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# OPPORTUNITIES AND BARRIERS OF MARKETING INNOVATION IN MUNICIPAL SERVICES SECTOR

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## **Abstract**

The article discusses the issues of innovation, applying them to the municipal services sector. In the theoretical part, the paper presents and characterizes the essence of the concept of innovation and marketing innovation. It also presents the potential opportunities and threats associated with the application innovation in the municipal services sector. These issues are illustrated with practical examples of the companies operating in the municipal services sector in Poland.

**Key words:** municipal services, marketing innovation, innovation, innovation management.

## **Introduction**

Municipal services are an important group of services from the point of view of the residents of municipalities. Include, among other things, to ensure the purity of the cities and refuse disposal, providing transportation, providing water and sewage disposal, management of urban parks and lighting located in the municipalities. This shows that they are quite diverse in terms of genre (Najnię 1992: 3).

Municipal services sector, despite the progressive commodification process is characterized by a rigid demand, high capital intensity, high costs of inputs and outputs (Wróbel 2005: 3). Taking socio-economic change in the cities are beginning to reflect on the functioning of companies providing municipal services. They need more than ever to create your brand, create a good image, pay attention to the needs of increasingly demanding consumers and aging (Stopa 2014).

These developments make it necessary to search for companies providing municipal services for new and innovative solutions in the field of marketing which manifests itself in the increasingly widespread use of marketing research, and taking into account the needs of the service offered to consumers. The aim of this study is to identify opportunities for innovative marketing solutions in the utilities sector, and to show this type of

activities carried out in practice by companies operating in municipal services sector in Poland.

## 1. Marketing innovation - the essence of the concept

According to Schumpeter, innovation is a function consisting of creative thinking and action. Innovation may therefore be determined as:

- the introduction of a new product,
- introduction of a new method of production (process innovation)
- opening of a new sales market,
- open a new market supply,
- the introduction of the new organization (innovation related to management) (Mizgajska 2002: 124).

Drucker (2004: 35-37) suggests that innovation is an idea, process or thing that is new in terms of quality, different from the existing.

Through innovations company becomes more competitive than others. As a result of increasing competition in innovation are important because it is difficult to build and maintain a competitive position based solely on low labor costs and other resources. It becomes necessary to provide the new value to the products or services and optimization of their production costs. For this purpose, the achievements of science and harnesses them in the processes of innovation in enterprises (Mizgajska 2002: 8).

In the literature, there are efforts to determine the place of innovation in marketing. Commonly cited definition of this concept is the concept of Ph. Kotler, emphasizing the subjective point of view of the consumer. It defines innovation very broadly as: any product or idea servant, who is seen by some as a new one. This idea can exist for a long time, but it is an innovation for the person who sees it as a new (Kotler 1994: 222).

A marketing innovation is mostly about matching product or service to meet your needs. It appears at the design stage of the product, service, pricing, search for new markets or use of a new promotional strategy. Organizational innovation is any change introduced in the company in order to improve the efficiency of its action, e.g. for reducing administrative costs or transaction (Griffin 2006: 426-428).

A marketing innovation is the introduction of a new marketing methods including significant changes in product design and packaging, pricing strategy, distribution and promotion, as long as this is the first application for the enterprise. The objective in relation to marketing innovation is to better meet the identified needs of customers, opening new markets, changing position or its image. Implementation of innovation should translate directly into profit or loss, leading to an increase in sales. It should be noted that marketing innovations must take into account the changing customer needs, his way of thinking and a way of acquiring products. They are often the inspiration for the changes made to the offer of the company. A good example of the identification of changes in customer expectations is the offer of restaurants in some large cities in Poland, where the selected day of the week, customers and waiters speak in a foreign language (usually English). Changes in

