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Marketing innovation and relationship with customers: how it contributes to the competitive advantage of a B2B company

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Internship Report

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Abstract

This report, based on the curricular internship held at PPG PMC, resulted in the analysis of processes in the context of a global company operating in an industrial market.

Therefore, the internship experience was pertinent to the development of the present report, as it was a relevant element for the analysis of literature concerning innovation, marketing innovation and performance and the B2B context and relationships.

More specifically, it is based on the recent conceptualization of innovation, as well as the definition of the different kinds of innovations, with special attention to marketing innovation and how it contributes to the performance and competitive advantage of a company. Hence, the B2B context is also addressed, as well as the analysis of B2B interactions, more specifically relationship marketing and co-creation value.

The literature review serves as a framework for the contextualization and analysis of the host company and its processes related to marketing innovation strategies and relationship with customers.

Keywords

Innovation; marketing innovation; performance; business-to-business marketing; B2B relationships; relationship with customers; competitive advantage

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Glossary

APAC – Asia Pacific

B2B - Business to business

EMEA – Europe, Middle East, Africa

NASA - North and South America

PPG - Pittsburgh Plate Glass

PMC – Protective and Marine Coatings

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1. Introduction

The present document was prepared in the context of a Curricular Internship that took place in the first semester of the 2018/2019 academic year.

The internship was held at PPG Protective and Marine Coatings, a business unit of PPG Industries, an American global organisation operating in the industrial market. PPG Industries is specialised in the production and supply of paints, coatings and special materials.[1] The main goals during the internship in this host entity were to identify and analyse the environment of the company and its global market as well as the understanding and practice of B2B marketing activities.

The present Internship Report has the following objective: further understand the importance that marketing innovation relationship with customers have for the performance and competitiveness of a company operating in the Business-to-Business segment, through the conceptual reflection and analysis of scientific literature related to this topic. Given this, the choice of this topic is intrinsically related with the insertion of the host company in an industrial market, as well as with the activities that took place during the internship.

Companies are nowadays competing in an ever-changing market, which requires from them the capability to innovate and adapt, in order to stay competitive and meet the customer's needs. Innovation is essential to define how a company competes or makes use of market opportunities to achieve competitiveness (Gunday, Ulusoy, Kilic and Alpkan, 2011). According to the Oslo Manual (OECD/Eurostat, 2018, p. 20), "a business innovation is a new or improved product or business process (or combination thereof) that differs significantly from the firm's previous products or business processes and that has been introduced on the market or brought into use by the firm".

Innovation is, therefore, present in several aspects of an organization. Cortez and Johnson (2017) have stated that a firm can be innovative in varied contexts: given the example of

Georgia Pacific, a B2B company that has a transversal view of innovation, which includes organization, technology, marketing capabilities and business model.

Organizations' capability to innovate - exploit existing practices and expertise in order to keep up with the latest market demands and explore new capacities to adapt to changes in the environment - are crucial factors for their performance and competitive advantage (Martin, Rajshekhar and Cavusgil, 2017; Zang and Li, 2017). Likewise, companies that have significant innovation capacity may deliver better and differentiated offers, come up with distinguished marketing strategies and communicate more effectively with customers (Zhang, Jiang, Shabbir and Du, 2015). Indeed, according to Ngo and O'Cass (2012, p. 125), "in a dynamic global business-to-business (B2B) environment, innovation and marketing appear crucial to providing supplier firms' positional advantage through the ability to create value for customers".

Moreover, innovation capabilities facilitate changes in the managerial and value creation processes. Innovative firms may constantly improve their customer value proposition in order to meet the customer's expectations and even be able to overcome them (Zhang e al, 2015; Ngo & Cass, 2009). Innovation and co-creation activities are narrowly related – it is more likely that a firm with innovation capacity will pursue opportunities where the customer participates actively in the creation of value by creating an atmosphere conducive to innovation (Zhang et al, 2015; Ngo and Cass, 2013). In addition, networking competencies - which comprises the establishment of lasting relationships with customers and collaboration between supply-chain partners - nurture an environment for innovation (Zhang et al, 2015).

The present Report is organized as follows: in section 2 the literature review on the relevant concepts. In section 3 the host company is addressed, as well as the internship context and experience. At last, in section 4 the conclusion and finally in section 5 the list with references used for the elaboration of the report.

