Introduction and Overview of Strategic Market Creation

For a long time, new product, service, and/or brand innovation within some industries and companies has been regarded as a core business process and a capability that has to be “in place” in order to prosper or even to survive. During the last decade, however, it has become evident that this strategy has attracted interest and even been adopted within industries and by companies that, until now, have never or only occasionally been described as creative, entrepreneurial, or innovative. In short, the issue of how to realize new business opportunities by creating new meaningful value experiences in new or already existing markets has come to be very central in the business world and in academia. As for other strategies and during other time periods, success depends on values, processes, knowledge, relationships, etc., expressing the qualities of the particular context and period of time. The purpose of this book is to address the latter and our notion that the present era calls, in many respects, for new ideas, perspectives, insights, and practices to address and to deal with radical innovation of a firm’s market offerings. Behind this proposition, as will be made clear in the book, stand many insightful contributions by researchers from different academic fields and parts of the world. In this book, some of these contributions are referred to, discussed, and/or presented with the aim of encouraging the reader to take part in creating new knowledge about marketing and innovation management.

As indicated by the title of the book, we have chosen “strategic market creation” as a signifier of the composition, and implicitly as a description of what issues the book is dealing with. One reason for this combination of words is to express two more or less established ideas, or, more correctly, propositions, in the
contemporary literature on marketing and innovation management. According to these ideas, radical innovation of a firm’s market offering not only presupposes but also often gives rise to considerations of resources, processes, and capabilities of a corporate and long-term character and significance. Furthermore, a successful realization of new product, service, and/or brand innovation depends on having the needed structures and processes in place to make co-creation of meaningful experiences with customers become a reality.

The idea to produce this book was born two years ago in response to a successful launch of a new Master Programme in Marketing at Copenhagen Business School (CBS), “Strategic Market Creation” (SMC), and to the creation of a double-degree agreement between the Copenhagen SMC programme and the Master of Science in Marketing Management of Bocconi University in Milan. The agreement and the book were made possible by common thoughts and ideas about the directions in which marketing as a field of knowledge is developing in research and in the business world, and consequently has to develop in marketing education. The book is structured around the above-mentioned two ideas or propositions. This means that the book begins with contributions dealing with “Knowledge, Processes, and Capabilities for Market Creation”, followed by contributions concerned with “Co-creation of Meaningful Experiences with Customers”.

A key issue when dealing with innovation of a firm’s market offerings is how to detect new viable business ideas. Owing to the features of this process, it has come to be called the fuzzy front end, or phase, in an innovation process. Thus, this is the phase within which evolving and new technologies and/or latent customers’ needs and values are identified and evaluated as to their originality and ability to be converted into a physical product or service with a possibility of becoming a business opportunity. In the literature, a prevalent view, grounded on numerous example cases from the business world, is that radical innovation emanates from new knowledge and/or new combinations of existing knowledge about product and process technology, above all, and consequently from a capability to detect, develop, and deploy knowledge about technology. In contrast to this view, the stance taken in the marketing literature, and based on numerous studies, is that successful product and service innovation (incremental as well as radical) is the result of insights and ideas about and from customers. Notwithstanding this experience and stance within the two fields, the question of what other perspectives and knowledge areas may be of value in creating original and productive ideas has begun to be asked. In the first part of the book there are
three chapters (Chapters 1, 3, and 7) that explicitly deal with arguments and approaches concerning the integration of different perspectives in the fuzzy front end. In Chapter 1 it is product and market knowledge that stands in focus, whereas in Chapter 3 it is creativity studies and consumer insights emanating from a marketing perspective. And in Chapter 7, arguments for linking technology management with a supply chain perspective are made.

The issue of how to detect, or more correctly “where” to create, new business opportunities is also discussed in Chapters 5, 8, 9, and 11. In Chapters 8 and 11 it is suggested that a company look for growth and prosperity within its already existing markets, i.e. within its group of customers and the social and economic arrangement. Chapter 9, on the other hand, encourages companies to approach and create new markets by keeping an eye on the unexpected phenomena that take place within existing markets. Furthermore, in Chapter 5, the role of trade shows as collective initiatives to realize ideas for renewing industries is discussed. From the viewpoint that new product and service innovation follows a linear sequence of disparate processes and fields of knowledge, starting with idea detection and ending with branding and market entry considerations, among other things, it appears – according to Chapters 2 and 10 – that the possibilities of a successful market launch could be a matter for debate. In Chapter 10, questions relating to the market entry of a new product or service idea are addressed. And, with the contributions in Part II and the presentation in Chapter 2 of ideas and practices about brand management, it becomes clear that the contemporary or recent approaches to branding are not limited to the market launch phase.