the marketing methods can be considered as innovation only when they form part of a new marketing strategy that significantly differs from the previously used by the company. This is an important characteristic for marketing innovation that distinguishes them from other changes in the marketing tools used by the company. Marketing Innovation for a product not only deals with changes within the core of the product (ie the functional characteristics or performance), but in terms of actual product (change in the form or appearance of the product), and especially the extended product. To innovate in this area, you can also include the introduction of new brands of products or product lines, positioning the product in a new market or giving it a new image. An example of innovation in this regard is the introduction of significant changes in the design of packaging of juice, drugs or cosmetics series which give them an elegant look to improve sales. Marketing innovation in the field of prices may be, for example. new structures price discounts to increase sales and enter new markets. Important is the ability to innovate using the psychological impact of the price to the customer. Serve the loyalty programs or individual adjustment of prices or the introduction of new systems to finance the exchange of values. A marketing innovation in the area of distribution of means including the introduction of new sales channels (eg. in the context of franchise agreements or sales via the Internet). For innovation does not recognize changes in logistics, which aim to improve the effectiveness of physical treatments for bulk goods. In terms of promotion for marketing innovation is considered to apply a new way to promote products and services, and so the use or creation of new instruments of information, stimulating or enabling competition in the market. Innovation in this group include, for example. The introduction of new forms of advertising (e.g. ambient media, product placement), new varieties of personal sales (e.g. in the pharmaceutical market CLM) and non-standard forms of marketing communication (e.g. word of mouth marketing, guerilla like (OECD 2005: 52).

Services as such, play an increasingly important role in all innovation processes. The possibility of innovation efforts in service activities largely include marketing perspective and mainly relate to:

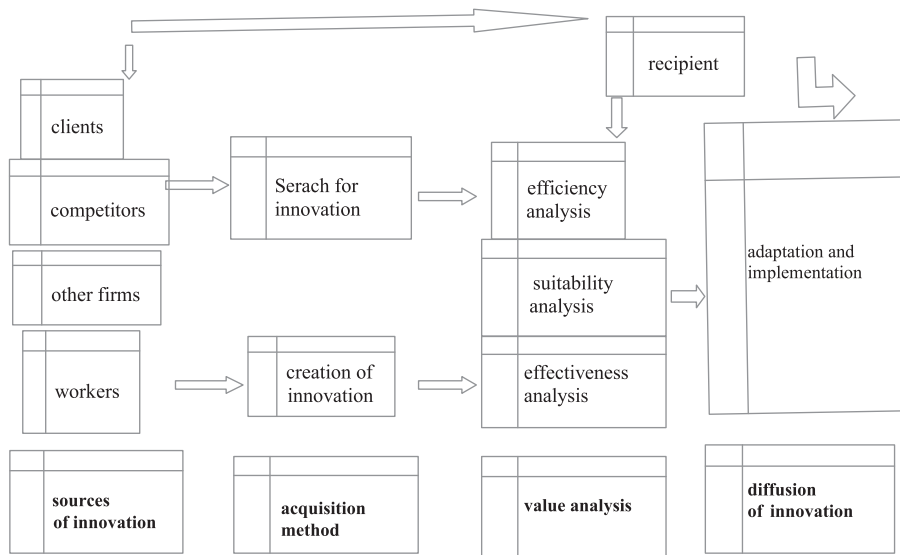
- a new concept of service (kernel functional- the product),
- new areas of cooperation with the client (communication and interaction, both in the planning process - many services are intentionally created as a service unique, and at the stage of their provision / delivery as part of after-sales service),
- new system for service delivery (service marketing must provide new ways of delivery in new places, in other ways, for example by means of support. in the form of communication technologies) (Osiadacz 2012: 38-39).

This section presents the different definitions of marketing innovations. It seems that the best approach in this issue in relation to the utilities sector is the last of the presented scenes that showcases the Oslo Manual. The potential of marketing innovations in the industry are in the sphere of building relationships with customers, greater use of information technology to improve service delivery system.

## 2. Model of marketing innovation

A marketing innovation is mainly determined by supply and demand, and customers rarely expect and require the implementation of a new marketing method, complex changes or transformation Uslu marketing strategy. Ongoing monitoring and evaluation of the effectiveness of the changes and marketing innovations allows thanks to information from customers, the analysis and identification of the most important methods and tools in this regard. Valuable sources of marketing information and statistical data analysis of the actions of competitors and above all the customers themselves. The areas of marketing, as well as a source of innovation marketing, can be seen in the plane of the internal and external pressures. The internal aspect concerns the workers and the external focuses on customers and competitors. The common denominator is to focus on the creativity of employees who, through their behavior, experience and pursue activities outside the company's goals. Employee, as a source of innovation, often using their knowledge and experience, which, together with the received opinions and suggestions of customers becomes the initiator of innovations or changes. Many companies, leading advertising, forgets analyzes and their evaluation, which in turn leads to the minimization of efficiency. Focusing on innovation, marketing, designed a model of the innovation process (Figure 1).