1. PPG Industries. Retrieved from https://en.wikipedia.org/wiki/PPG_Industries, consulted on 22.10.2018

2. Literature review

In this section are included the main concepts and theories related to the topic. The aim is to make a theoretical framework that allows the reader to better comprehend the significance of marketing innovation and B2B relationships for the performance of a company.

It is divided in 3 subsections: Innovation, where the concept is introduced, followed by the description of the relevant innovation types; Marketing innovation and performance, where the concepts will be presented and explained as well as the existing link between both; and at last the B2B relationships will be addressed given its importance for the contextualization of marketing innovation in an industrial market.

2.1. Innovation

The theoretical definition of innovation has been developed throughout the years. The current understanding of innovation is associated with creativity, change, adaptation, success, profit and customer satisfaction (Ramirez *et al*, 2018; Bustinza et *al*, 2017; Azar and Ciabuschi, 2016). Enhancing this understanding, "characteristics of innovation within enterprises have been identified as the search for creative, novel or unusual solutions to problems and needs" (O'Dwyer *et al*, 2009, p. 54). Innovation is a concept that, nowadays, has a very close relationship with performance. An innovative company is seen as an entity that introduces new products or business processes. Given this, it is a concept that is being considered by organizations more and more, in that their future, and consequently their competitiveness, depends on it (Fagerberg and Verspagen, 2009).

Undoubtedly, innovation is crucial in today's market, in that the globalization, competition and new forms of technology continuously increase (Martin et al, 2017). Companies these days must be able to adopt an ambidextrous innovation, which can be defined as "organizational activities and strategies of exploiting existing knowledge in the producing process to satisfy

current demands while synchronously exploring unknown areas to adapt to environment changes" (Zang and Li, 2017, p. 24).

Hence, many authors have stated that innovation within an organization is a crucial and fundamental aspect (Hogan and Coote, 2014; Weerawardena, 2003; Bharadwaj, Varadarajan and Fahy, 1993). The explanation for this is linked to the fact that improvements in a product or service, expansion of markets or even the repositioning of an organization in the market are all related to innovation practices (Hogan and Coote, 2014).

Gunday et al (2011) have indicated that innovation is an indispensable part of competitiveness and that it is transversal to an organization, linked not only to new products or processes but also to organizational practices and marketing methods.

Moreover, innovation is seen through different perspectives from researchers with different backgrounds in what concerns business and administration (Gupta *et al*, 2016; Carneiro, 2000; Hunt and Morgan, 1995). For instance, in what concerns marketing innovation, it is perceived from two different viewpoints: on one hand, economists see this type of innovation from the creation and development angle and marketing scholars consider innovation from the trade and market point of view (Gupta *et al*, 2016; Sood and Tellis, 2009; Freeman, 1995; Cohen and Levinthal, 1989).

2.1.1. Innovation Types

According to the third edition of the Oslo Manual (OECD, 2005), four primary types of innovation can be identified: product, process, organizational and marketing innovation. This consideration has been broadly accepted in the literature (Ramirez *et al*, 2018). In the table below, the main characteristics of each type of innovation:

Product	It is related to the introduction of a product/service whether it is completely new or meaningfully improved in what concerns its characteristics or purpose. Meaningful developments in the product or service can be linked to technical specifications, materials and components, integrated software and other practical characteristics.
Process	Just like product innovation, it is narrowly linked to technology. It is defined as "the implementation of a new or significantly improved production or delivery method. This includes "significant changes in techniques, equipment and/or software" (OECD, Eurostat, 2005, p. 49).
Organizational	It is defined as "the implementation of a new organizational method in the firm's business practices, workplace organization or external relations" (OECD, Eurostat, 2005, p. 51).
Marketing	This type of innovation has a different understanding comparing to the other types in that it is oriented to satisfying and overcoming customer's expectations.

Table 1: Innovation types Source: Self elaboration

In a more detailed approach, these four primary types of innovation can be defined as follows:

- Product Innovation: This type of innovations usually consists on using new technology and information or results from the blend of existing information or expertise. It is to say that a product innovation (covers products and services) can be related to both the creation of a completely new product or service and the significant improvement of an existing product or service.

