

OPEN INNOVATION SYSTEM IN E-BUSSINES WITH INBOUND MARKETING AND LOGISTIC USING

Erika Loučanová

Department of Marketing, Trade and World Forestry, Technical University in Zvolen, T.G. Masaryka 24, 960 53 Zvolen, Slovak Republic, loucanova@tuzvo.sk

Miriam Olšiaková

Department of Marketing, Trade and World Forestry, Technical University in Zvolen, T.G. Masaryka 24, 960 53 Zvolen, Slovak Republic, olsiakova@tuzvo.sk

Keywords: open innovation system, e-bussines, inbound marketing, distribution logistics, logistics

Abstract: This paper focuses on marketing and information distribution logistics within it, which is one of the most important elements in online sales as well as in e-business. The paper also brings knowledge about open innovation system in e-business with inbound marketing using. Open innovation system is connected to the phase of commercialization and communication with customers as the subjects of the innovation process. It provides information about all stakeholders' needs in the innovation process. The aim of the open innovation process is to effectively identify valuable and profitable innovation in business, as well as problems related to management decisions and practices in the innovation process.

1 Introduction

Nowadays marketing presents a tool of business linking with its environment and customers to meet their needs. In a rapidly changing market conditions, so it is necessary to react to changes and customer requirements as quickly as possible. That can be realized through involving them directly into marketing using the innovative tools that fall into the open innovation system of businesses and provides two-way communication with customers. The open innovation system in this case is the ability to share information among different subjects in the network [1]. Snyman et al. [2] mention that an open innovation system represents a significant competitive advantage with respect to the limited access to information in the context of in-house innovation process, known as closed innovation system. Real-time innovation process operates on five basic principles of courage, openness, realism, influence and sustainability [3]. Open innovation system is connected to the phase of commercialization and communication with customers as subjects of the innovation process, so it provides innovators with information about their needs as well as needs of all stakeholders in the innovation process.

As Wu et al. [4] state, the aim of the open innovation process is to effectively identify valuable and profitable business innovation, as well as problems related to management decisions and practices within their innovation process. It brings knowledge about open innovation practices at the project level and provides an enlarged model of market opportunity analysis for high technology markets.

Therefore, the open innovation process is a multi-disciplinary tool that concentrates on new products

development and their marketing, where the distribution logistics plays a decisive role and it mainly aims at information. So the open innovation system uses inbound marketing and new innovative forms of marketing communication that are already based on two-way communication within the information distribution among stakeholders (see the Figure 1).

Two-way communication within the Inbound marketing is provided by social media, so the company receives from customers feedback on innovation as well as on chosen marketing campaign. Another advantage of two-way marketing are lower costs.

Inbound marketing is focused on the getting individual attention. This can be achieved by social media and content publishing that is attractive and interesting for customers. It includes blogging, educational articles publishing, publishing the troubleshooting guidebooks and contributing to forums. This presents producing the content that has a certain value and benefits for the target customer. Moreover, it is available free of charge, which also creates a positive brand link with the customer. The likelihood that so involved customer buys the goods is growing. The whole process is cheaper and has a higher effect [5], [6], [7], [8], [9].

Inbound marketing is based on two-way, interactive communication with customers coming through search engines, social networks and different links. The aim and effort of inbound marketing is to entertain or to educate the customer. Within this kind of communication the customer gets a certain value.

In the future it is expected that 61 % of marketing employees are planning to increase expenditures on inbound marketing next year. It is confirmed that the average budget of companies allocated for blogs and

OPEN INNOVATION SYSTEM IN E-BUSSINES WITH INBOUND MARKETING AND LOGISTIC USING

Erika Loučanová; Miriam Olšiaková

social networks doubled during last two years. It has also doubled the number of marketing employees who think that Facebook is irreplaceable in their business. In the global market 67 % of B2C (business to customer) companies and 41 % of B2B (business to business) companies have gained customer by Facebook, and 57 %

of all companies have obtained a customer through a corporate blog. The answer to the question why inbound marketing is becoming so significant is that the price, respectively the costs used to address one potential customer is about 62 % lower compared to traditional outbound marketing [5].

