

## LATERAL MARKETING – A SOURCE OF ENTREPRENEURIAL INNOVATIONS

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### Abstract

*In practice, we are often faced with innovations that are the result of joining two or more incompatible components, which at first glance are illogical and sometimes even scandalous. These innovations, initially unacceptable for a large number of people, are accepted and applied as something normal and routine over time. Those innovations are by their very nature lateral, creative, innovative and unimaginable novelties. There are many examples of such innovations, but as more significant we will mention the merging of wristwatches with the Internet and telephone, bookstores that offer jazz concerts and bar services, gas stations that sell medicine, chocolates with toys, housing buildings with botanical gardens and rooftop restaurants, etc. The purpose of this paper is to elaborate on how these innovations become significant for marketing as well. The paper should highlight the positive, but also the limiting barriers and criticisms of lateral marketing. Lateral marketing is a recent term, still vague, undefined and therefore the paper mostly uses secondary data.*

**Keywords:** Innovations; Marketing; Lateral marketing; Creativity

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### Introduction

Human history is changing, developing and improving thanks to innovations. Innovation, understood as a powerful weapon for growth, development and improvement of people's lives, means bringing something new into existence. According to Boyles (2022), innovation is a product, service, business model, or strategy that is both novel and useful. Innovations exist to make man's life easier by solving some of his various problems. Jain (2022) defines innovation as a process of

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bringing about new ideas, methods, products and services or solutions that have significant positive impact and value. Joseph Schumpeter (1942), considered the father of entrepreneurship, links entrepreneurs with innovation. According to him, the innovations, or “creative destructions” constantly replace the old with the new (technologies, products, services, new methods of production, and new means of distribution) enabling economic growth. Schumpeter claimed that “economic progress is not gradual and peaceful but rather disjointed, abrupt, and sometimes unpleasant.” (Liberto, 2022). Unlike Keynes (1942), who believed that a healthy economy must be in a static equilibrium, Schumpeter believed that equilibrium is harmful and innovations are drivers of the economy.

Innovations are crucial for many reasons, such as fostering the company’s growth, differentiation and competitive advantage over competitors, increased productivity and efficiency, fighting uncertainties and risks, increasing revenue and market share, higher customer satisfaction, etc. (Jain, 2022). Kylliainen (2019) believes that innovation is important from a macro and a micro aspect. From a macro perspective, fundamental outcomes of innovation are economic growth, increased well-being and communication, educational accessibility and environmental sustainability. Innovation is responsible for up to 85% of all economic growth. For businesses, innovation can deliver significant benefits such as competitive advantage, performance and profitability, increased productivity and overall positive impact on company culture.

Innovations change the world for the better. In the history, the list of innovations is endless. Some of the most significant world innovations that radically changed people’s lives, and are breakthroughs of global growth and development are as follows: Gutenberg's printing press (that enabled the production of books and the spread of knowledge), the compass (that enabled traveling across the world's waters), the electric light, steel and the steam engine (which in 1775 fueled the First Industrial revolution), the telephone and telegraph (that revolutionized communications), airplane, the Internet, mobile phones, artificial intelligence (Andrews, 2023). Nowadays, technological inventions come into our lives in the form of chatbots, voice assistants, autonomous vehicles, real-time translators, artificial vision, ChatGPT, the Internet of Things, smart home technologies (Telefonica, n.d.). The current Fourth industrial revolution is fundamentally changing human life (Dimitrieska et al., 2018).

From the businesses’ point of view, according to Tohidi & Jabbari (2011), in 1930 Schumpeter classified the innovations as follows:

- Introduction of new or improved products and services,
- Establishing new production processes,
- Opening doors for new markets,
- Development of new supply sources (materials, equipment and other inputs),
- Fundamental changes in industrial structures.

Bolton (2019), the former Forbes Council member, categorizes the innovations based on the change affecting goods, services or business processes as follows:

- Incremental (core, continuous) innovations that refer to making minimal improvements to existing goods, services or processes,
- Radical innovations that encompass major, fundamental changes to business models and they demand a lot of money, time, effort and patience to bear “fruit”,
- Disruptive (adjacent) innovations that make significant changes to at least one element of a business model.