A need to discuss how to perceive and manage innovation as a process (incremental as well as radical product and service innovation) is highlighted throughout the book. In Chapters 4 and 6, however, two common issues are focused upon, namely the characteristics of the innovation process and the organization of product, service, and brand innovation processes. Chapter 4 presents a critical reflection on the two existing and dominating views of innovation management. And in Chapter 6, the need to take a critical reflective view of marketing’s role (as a particular field of knowledge, set of activities, or function) in the innovation economy is discussed.

Co-creation with customers has been extensively debated in work on product innovation, and the boundaries of innovation have been extended beyond the company to include customers with their resources and skills as an active part of
the creative process aimed at creating meaningful individual and collective experiences. The question of co-creation is a common aspect of the contributions in the second part of the book, which considers numerous points of view and addresses different topics. Considering the various roles that companies and customers can play in the creation of consumption experiences, some contributions look in detail at the role of consumer agency in innovation processes (Chapter 12), which at times can produce social transformations (Chapter 17). Other chapters focus to a greater extent on the role and means by which companies seek to manage user involvement in innovation (Chapter 13), and in Chapter 16 the analysis is extended to the role of communities. Furthermore, communities are addressed as creative subjects that act independently or even in opposition to companies (Chapter 14), or even as subjects that companies can create directly (Chapter 15).

The contributions on the topic of co-creation are rich and varied. Without any claim to completeness, we indicate here some of the most important issues. The first question is certainly that of the fundamental role played by the Internet in creating the conditions for a significant involvement of customers in co-creation processes. The issue, which is well argued in Chapters 14 and 16, highlights the power of the Internet, which on the one hand enhances the opportunities for companies to involve customers and on the other hand creates the environment to aggregate consumers in active communities. A second aspect is the change in customer participation, which now extends beyond the role of “prosumer” that was found to be typical of service contexts some time ago. The consumer agency plays an important role in innovation and market creation. It goes well beyond reference to aspects of interaction tied to the production process and the use of products and services to involve the emotions and significances at both an individual (Chapter 12) and social level (Chapters 17 and 14).

A third element concerns the various environments in which co-creation can occur. The most typical context is the new product development process (Chapters 13 and 16), but innovation might also affect other areas more under the control of consumers, such as in the processes of co-creation of their own solutions and experiences (Chapter 12). Finally, there is the role of companies. Some contributions explicitly assume the company point of view, e.g. Chapters 13 and 15. In general, however, all the studies consider the managerial implications that co-creation processes may have for companies with a view to helping understand the changes under way in consumption processes, and assessing
these changes in terms of new opportunities for companies to look at innovation from a market creation perspective.

**Part I: Knowledge, Processes, and Capabilities for Market Creation**

During the last decade it has become opportune in the marketing literature to acknowledge that customer knowledge alone may not always provide the one and only optimal input in the idea generation phase. In Chapter 1, written by Bruno Busacca, Paola Cillo, and David Mazursky, the creativity template approach for retrieving and making use of product knowledge is presented, alongside cases that provide the practical meaning and rationale of the approach. The chapter also contains a discussion about how to enhance the integration of tacit customer knowledge in product innovation by adopting an ethnographic approach in consumer studies.

When looking into the grand and classical models of buyer behaviour, it is evident that some of the most successful new brands of the last decades have been created from another mindset about brands, consumer behaviour, and brand management. Chapter 2, written by Mogens Bjerre, Tilde Heding, and Charlotte Knudtzen, deals with this issue in terms of the evolution of ideas and practices about brand management. The key contribution of the chapter lies in the presentation of a methodology, the dynamic funnel approach, to analyse and to make sense of the evolution of the brand management concept over the last 20 years.