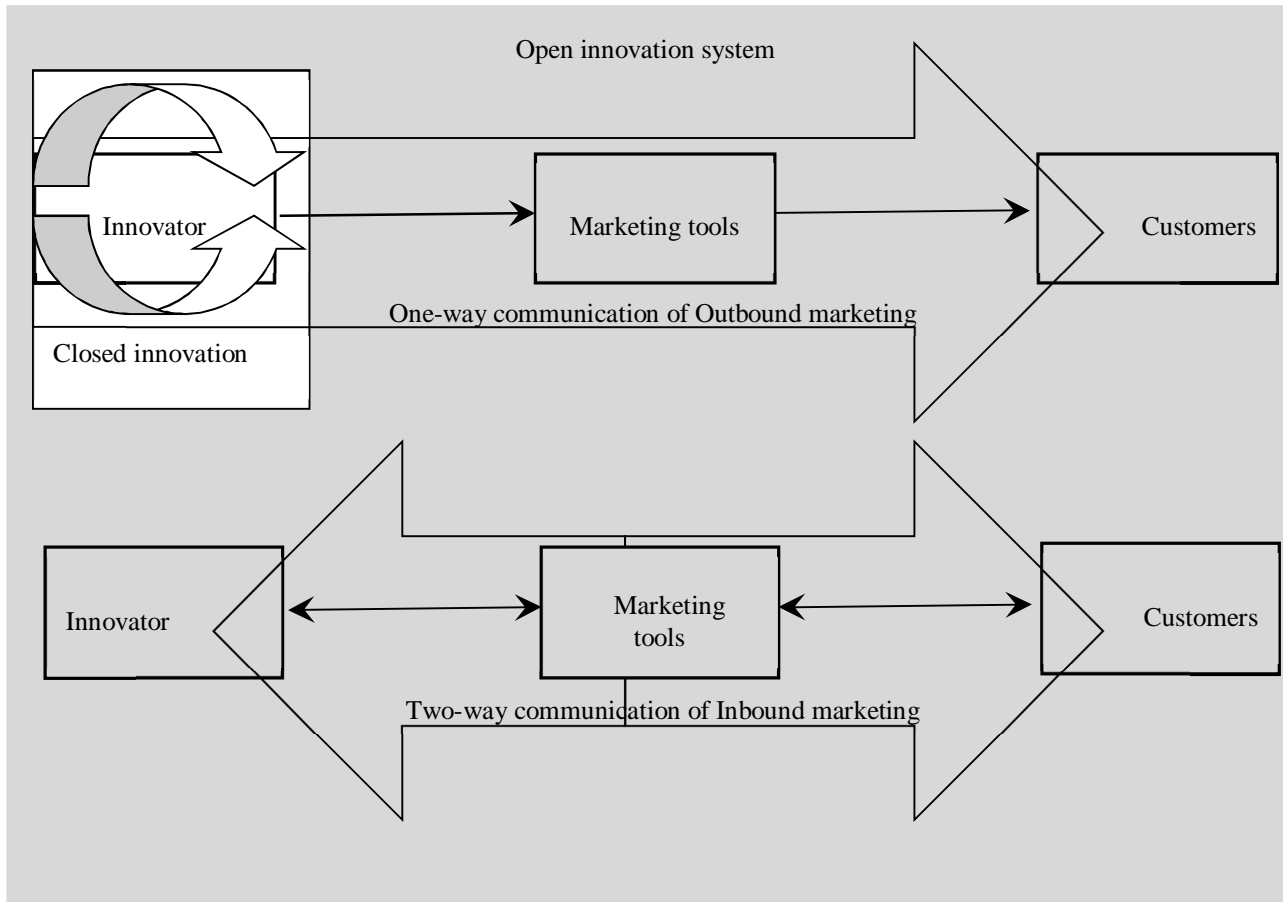


Figure 1 Information flow within the open innovation system for marketing effectiveness
Source: Own processing