However, the main question is how to get innovations? According to Drucker (1984), productive innovations arise from discipline and knowledge, not from fantasies and imaginations. Knowledge-based innovation is the “superstar” of entrepreneurship. Knowledge can be technical, scientific, specific, but also general and social and should be characterized by time span, casualty rate and predictability. According to IMD (2024), a company can achieve innovation only if it creates an organizational culture for innovation (empowerment of employees to share ideas, experiments, take calculated risks), encourages cross-cultural collaboration, allocates resources for innovation, embraces continuous learning, seeks external perspectives, encourages and rewards innovations, etc.

One interesting way of coming up with innovations is through lateral thinking, thinking “outside the box”, outside the logic, a term first coined by Edward de Bono in 1970. Lateral thinking is a concept that challenges logical, reasonable, conventional thinking. Instead of logical connections between objects or processes, this concept makes unexpected connections, provides alternatives, sporadic solutions, connects illogical, unrelated, unconventional components, questions assumptions, and offers diversified, new solutions to problems. This kind of thinking requires an open mind that challenges the status quo and sees beyond the obvious and ordinary. Lateral thinking is a non-linear approach to problem solving that breaks free from established patterns. (Flipside Innovation, 2023). According to Lewis (2020), lateral thinking is the ability to develop unique answers to difficult questions and can be applied to any profession and any business activity. It is an essence of creativity in cases where traditional solutions do not provide the expected results. These ideas are a basis on which Kotler and Trias de Bes (2003) offer problem solutions through innovative lateral marketing. Lateral marketing is a working process that, when applied to existing products or services, produces innovative new products and services that cover needs, uses, situations, or targets not currently covered. As a result, lateral marketing leads to new categories or markets.

### **Literature Review**

To understand the term lateral marketing in entrepreneurship, the terms creativity, innovation, lateral thinking should be elaborated in more detail. Creativity and innovation are different concepts. Creativity means the generation of new and original ideas, and innovation is the implementation of those new ideas in practice for

the purpose of creating value. If creativity is the act of conceiving something new, innovation is the act of putting something new into practice (Goleman, 2015). Innovation broadly includes both improvements in technology and more sophisticated methods or ways of doing things (Zlateva et al., 2016).

*Table 1: Differences between creativity and innovation*

<b>Creativity</b>	<b>Innovation</b>
Imaginative process	Productive process
Coming up with new ideas	Successful implementation of ideas into practice
Doesn't require money	Requires money
No risks involved	Lots of risks involved
Cognitive exercise	Tangible action
Cannot be measured, difficult to quantify	Measurable and quantifiable
Abstract and theoretical	Practical and real

*Source:* Aggarawal, C. (2024). Difference between creativity and innovation, Shiksha online blog

Creativity is the ability to create new content or process by combining existing resources, and innovation is applied creativity that results in a new product or service, or new business process. Innovation means bringing something new into existence. According to Boyanov (2022), innovation is a new or improved product (good, activity, service), a method (technology) of their production or application, an innovation or improvement in the sphere of organization and (or) economy of production, and (or) realization of production, providing economic benefit, creating conditions for such benefit or improving consumer properties of production (goods, activities, services).

Lateral thinking, a term coined by Edward de Bono (1970), advocates discarding the old and introducing a new and different way of thinking and seeing things. Lateral thinking is defined as a set of techniques that approach problems from the side rather than directly or frontally and solve them unusually or radically. Lateral thinking involves breaking out of the established patterns and assumptions, and seeking new and unexpected connections and possibilities (Sloane, 2003).

Lateral marketing, a new concept based on lateral thinking, was created by Philip Kotler in 2003. It is the newest and most effective way that help businesses to create new products and services and gain a competitive advantage in the market (Kilic et al.,2011). Lateral marketing does not mean completely redefining products or services, but adding value to them to meet new consumer needs. The goal is, with little effort, to get out of the logical, and do something different from the competition, which will satisfy the needs of consumers. For example, Aspirin is commonly used to relieve pain and can also be used to protect the heart. Lateral marketing adds new

value, new product features that are more attractive to consumers. This marketing can be carried out at the market level (consumer needs), product level (changes of product attributes), and at the level of other marketing mix elements (promotion, distribution, prices) (Kotler and Trias de Bess, 2003).