From a marketing point of view, either in academia or in the business world, it is certain that some new perspectives and capabilities for knowledge creation and innovation have to be entered into fully – if opting for an influential position in a business area that has come to be called “the innovation economy”. Furthermore, it is certain that creativity studies and practices represent one of these “must-have” perspectives. However, as discussed in Chapter 3, written by Bo T. Christensen, it is clear that marketing has something to build on, namely a mindset and a set of tools and skills for communicating with “the audience” when it comes to knowledge development about creativity – and implicitly to the contribution of creativity studies.
For a long time there have existed two very different views on how to conceive the process of innovation management. In Chapter 4, written by John K. Christiansen and Claus J. Varnes, the two views are carefully investigated. There are many reasons behind this investigation. One reason is that both views are on the one hand applauded and on the other hand criticized for their basic assumptions, distinctive features, and managerial implications. Another reason discussed in the chapter concerns the situation when one view appears to be obsolete, because of various factors. The challenges then facing managers are highlighted in the chapter by an example case.

Chapter 5, written by Francesca Golfetto and Diego Rinallo, deals with a role of trade shows that until now has received only little attention in the marketing literature, namely the implementation of collective market-shaping strategies. Thus, besides representing an important promotional tool for an individual company or groups of companies, the chapter demonstrates that trade shows are to be regarded as an influential force in the adoption of new technologies and product innovations in an industry. The presentation of this role comes from the authors having perceived trade shows as constituting field-configuring events, and having conducted a longitudinal study of the European clothing industry’s most important trade shows. Thus, the chapter contains rich data about the unique features and historical developments of major trade shows in the European fashion industry.

In Chapter 6, written by Richard Jones and Karin Tollin, it is proposed that marketing’s role and contribution (as a discipline, set of activities, or organizational unit) for firms’ innovation capability still needs further exploration. The basis to this relates to the findings from an investigation of chief marketing executives’ mindsets and an analysis of how marketing’s role has been dealt with in the marketing literature until now. Two other and related propositions put forward are that marketing’s contribution depends on its ability to treat “creating” and “sustaining” as two distinct and unique fields of capabilities, and to make use of corporate branding as a strategic tool in order to realize a continuous and ambidextrous innovation strategy.

Whether one’s project concerns the development of theory about innovation management or the implementation of an innovation strategy in the business world, it is certain that a multidisciplinary perspective on knowledge for innovation is needed. In Chapter 7, written by Juliana Hsuan-Mikkola, two fields
of knowledge and their relationships are presented: technological innovation and supply chain management. Through a presentation of key topics dealt with within these two fields, a framework is outlined for managing technological product innovations. In doing this, the chapter points to some fundamental considerations and competencies concerning portfolio management, outsourcing, and mass customization, among other things.

In Chapter 8, written by Henrik Andersen and Thomas Ritter, two interpretations of the market creation concept are presented and reflected upon after the authors have defined what a market is. The underlying proposition put forward in the chapter is that the most promising opportunities for market creation are to be found within already existing markets. It is, among existing buyers and sellers, the social arrangement that defines the frame for their exchange. A tool to realize this strategy, and implicitly to understand variations in social arrangements in markets and their causes and consequences in terms of new competitive arenas, is presented.

Successful market creation stories repeatedly tell us that nobody could foresee the point of time, the magnitude, or the speed of development of consumers’ interest in an innovative new product, service, or market channel. In Chapter 9, written by Gabriele Troilo and Salvio Vicari, an explanation of this is presented through the concepts of “unexpected market events” (UMEs) and “market structural holes”, among other things. Furthermore, a number of successful market creation stories and three major types of UME are presented. Finally, the important issue of how to make a UME become a market creation strategy and a business opportunity is discussed.