2 Logistics of the open innovation system in e-bussines with inbound marketing using

At present e-business reaches a big boom due to the limitless possibilities of the electronic world, ranging in different business areas such as electronic sales, control, electronic commerce management, logistics, marketing

and so on. In this paper we will focus on marketing and distribution logistics of information within it, which is one of the most important elements in online sales as well as e-business itself. E-business and all its components provides entrepreneurs with a variety of choices how to business online that can be described by a 4-level maturity model of e-business by Madlenak [10], see Figure 2.

OPEN INNOVATION SYSTEM IN E-BUSSINES WITH INBOUND MARKETING AND LOGISTIC USING

Erika Loučanová; Miriam Olšiaková

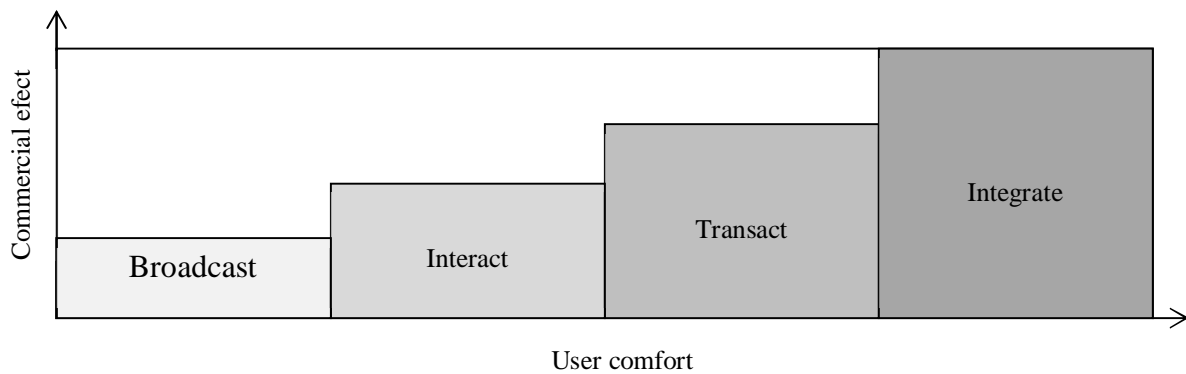


Figure 2 E-business levels
Source: Loučanová et al. [11]

The first level of e-business is called “Broadcast”. It represents the elementary level of maturity model of e-business and it is characterized by a basic on-line access of selected information by customer.

The second level is “Interact” and it presents an extension to the first level with the possibility of interactive communication through various applications such as Public Relations, respectively on-line forms.

The third maturity level “Transact” provides customers with the opportunity of ordering, respectively complete products purchasing through the online shop.

The highest level from the point of e-business maturity is the fourth level “Integrate”, which is based on the involvement of business into virtual business network, respectively electronic shopping center, also called e-mall [10, 12].

These levels can be developed further with regard to possibilities of the Internet.

However, the ability of the entrepreneur to offer products on the internet at different levels of e-business does not insure him certainty of his products sale. Therefore it is appropriate to encourage the sale by effective marketing.

However, e-business can use only marketing tools that can be put into electronic form. This fact does not harm electronic business, on the contrary, it provides it with new opportunities to constantly develop new marketing tools that can quickly ensure feedback and effectiveness of these tools.

E-business is not longer dependent only on the means of so-called outbound marketing, which is based on one-way communication (such as billboards, television commercials), but it uses inbound marketing and its new innovative forms of marketing communication and distribution logistics of information for marketing.

