft Foods extended the mature stage of different crackers such as Wheat Thins and Triscuits by creating different flavors. Although not popular with consumers, many companies downsize (or decrease) the package sizes of their products or the amount of the product in the packages to save money and keep prices from rising too much.

Figure 7. Pepsi's New Can.

Car manufacturers modify their vehicles slightly each year to offer new styles and new safety features. Every three to five years, automobile manufacturers do more extensive modifications. Changing the package or adding variations or features are common ways to extend the mature stage of the life cycle. Pepsi recently changed the design and packaging of its soft drinks and Tropicana juice products. However, consumers thought the new juice package looked like a less expensive brand, which made the quality of the product look poorer. As a result, Pepsi resumed the use of the original Tropicana carton. Pepsi's redesigned soda cans also received negative consumer reviews.

Tropicana's new (and now abandoned) packaging look didn't compare well with the "orange and the straw" but is still used on the lower-calorie Tropicana.

When introducing products to international markets, firms must decide if the product can be standardized (kept the same) or how much, if any, adaptation, or changing, of the product to meet the needs of the local culture is necessary. Although it is much less expensive to standardize products and promotional strategies, cultural and environmental differences usually require some adaptation. Product colors and packages as well as product names must often be changed because of cultural and legal differences. For example, in many Asian and European countries, Coca-Cola's diet drinks are called "light," not diet, due to legal restrictions on how the word diet can be used. GE makes smaller appliances such as washers and dryers for the Japanese market because houses tend to be smaller and don't have the room for larger models. Hyundai Motor Company had to improve the quality of its automobiles in order to compete in the U.S. market. Companies must also examine the external environment in foreign markets since the regulations, competition, and economic conditions vary as well as the cultures.

Figure 8. In Europe, diet drinks are called "light," not diet. This Coca-Cola product is available in Germany.

Some companies modify the marketing strategy for one or more marketing variables of their products. For example, many coffee shops and fast-food restaurants such as McDonald's now offer specialty coffee that competes with Starbucks. As a result, Starbucks' managers decided it was time to change the company's strategy. Over the years, Starbucks had added lunch offerings and moved away from grinding coffee in the stores to provide faster service for its customers. However, customers missed the coffee shop atmosphere and the aroma of freshly brewed coffee and didn't like the smell of all the lunch items.

As a result of falling market share, Starbucks' former CEO and founder Howard Schultz returned to the company. Schultz hired consultants to determine how to modify the firm's offering and extend the maturity stage of their life cycle. Subsequently, Starbucks changed the atmosphere of many of its stores back to that of traditional coffee shops, modified its lunch offerings in many stores, and resumed grinding coffee in stores to provide the aroma customers missed. The company also modified some of its offerings to provide health-conscious consumers lower-calorie alternatives (Horovitz, 2008). After the U.S. economy weakened in 2009, Starbucks announced it would begin selling instant coffee for about a dollar a cup to appeal to customers who were struggling financially but still wanted a special cup of coffee. The firm also changed its communication with customers by utilizing more interactive media such as blogs.

Figure 9. The oldest operating McDonald's is in California.

Whereas Starbucks might have overexpanded, McDonald's plans to add fourteen thousand coffee bars to selected stores. In addition to the coffee bars, many McDonald's stores are

remodeling their interiors to feature flat screen televisions, recessed lighting, and wireless Internet access. Other McDonald's restaurants kept their original design, which customers still like.

The Decline Stage

When sales decrease and continue to drop to lower levels, the product has entered the decline stage of the product life cycle. In the decline stage, changes in consumer preferences, technological advances, and alternatives that satisfy the same need can lead to a decrease in demand for a product. How many of your fellow students do you think have used a typewriter, adding machine, or slide rule? Computers replaced the typewriter and calculators replaced adding machines and the slide rule. Ask your parents about eight-track tapes, which were popular before cassette tapes, which were popular before CDs, which were popular before MP3 players and Internet radio. Some products decline slowly. Others go through a rapid level of decline. Many fads and fashions for young people tend to have very short life cycles and go "out of style" very quickly. (If you've ever asked your parents to borrow clothes from the 1990s, you may be amused at how much the styles have changed.) Similarly, many students don't have landline phones or VCR players and cannot believe that people still use the "outdated" devices. Some outdated devices, like payphones, disappear almost completely as they become obsolete.

Technical products such as digital cameras, cell phones, and video games that appeal to young people often have limited life cycles. Companies must decide what strategies to take when their products enter the decline stage. To save money, some companies try to reduce their promotional expenditures on these products and the number of distribution outlets in which they are sold. They might implement price cuts to get customers to buy the product. Harvesting the product entails gradually reducing all costs spent on it, including investments made in the product and marketing costs. By reducing these costs, the company hopes that the profits from the product will increase until their inventory runs out. Another option for the company is divesting (dropping or deleting) the product from its offerings. The company might choose to sell the brand to another firm or simply reduce the price drastically in order to get rid of all remaining inventory. If a company decides to keep the product, it may lose money or make money if competitors drop out. Many companies decide the best strategy is to modify the product in the maturity stage to avoid entering the decline stage.

