Marketing Innovations

By Patrick Lambe

It is possible in marketing, as in any other field, to apply the principles of creativity and the processes of innovation, to find new ways of marketing effectively. This article is going to look at a slightly different issue around innovation: how innovation in the enterprise – innovations in products and services – creates special challenges for the marketing function. In fact, as we'll see, true, radical innovation is a traditional marketeer's nightmare.

On 5 March 1806, a ship containing some 80 tons of New England ice arrived in the tropical island of Martinique. The cargo was the brainchild of an American entrepreneur named Frederic Tudor. The wealthy but bored 23 year old had speculated one hot summer's day the year before on the business opportunities for selling ice in tropical climates.

During the hard winters of the eastern American seaboard, rives and lakes regularly froze to a depth of a foot or more. The ice was harvested by the well-to-do and stored in blocks in special "ice houses" where it kept until well into the summer, providing cool drinks, and when mixed with salt, a freezing sludge for the making of ice cream. And where would cool drinks and ice cream find a frenzied market? The tropics, Frederic realised; where cool sensations were totally unknown.

Frederic's shipment met with some amusement in Boston. "No joke" ran a terse account in the *Boston Gazette* on 10 February 1806. "A vessel with a cargo of 80 tons of Ice has cleared out from this port for Martinique. We hope this will not prove to be a slippery speculation."

We don't know eaxctly how much ice survived the journey. Frederic says he actually shipped 130 tonnes. The voyage was not terribly long, so he probably managed to keep about two thirds of his cargo intact. But at the end of the venture, of his probable 80 tons, he only sold about 6 tons, making a loss of more than $3000 on the venture.

Frederic was so convinced that this would be a rip roaring success that he had sent his brother ahead to secure an exclusive marketing licence from the Governor General of Martinique – to prevent the competitors he anticipated from arriving too soon. And he made sure he gave gifts of complimentary ice to the leading families of the island. And he gave free ice-cream making demonstrations – complete with printed recipes – in the best café in town. So what went wrong?

Ice was indeed a complete novelty in Martinique. And it did create a sensation. But nobody knew what to do with it. Worse, they had nowhere to store it. The physics of heat and cold in ice would not be understood for another hundred years, but in America people had learnt by trial and error how to store ice effectively to slow down the rate at which it melted. The ice has to be stacked in large quantities, in an insulated, well-ventilated environment. And it has to be kept dry, so melt water must have easy escape.

The people of Martinique didn't know this. There was no ice infrastructure that would allow them to keep their precious purchase beyond an hour or two. Frederic gave instructions in handbills about how to slow down the melting, but people still tried their own methods: some stood the ice in water, others put it in salt. Others wrapped it in a blanket and sent it home on the head of a slave… to find their precious burden had served only to keep the slave cool on a long walk home.

Innovations take time to be absorbed – especially the really exciting innovations. It would be a quarter of a century before Frederic would make his fortune from the ice trade. He needed a lot of determination – and fairly deep pockets. When it comes to innovative products and services, therefore, marketing is less about persuading people to buy, and more about making it possible for them to buy.

Many marketeers are familiar with the work of Everett Rogers, encapsulated in his book *Diffusion of Innovations* (4th ed 1995). It was Rogers who identified the social system by which we absorb novelties into common practice. A tiny proportion of the population (3-4%) are innovators. The early adopters make up about 13% of the population, and these tend to be the experimenters. They also get other people interested. The early majority, about a third of the population, are the ones who will start to buy if they see a lot of early adopters using it. You've got to get them on board, to hit the half way mark in any given population.

The rest is downhill. Another third of the population are late majority. They like things that are commonplace. They won't adopt until the majority adopts. And finally the laggards – the conservative 14% of the population, who refuse to adopt any novelty until it's already old news.

Most marketeers focus their attention on persuading the early adopters, and then the early majority. Indeed, that's what Frederic Tudor did. He went for the influential families and the well-to-do: the people who liked to show off new things. But when it comes to really radical innovations, where there aren't many connections with current practice, you actually have to focus a lot of attention at the slower end of the adoption curve.

And here's why. Early adopters like to play. They like to try out new things. And they like to get other people excited. But they are not good at building systems, and they get bored by thinking through complex infrastructures. The early majority are more practical: they do think through the pros and cons of a new idea before they adopt, so they help to make it more tangible and acceptable. But if the support systems and infrastructure aren't there, they'll hold back on a commitment.

The late majority, on the other hand, are creatures of habit and predictability. They want to know the rules, they love systems. The beautiful thing about the late majority is that when they don't find rules or systems, they'll start figuring them out. If you have enough early majority people talking about ice cream and cool drinks, late majority people will start figuring out where to put the ice house, how to build it best, and how a small domestic ice box should work.

And laggards – because they have to rationalise their resistance – will provide all the reasons why people should not adopt this new thing. The very things they articulate are precisely the things that if you address, will swing the tide in your favour. Laggards, unwittingly, are giving you the anti-recipe for success.

Marketing is about speeding up adoption of innovations, beyond our natural social speed of adoption. As Rogers has pointed out, we have natural social systems for adoption, and natural speeds of adoption.

Sometimes, as in laser discs during the 1990s the pace of adoption is so slow, that the innovation dies a natural death, or its time passes and another innovation takes its place – in the laser disc example, with VCD and DVD. Sometimes, it just never takes off, as in the CD-i developed by Philips in the 1980s. The CD-i did too many things, and the complexities of producing content and applications for it were too much for both Philips and other companies looking at the market. The infrastructure to make it possible and easy to buy, just wasn't there.

And sometimes, as with the Apple's Newton, the innovation submerges for reasons of complexity and understanding, and reappears suddenly when it's simpler, cheaper, and fits into a lifestyle that's grown to accommodate it. In the Apple case, the innovating firm didn't benefit – Palm did. Apple paid the price for seeding adoption, but Palm reaped the reward.

So what should marketeers be doing to speed up adoption, so that their own companies can benefit from their investment, rather than later competitors? Here's an approach you can take:

1. Look for the laggards, and get them to tear the innovation apart. Hidden in their rejection will be the rules for the infrastructure that will make your innovation work.

2. Find the late majority, and give them the anti-recipe provided by your laggards. They will give you excruciatingly detailed descriptions of what would make them adopt – detailed enough to make fine blueprints.

3. Figure out whether you can build the infrastructure to sufficient depth to attract a reasonable number of early majority as well as early adopters. If you can't afford the investment, look around to see if anybody else can. Does anybody else have an interest in this kind of infrastructure? If not, then you'll have to wait. Scan your horizon, so that as soon as the environment becomes more favourable, you're ready to go.

Above all, we need to remember that we are focusing on *radical* innovations, where the infrastructure for adoption is simply not there. There are lots of less radical innovations where there's an immediate fit with what people already use, and how they already behave. These are the dream innovations, the ones just waiting to be discovered, where it truly is simply a matter of telling the story in a compelling way.

The problem here is that the perfect-fit innovation is too-easily perceived by your competitors as well, and it's too easily copied. It's hard to get sustainable competitive advantage from it. Marketeers still need to know how to manage the very different challenges of radical innovation. It's not just about telling a good story to the early adopters. It's not just about clever persuasion. It's about mining the insights of the people who say "no".

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