Today, marketing is a business linking tool with its environment and with customers to meet their needs. In a rapidly changing market conditions, it is necessary to be able to respond to changes and customer requirements as quickly as possible. This can be realized through their involving directly into marketing using the innovative tools that fall into the open innovation system of businesses. It offers the company the two-way communication with customers, see Figure 3.

These innovative forms of marketing communication are the part of inbound marketing. Feedback provided by the innovative forms of marketing communication provides the company with a source of ideas for the innovation process.

Within the level of e-business it is possible to use them at all its levels. However, it should take into account that present consumers are more demanding and often use more comfortable shopping possibilities. This also relates to e-business.

We have to consider that in order to increase customer comfort it also increases our business influence on him. It is due to the fact that if the entrepreneur has his e-business at a higher level, then his actual e-mall - e-commerce center provides customer with various forms of inbound marketing. The entrepreneur is also provided with these services, so the comfort of his business is increasing and he also has a feedback from customer (Figure 3).

Then feedback may be used to improve the products and services through their innovation in the context of the innovation process, where its first part “Invention creation” is provided according to specific customer requirements. They are evaluated by e-shop connected with e-mall or more e-malls (such as electronic business centers) through reports.

The advantage in terms of innovation process is the data (information) gathering within the e-business.

It also has a significant importance also in terms of timing, because the time of the innovation launching is getting shorter due to accelerated invention gathering and they can be quickly included into new forms of inbound marketing, where Content Marketing, Viral Marketing, Social Media, Gameadvertising, Astroturfing, Marketing Search Engine White Paper and e-newsletters belong.