The chapter presentations above indicate that a number of important “what”, “why”, and “how” issues are prevalent for firms’ top managers in relation to the detection, evaluation, and realization of new business opportunities within or outside existing markets. In Chapter 10, written by Mads Vangkilde, an additional issue stands at the centre, namely the issue of “when”, or, alternatively, the issue of whether or not to adopt the first-mover role. A model is presented, derived from the literature on pioneering and sustainability of advantages, for analysing the causality of order entry and the effect on competitive advantage. In relation to this, a list of “must issues” for top managers, when the vision is market creation in a highly competitive and fast-moving area, is presented.
Within the service management literature dealing with product (goods) innovation, a recurrent and quite recent theme has been the issue of the combination of innovations (concept, interface, support, and/or delivery) that provides customers with maximum value. In Chapter 11, written by Fabrizio Zerbini, new and important insights are presented regarding the role that radical innovation of a service concept might have within the value-supplying process in B2B markets. In addition to this, the chapter contains empirical insight into the meaning of adopting a process view on solution selling, and new evidence on the importance of both parties perceiving the service offering as an ongoing and continual process.

Part II: Co-creation of Meaningful Experiences with Customers

Co-creation is a central argument in many debates on the role of companies and consumers. Consumers’ resources and skills are applied creatively and spontaneously in a continuous process, regenerating consumer identity and product meanings. In this new light, the boundaries of innovation are extended well beyond the company to include the customers and their cultural resources and skills as an active part of the creative process. This topic is addressed in Chapter 12 by Stefania Borghini and Antonella Carù with the aim of contributing to the development of theory on the ways this co-creation may occur – from the consumer agency in the construction of solutions and experiences to the production of meanings through material resources provided by the market.

Moving attention to the company perspective, the analysis by John K. Christiansen, Anne Sofie Lefèvre, Claus J. Varnes, and Astrid S. Wolf in Chapter 13 looks into the relationship between companies’ market perception and how they deal with the users during product development, and how the knowledge (potential or actual) obtained is utilized for market creation. According to the authors, the choice of strategy for user interaction will be influenced by the company’s perception of the market and its relation to the company. Each perspective has implications for how companies interact with their customers and users in innovation processes and how they exploit knowledge from users. The study reports an empirical analysis of four companies and their use of various approaches, highlighting the relationship between companies’ market perception and their approach to user involvement.
The debate in the literature on the fact that consumers do not act in isolation but within social relations has given considerable emphasis to the topic of communities. Marketing and consumer behaviour researchers already explicitly recognize the importance of considering communities as subjects acting in the market and playing a role in many important processes for companies. This involvement certainly includes innovation at various levels, e.g. the creation of the commercial offer and the means of market communication/dialogue. The role of communities in the innovation process is the topic addressed by Bernard Cova and Stefano Pace in Chapter 14. The contribution starts from the observation that marketing expertise is no longer a tool exclusively in the hands of companies.

Sometimes, companies that are directly involved in the creation of communities tied to the products and brands address the questions on how best to manage and use these structures. Niels Kornum considers the issue of the initiation and maintenance of online communities and the extent to which they support the company’s market creation efforts. In Chapter 15 the author focuses on company-initiated or company-related online communities, and in particular on the corporate social responsibility community, in which ethical considerations are crucial, and a direct connection to brand and product pushing will be, at least, counterproductive and, at worst, devastating for the trust between the community members and the host company.

While customer interaction has always been important in new product development, the widespread deployment of information and communication technologies (ICTs) has greatly enhanced companies’ ability to engage with customers in the product innovation process. This is the question addressed in Chapter 16, written by Emanuela Prandelli and Gianmario Verona, who argue that the Internet increases the opportunities to engage customers in collaborative innovation in various ways. Companies can transform episodic and one-way customer interactions into a continuous dialogue. Companies can use a variety of mechanisms to facilitate collaborative innovation in virtual environments. However, mechanisms differ in terms of the stage of the development process in which they are most useful and the nature of the customer interactions they enable.

A good deal of attention in recent literature has been paid to the question of minorities and their relationship with the market. Considering the heterosexual mainstream and the gay minority, in Chapter 17, Stefano Podesta and Luca M. Visconti suggest that market transformation can also be originated by the market
and social cross-talk at the consumer level. In particular, the chapter shows how gay consumers can symbolically appropriate certain brands and products and transform them into gay icons. Similarly, the chapter also documents the opposite path by which gay icons are transferred into the heterosexual realm by means of imitation and straight contestation. These findings show that company strategies of strategic market creation can be further investigated by studying what markets do and how people use them and are used in them.

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