Figure 9. Your parents or grandparents might still use a videocassette recorder (VCR) like this.
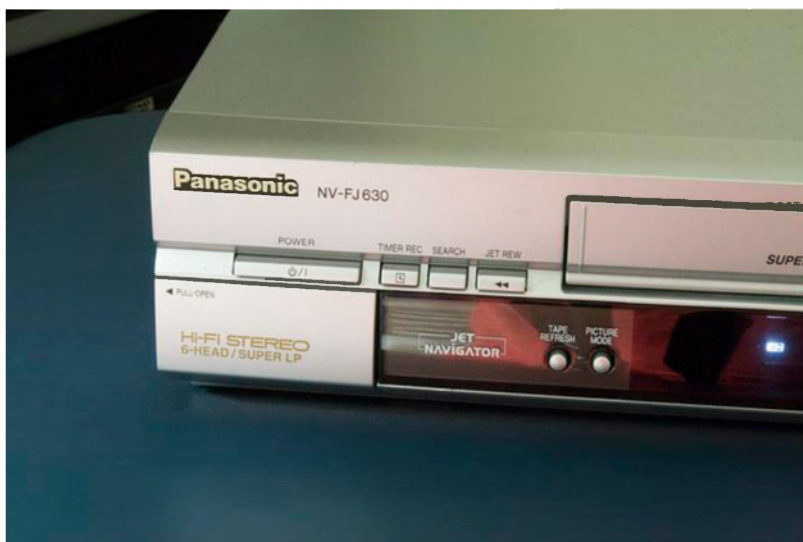
Key Takeaway

The product life cycle helps a company understand the stages (introduction, growth, maturity, and decline) a product or service may go through once it is launched in the marketplace. The number and length of stages can vary. When a product is launched or commercialized, it enters the introduction stage. Companies must try to generate awareness of the product and encourage consumers to try it. During the growth stage, companies must demonstrate the product's benefits and value to persuade customers to buy it versus competing products. Some products never experience growth. The majority of products are in the mature stage. In the mature stage, sales level off and the market typically has many competitors. Companies modify the target market, the offering, or the marketing mix in order to extend the mature stage and keep from going into decline. If a product goes into decline, a company must decide whether to keep the product, harvest and reduce the spending on it until all the inventory is sold, or divest and get rid of the product.

Review Questions

1. Explain what a firm that sells a product with a limited life cycle (such as software) should do in each stage so there is not a lot of inventory left over when a newer version is introduced?

2. Explain why the marketing costs related to a product are typically higher during the introduction stage and why companies must generate awareness of the new product or service and encourage consumers to try it.

3. Explain why and when penetration and skimming pricing are used in the introduction stage.

4. What stage of the life cycle is a product in when the company cannot meet the demand for it and competitors begin to enter the market?

5. What different strategies do firms use to extend the life cycles of their products throughout the maturity stage?

6. How did Kraft extend the mature stage of the product life cycle of Wheat Thins crackers?

7. Explain the difference between harvesting and a divesting when a firm enters the decline stage.

INFORMATION AND METHODICAL PART

List of literature

Basic literature

1. Kotler Philip. Marketing 5.0. Next Generation Technologies / Hermawan Kartajaya, Philip Kotler, Ivan Setiawan. - M., 2022. – 272p.

2. Lamben J.-J. Market-oriented management / J.-J. Lamben, R. Chumpitas, I. Schuling - Ptr, 2012. - 720 p.

Additional literature

3. Alvarez S. / How to create a product that will be bought: The Learn Customer Development Method / Cindy Alvarez; Translated from English - 3rd edition - Moscow: Alpina Publisher, 2018. - 248 p.

4. Christensen, K. Competing against luck: the story of innovation and customer choice. – M., - 2016. - 254p.

5. Christensen, K., Hall, T., Dillon, K., Duncan, D. Law of successful innovation: Why the customer «hires» your product and how knowledge about it helps new developments. — M., 2017

DIAGNOSIS TOOLS FOR EDUCATIONAL ACTIVITY

The assessment of the level of knowledge of master's students is carried out on a ten-point scale, in accordance with the criteria approved by the Ministry of Education of the Republic of Belarus. To assess the achievements of a master's student, it is recommended to use the following diagnostic tools:

- oral and written surveys during practical classes;

- conducting current final control (assignments, tests) on individual topics;

- preparing an essay;

- a master's student's presentation at a conference on a prepared abstract;

- project activities as part of a team;

- passing an exam on the subject.

FINAL PROJECT AND TASKS LIST

FOR INDIVIDUAL WORK OF MASTER STUDENTS

Group project:

1. Development of a new product concept based on an innovative idea: assessment of needs, potential consumers, methods of use and operation of the new product.

2. Expert assessment of a new product prototype: assessment of the emotional, rational and physical value of the product.

3. Development of a product promotion strategy on the market: marketing communications, promotion strategy and tools, media plan, criteria for assessing the parameters of marketing communications effectiveness.

Topics of papers:

1. The creative aspect in creating innovations.
2. Innovative marketing in the service sector. Marketing of impressions.
3. Branding of innovative products.
4. The role of smart packaging in innovative product marketing.
5. The success of innovations in the consumer market: factors and examples.
6. National (jewelry, dairy, industrial) brand as a strategic innovation.
7. Model of the "ideal" consumer of innovations.
8. Analysis of the competitive environment of an innovative enterprise.
9. The theory of Clayton Christerson's work.
10. How to hear what customers do not say.
11. The strategy of an innovative enterprise in action (using an example).
12. Innovative management methods in marketing.
13. Testing a new product in market conditions.
14. Breakthrough and disruptive innovations.
15. Life cycle of innovation.

METHODOLOGICAL RECOMMENDATIONS FOR ORGANIZING AND CONDUCTING INDEPENDENT WORK OF MASTER'S STUDENTS

When studying the discipline, it is recommended to use the following forms of independent work:

- solving individual problems;

- preparing reports, thematic reports, presentations on given topics;

- compiling a thematic selection of literary sources, Internet sources;

- working on topics (questions) for independent study;

- participation in project activities.