### **Methodology**

Considering that lateral marketing is a new term that originated in 2003, only secondary data is used in this paper. The data is indeed scarce and limited and therefore several books, publications, blogs, and websites have been used that try to explain this phenomenon. Lateral marketing has still many open questions, uncertainties that will be elaborated and interpreted by marketing theorists and experts in the future.

### **Analysis and discussion**

According to Kotler and Trias de Bes (2003), today there are no unsatisfied consumer needs, but on the contrary, consumers are hyper-satisfied! It is difficult for companies to launch new products and services that will be successful in the market. One innovative way to help companies is to offer them the use of lateral marketing. Lateral marketing is a three-phase process consisting of:

- 1) selecting a focus (market, product, marketing mix element that the company wants to change and make different from the competition),
- 2) make a lateral displacement (an interruption in the middle of a logical sequence of thought in order to generate a stimulus. This implies thinking about something that does not lead to a logical conclusion) and
- 3) make a connection, that is, to make illogical thinking logical and acceptable. (to solve the gap and accept the new value of the product or service).

In the case of lateral displacement, six operations can be used which can be explained in the example: “giving roses for Valentine's Day”.

- Substitution (sending lemons instead of roses for Valentine's Day),
- Inversion (sending roses every day except Valentine's Day),
- Combination (sending roses and lemons for Valentine's Day),
- Exaggerating (sending a dozen roses for Valentine's Day),
- Elimination (nothing is sent for Valentine's Day) and
- Reordering (the beloved sends roses to an admirer).

Lateral marketing should answer questions such as: If the product is modified, what other consumer needs can be satisfied? What other needs can be met and based on them how to change the product? If the product changes, which new customers would be attracted? What more can be offered to existing customers? What else can the existing product be used for? What substitutes can replace the main product? What are the new markets where the modified product can be marketed? Lateral marketing needs to find unconventional answers to these questions.

However, lateral marketing, as a new term, is highly criticized. Some of the criticisms cited in several papers are those of Mitchell (2004) according to which:

- ✓ Lateral marketing is explained as the task of marketers and not of all departments in the company. Innovation is not the privilege of marketers alone but is achieved through the cross-functional connection of all departments in the company. What the marketing department would do collides with the interests of departments such as R&D, industrial engineering, customer relations, manufacturing, etc.,

- ✓ Lateral marketing is easier to implement for low-priced consumer products, and more difficult for complex products or models. It is easier to add an additional value or feature to an ordinary product than to the complex one.

- ✓ The founders of lateral marketing do not provide a clear strategy, nor do they explain in detail the competitive advantage or the way of outperforming competitors,

- ✓ Perhaps a different approach should be offered to attract consumers because they are tired of new products, even if they are revolutionary. Sometimes new products are difficult to implement in practice. People see novelty, but cease to understand its meaning,

- ✓ Some experts think that the “algorithm” and “formulas” for creating innovations proposed by Kotler and de Bez are just a myth: in practice, such innovative "formulas" and "algorithms" either do not work at all, or produce a lot of strange ideas that are of no value.

However, even when the critics of lateral marketing are considered, it can be stated that its true value lies in the lateral thinking. Lateral thinking, i.e. unconventional and creative thinking empowers companies to think about all the functionalities of their products and services, leading companies through the process of learning and new approaches in problem solving. On institutional and strategic level, this might lead to widening perspectives and change in manager’s mental models, and finally in transformation of business models. Therefore, lateral marketing can be considered as a genuine source of entrepreneurial innovations.

### **Conclusion and recommendations for further research**

Today, consumers have almost no unsatisfied needs. Their needs are even hyper-satisfied. In a world of a large number of consumer goods and services, the question is how a company can successfully market and sell its product. Marketing literature provides several options, among which is the diversification of the product concerning competitors through lateral marketing.

Lateral marketing is a concept that offers modified products to the market to meet consumer needs. Those changes imply adding new value to products and services that will satisfy unmet needs. Lateral marketing relies on lateral thinking which means thinking “outside the box”, outside the logical.

The term is new and originated in 2003. Kotler and de Bes give suggestions on how to apply lateral marketing. Marketing theorists and experts are presented with a solution that has yet to be studied, used and elaborated in the future.

As with most novelties, there are many criticisms and uncertainties about this term. Time will tell if the implementation of lateral marketing will give the desired results, which leaves to academicians and practitioners to study and investigate the relation between lateral marketing and entrepreneurial innovations.

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