**Figure 1. Marketing innovation model**



Source: Szymański 2013: 107.

Among the basic methods of obtaining them can be divided into search and creation. The first method is used for monitoring competitors advertising campaigns, seeking feedback and suggestions from our customers. In contrast, innovation requires a creative design team and the use of qualitative methods, such as brainstorming, analysis of secondary data, in-depth interviews, group discussions or projective techniques. Implemented all forms of marketing and innovation should be given analysis of effectiveness and efficiency.

Efficiency, defined as the degree of realization of the objective pursued marketing should be analyzed from the perspective of the strategy adopted in a particular company. The analyzed company is a reference in the analysis of suitability, the decision to use a marketing innovation is the cumulative effect of a compendium of knowledge obtained from the analyzes, experiences and opinions of sovereign decision-making bodies. Phase analysis of the value depends on numerous internal factors having close relationships, among which one of the key is the size of the budget significantly determines the scope of the analyzes. Designed by its own employees already in the process of innovation is creating adapted to the characteristics and potential of the business, and innovation characterized by an external source are usually adapted their value analysis process. Diffusion of marketing innovation in the market should be permanent monitoring and evaluation of the real effectiveness of the revised based on customer behavior communication is a prerequisite for possible changes in the adaptation process.

Some innovations, especially characterized by a high degree of innovation, which is a completely new approach to communication, strategy or range of service offerings, have very low measurability.

Accepted model of marketing innovation process is characterized by feedback from customers as key hubs. The recipient at the time of purchase becomes the client, increasing the effectiveness of the advertising campaign. While in the case of product innovation, consumer plays a key role, it is with the marketing category for more information and data used in the analysis modules provide clients or recipients (Szymański 2013: 106-107).

### **3. Positive and negative factors influencing the innovation of marketing companies providing municipal services**

In the previous section of this paper presents a theoretical model of marketing innovation. At this point, it will attempt to identify positive and negative factors affecting innovation in the field of marketing companies offering municipal services. Barriers to innovation of marketing companies operating in Poland which provide utilities services are:

- treatment of this group of services as an internal problem of the city and not as a part of the economic game,
- lack of municipal sector development strategy in Poland and focus on the ad hoc measures in this sector of the economy, instead of developing a strategic approach,
- a small number of innovative management methods,
- lack of cooperation with science,
- focus on the satisfaction of doing the same civilization backwardness and treatment of it,
- type of activity as an asset, e.g. building sidewalks, sewers and landfills promoted as progress,
- low use of ICT and Internet in the management of the sector as a whole,
- lack of local leaders (KIG 2014: 2),

- monopolistic nature of the provision of certain types of municipal services is not forcing the use of marketing philosophy,
- resistance to commercialization of municipal service providers.

The factors contributing to the development of a marketing innovation in the utilities sector, in turn, may include:

- broadening in this group of services of a market economy,
- increasing pressure on service users / residents of cities / waiting for high-quality,
- increasing competition in utilities services,
- technologies for completely or partially become independent customers from using municipal services,
- existing providers growing awareness of the need to conduct market research among consumers of municipal services to the basis of not provide the desired service (KIG 2014: 2),
- implementation of ISO quality management systems by companies,
- utility companies, which component is the need to improve the business including customer relationships,
- intensify the use of affiliate marketing companies providing municipal services to maintain and strengthen its market position.

The earlier classifications opportunities and barriers to marketing innovations are qualitative. You can still try to build a set of indicators and measures of quantitative and measurable for determining whether a company providing municipal services uses the opportunities of marketing innovations or in large part, these actions constitute a barrier to the action.

The author of this article proposes to use for this purpose a set number of quantities which are:

- number of marketing innovation resulting from the conducted market research,
- the amount of marketing innovations reported by employees of the company,
- number of employees have received awards for the proposals marketing innovation,
- number of marketing innovation per employee in the company,
- marketing value of implemented innovations per employee in the company,
- potential financial interest in a particular year, resulting from marketing innovations reported by employees of the company,
- the amount of financial resources allocated to marketing innovations in long-term horizon,
- number of marketing innovations reported by customers,
- average time needed to implement a marketing innovation.