OPEN INNOVATION SYSTEM IN E-BUSSINES WITH INBOUND MARKETING AND LOGISTIC USING

Erika Loučanová; Miriam Olšiaková

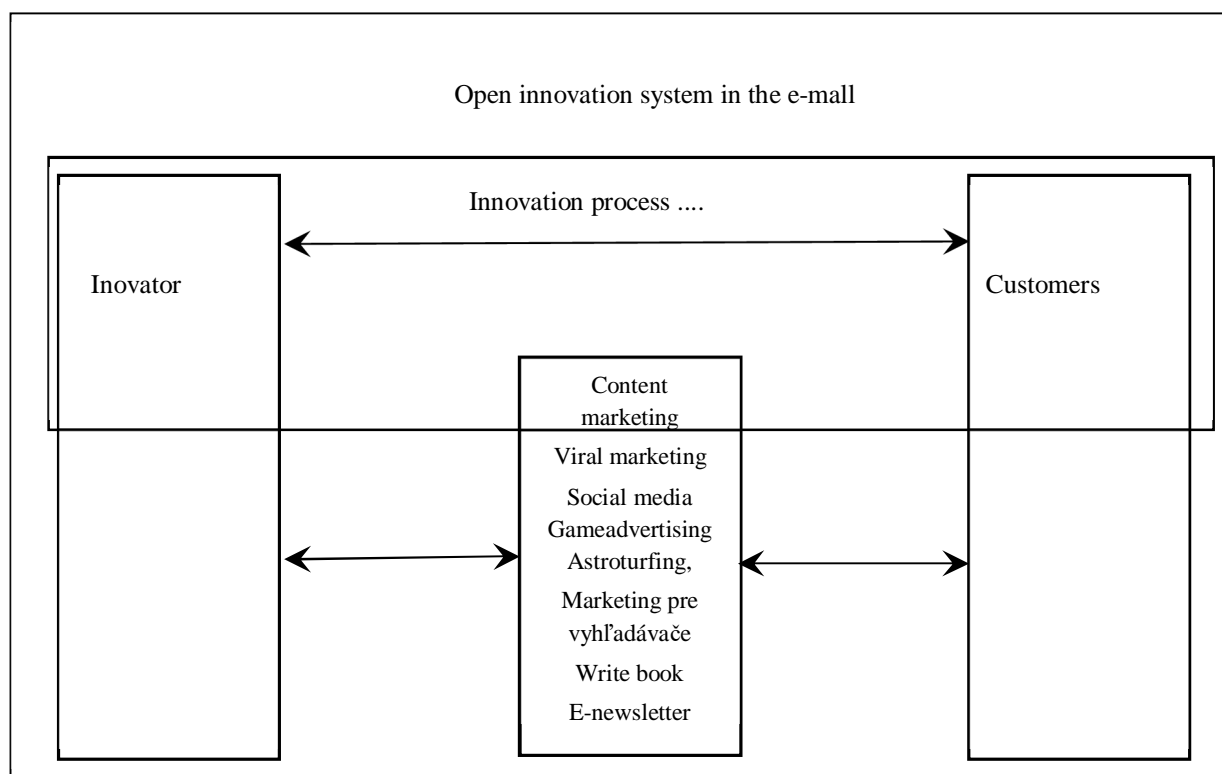


Figure 3 Information logistics with open innovation system, e-mall and inbound marketing
 Source: Loučanová et al. [11]

The Internet marketing communication complex is a specific action plan aimed at achieving the company's objectives by its implementation on the Internet. It contains traditional communication tools, such as advertising, sales promotion, public relations, direct marketing, personal selling, sponsorship and modern possibilities associated with the Internet (corporate site, content sites, portals, banners, virtual communities, social networks, forums, message boards, search engines, etc.). They use Internet technology (social media marketing, viral marketing, product placement, lead generation, search engine optimization, targeting, etc.). Company's Internet communication complex uses a branded SEO optimized website, analytical materials, contextual advertising, banner advertising, various thematic Internet resources (portals, forums, electronic bulletin boards, etc.). All of them help to adjust analytical and advertising subject content and personal communication [13].

In the meaning of logistics of the open innovation system in e-bussines with inbound marketing using in innovation creation, the distribution policy carries out two tasks. The first one is associated with the creation of the innovation value. That means creating the quantitative and qualitative purpose-built changes. The second one focuses on realization of distribution flows in e-business and innovation process by creating the balance between supply and demand, that means the flows realization between sources and consumers. Finally, innovation

implementation and distribution logistics accomplish that businessmen discover at the right time and on the right place what the market requires. This ability is called FIT (flexibility, innovation and implementing activities at the right time). All outputs of mentioned functions of distribution logistics must be in required quantity and quality when managing innovation in business [14,15, 16, 17].

Conclusion

Current sales statistics indicates increasing consumption. Marketing employees follow new trends and look for incentives that motivate customers to buy and to consume (despite their reluctance towards classic advertising forms). The companies have at their disposal a large number of tools to reach and influence the customer. They choose among classical tools, but in an effort to gain a competitive advantage they use even less known but more innovative forms of marketing communication that are supposed to be more effective. It is difficult to determine which of marketing communication tools can be considered to be the most effective, because the nature of products and services is variable. On the other hand it is necessary to take into account different expectations and needs of our customers. Therefore distribution logistics has a significant role in this process, which provides very important information in the open

OPEN INNOVATION SYSTEM IN E-BUSSINES WITH INBOUND MARKETING AND LOGISTIC USING

Erika Loučanová; Miriam Olšiaková

innovation system that uses innovative forms of marketing in e-business.

Similarly open innovation system within this information distribution brings information directly from customers, which is very appreciated by them. Their direct entry into the process of meeting their requirements creates them the opportunity to become an active element of the process.

Acknowledgment

This paper is an output of the science project 1/0473/16 "Dynamics and Determinants of Wood Based Products Market in the Slovak Republic". The authors therefore would like to thank the Scientific Grant Agency of the Ministry of Education, Science, Research and Sport of the Slovak Republic and the Slovak Academy of Sciences.