The increase in the value of these indicators except for the last time associated with the implementation of marketing innovations indicates that the company operating in the utilities sector develops its innovative activities in area its marketing activity and uses it as a chance of development. On the other hand, the opposite situation shows that the marketing innovations are not fully utilized and are a weakness of the company.

## 4. Innovation in business of the marketing companies providing municipal services in Poland - examples

Companies operating in the utilities sector use as marketing innovation but these measures are not yet common. In part, this situation is due to the nature of their business. Group discussed innovation refers to the use of strategic marketing and marketing activities of society. An interesting example of the use in the context of strategic marketing innovation is the activity of the Municipal Enterprises Thermal Energy from Bydgoszcz (information from the company's website KPEC z o.o.). KPEC z o.o. on 6th December 2013, the company awarded the title of Fair Play. This prize is awarded to those who continuously for 10 years made high evaluation of all aspects of its operations with particular emphasis on how to conduct business ethically and forming positive relationships with the community and care for the environment Actions improving customer service are top priority for the company discussed. Recipients of the services may, inter alia, to use the new website [www.kpec.bydgosz.pl](http://www.kpec.bydgosz.pl) or Electronic Customer Service (eBOK), monitor the services provided by the company and observe the heat consumption and expenses associated with it. Monitoring Service introduced substations to manage thermal comfort of the building, giving the possibility to adjust the settings and choose hours when heat is needed, and limiting its use when demand decreases. This solution certainly improves customer service. Quality customer service is also increased due to staff training this company. KPEC Sp. z o.o. also proposes building owners and administrators the opportunity to prepare water using the heat from the district heating network. This offer is for customers using only the urban heat for district heating, water heating using gas heaters. It's convenient because all the water heaters are in a substation and not in the apartment. Properly functioning and safe district heating network provides remote monitoring of all its parameters with the support of Power Dispatch working around the clock Heat Emergency (information from the company's website KPEC 2015).

An example of the application of marketing innovations can also be a business of the Board of Public Transport in Gdynia. It took it in 2011, activities related to the implementation of programs that promote the use of a wider range of services than ever to transport children and young people. Expression of these initiatives were carried out with the support of EU funding three projects promoting public transport for children and young people (education links, YOUTH, Mom, Dad - I choose eco-transport). The project "Communication Education" took the children and young people from 10 primary schools, middle schools and high schools. The substantive scope of the project comprised the following topics:

- transport policy and ecological traveling in cities,
- road safety and public transport,
- history of transport in cities,
- forms and conditions of the voyage,
- ticket control,
- the future of transportation in cities.

YOUTH project was focused on energy savings in urban transport. In this project, addressed to children and young people, the emphasis has been placed on the selection of



energy-efficient urban journeys ways to overcome space, including energy-efficient and environmentally friendly means of transport and sustainable mobility. The "Mom, Dad, I choose eco-transport" campaign was carried out as an educational and information for kids about ecological travel in the city. The purpose of the meetings organized within the framework of the project was the development of positive attitudes of the younger generation in relation to the greening of transport and sustainable mobility for learning and fun. In 2012 ZKM proceeded to implement only with the support of national sponsors, the new edition of Education and communication, considering this action as an integral part of the statutory task of promoting the services of urban transport. It also launched a new trolleybus line supported by historic trolleybuses (1957 Saurer, Skoda 1975 9TR, Jelcz PR120, 1994) (Wyszomirski 2012: 6-7).

## Conclusions

This paper presents a theoretical approaches and models, in relation to innovation and municipal services companies. These issues were related to the specifics of the companies operating in Poland, engaged in the provision of municipal services. Despite the significant impact of state and local governments on the business in the industry, companies operating in it shall take the innovative approach. Yet they were based in large part on financing from the EU funds. Innovation activities of companies providing municipal services in Poland are increasingly take the form of innovation and marketing innovation. Examples of such activities were presented in this paper and they provide for an increasing commercialization and use of the principles of economics and entrepreneurship in the Polish sector of municipal services.

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