References

- [1] SCHURMANN, D., BACCARNE, B., COOREVITS, L., GEORGES, A. AND LOGGHE, S.: Knowledge exchange for innovation development in open innovation systems, *Tijdschrift voor communicatiewetenschap*, Vol. 42, 2014.
- [2] SNYMAN, D., GRUNDLING, J. P. AND STEYNBERG, L.: Patent Management in Open Innovation Systems, *Beyond borders: new global management development challenges and opportunities*, Vol. 16, 2007.
- [3] DE ARIAS, A. R., MASI, S. D., DORIGO, D., ROJAS, F. A., VEGA, M. C., AND ROLON, M.: *Living Labs, Spaces for Open Innovation and Technology Transfer: An Alternative to the Solution of Social Problems in Paraguay*, International conference on advanced education and management (ICAEM), 2014.
- [4] WU, AYH., LITTLE, V. J., LOW, B.: Inbound open innovation for pharmaceutical markets: a case study of an anti-diabetic drug in-licensing decision, *Journal of business & industrial marketing*, Vol. 31 (2), 2016.
- [5] MURÍN, A.: *Nové trendy marketingovej komunikácie*. [Online] Riant, s.r.o. Available: <http://www.riant.sk/blog/nove-trendy-marketingovej-komunikacie#sthash.niu2bWzu.dpuf>, 2011. (Original in Slovak)
- [6] GUADALUPE, G. A.: Inbound Marketing in LinkedIn for Brand Management, *Revista icono 14-revista científica de comunicacion y tecnologias*, Vol. 13 (1), 2015.
- [7] GONZALEZ-FERNANDEZ-VILLAVICENCIO, N.: What does user focus mean? Marketing strategy and tactics, *Profesional de la informacion*, Vol. 24 (1), 2015.
- [8] PIRNAU, M.: *Considerations on the functions and importance of a web crawler*, Proceedings of the 2015 7th International conference on electronics, computers and artificial intelligence (ECAI), 2015.
- [9] SIMIONESCU, S.M.: *Designing a modern user experience for a human resources website Handling both visitor perspectives: candidates and recruiters*, 2015 14th Roedunet international conference - networking in education and research (ROEDUNET NER), 2015.
- [10] MADLEŇÁK, R.: *Elektronický obchod*, EDIS, SK: Žilina, 2004. (Original in Slovak)
- [11] LOUČANOVÁ, E., OLŠIAKOVÁ, M., DZIAN, M.: *Využívanie inbound marketingu v elektronickom podnikaní*. In *Trendy v online marketingu : zborník z vedeckej konferencie Make it digital*, 2016. (Original in Slovak)
- [12] LEE, G.: Understanding the dynamics of e-business adoption by SMEs, *Eadoption and the knowledge economy: issues, applications, case studies*, PTS 1 AND 2, Vol. 1, 2004.
- [13] MELNYK, Y. M. AND KORINCHENKO, D. V. Analysis of practical use of modern internet technology as a mean of marketing communications in the field of B2B and B2C, *Marketing and management of innovations*, Vol. 4, 2015.
- [14] STRAKA, M.: *Distribution Logistics, How effectively to put product into the market*, Logistika distribúcie, Ako efektívne dostať výrobok na trh, 1st edition, EPOS Bratislava, p. 400, 2013. (Original in Slovak)
- [15] STRAKA, M., MALINDŽÁK, D. et al.: *Distribution Logistics, Distribučná logistika*, Košice, Express Publicit, 2005. (Original in Slovak)
- [16] CÍSKO Š. et al.: *Ekonomika podniku*, Žilina, Žilinská univerzita, 2013. (Original in Slovak)
- [17] REPKOVÁ ŠTOFKOVÁ, K.: *Využitie znalostného manažmentu na podporu konkurencieschopnosti*, in *Manažment a sieťové podnikanie vo vedomostnej ekonomike*, Žilina, Žilinská univerzita, pp. 7-24, 2013. (Original in Slovak)

Review process

Single-blind peer reviewed process by two reviewers.