- Process innovation: More precisely, process innovations are related to new or improved methods, systems or software with, mainly, the aim to enhance performance of manufacture or logistics and improve quality standards.

- Organizational innovation: It conveys innovations that happen internally with the purpose to improve the performance through, for example, the reduction of administrative costs. Another goal is related to the organization of the workplace and also the organization structure or practices, with the aim to increase employee's satisfaction and productivity.

- Marketing innovation: It implies new marketing procedures linked to new or significantly improved product design, placement, promotion or pricing. Hence, these innovative approaches to marketing methods have, as main goals, increasing the company's performance by extending markets and/or opening up new ones and repositioning a firm's product and therefore increase the demand for it (OECD, 2015; Ramirez *et al*, 2018). In summary, marketing innovation aims to better meeting the customer's needs.

2.2. Marketing innovation and Performance

According to Marques (2012), marketing has been evolving since the 1990's due to the intensification and globalization of competition, market segmentation, augmented knowledge and customer demand. It is also influenced by the technological developments - mainly information technologies -, and by the quality and diversified offer of the market (Antunes & Rita, 2008; Ruiz-Molina et al., 2015). Companies are currently facing three main challenges: meeting customer's needs, creating value and ultimately maintaining a lasting relationship with the clients (Antunes and Rita, 2008). It is to say that there was a paradigm shift in the marketing science - it has gradually shifted from more product-oriented and transactional marketing to more customer-oriented and long-term relationships (Marques, 2012).

This evolution of marketing comes to an understanding: nowadays an organization cannot be simply limited to being market oriented, as this alone is not enough to bring competitive advantage. Organizations need to invest on close relationships with customers, be collaborative with them (Prahalad and Ramaswamy, 2000) and therefore create added-value (O'Cass and Ngo, 2012). These last mentioned authors then conclude that firms can enhance this value creation for the customer through superiority in marketing innovation.

Marketing innovation can be defined as "(...) the use of new activities and marketing procedures, including changes in the nature of the product, marketing communication tools, launch of new brands, new techniques for fixing prices and new methods of market research" (Ramirez *et al.*, 2018: p. 694). Indeed, the growing competitive market companies are operating in forces them to come up with exclusive and distinctive marketing methods, obviously customized to their target market (Hidayanti, 2018; Jayachandran, Sharma, Kaufman and Raman, 2005). Therefore, an organization, in order to remain competitive, should invest in innovative marketing efforts, as the traditional marketing patterns are not sufficient anymore. A company must be always conscious and mindful in what concerns customer's wishes and expectations (Hidayanti, 2018).

According to Martin et al (2017), investment in marketing differentiation is fundamental to achieve competitive advantage, which will lead to greater performance. Furthermore, superior

marketing competencies influences positively the innovation capacity of a company (Zang and Li, 2017). Marketing capabilities may raise the ability that an organization has to identify the needs and trends of markets, to analyze its potential and consequently adjust the direction of innovation (O'Cass and Ngo, 2012). Also, the pursuit for improvements in marketing capabilities involves the persistent investment from companies in marketing efforts which will lead to the creation of barriers and difficulties for potential competitors to enter current markets (Zang and Li, 2017).

Additionally, Grimpe *et al* (2017) state that marketing innovation involves significant changes comparing to a firm's usual marketing processes and points out that routine or temporary alterations in marketing instruments are not considered as marketing innovations. Hence, new or improved business and marketing strategies are associated to managerial and marketing innovations (Bustinza *et al*, 2017). Gunday et al (2011) have stated that in the last 20 years, the concept of marketing innovation and its performance impacts has become a very relevant topic given its ever-growing practical significance.

Regarding recent literature on this topic, there are studies which have analysed the links between marketing and product innovation, such as the relationship between investments in marketing innovation and a firm's new product performance (Grimpe *et al*, 2017) and have evaluated how firms use external information to attain marketing innovation through both product and organizational innovation (Ramirez *et al,* 2018*).* Also, studies have addressed marketing innovation and firm's performance and examined the relationship between competitiveness and innovation in the marketing practices of large manufacturing firms (Gupta et al, 2016) or how marketing innovation affects the market performance of SMEs (Hasan, 2017).

Moreover, studies have investigated innovation practices in B2B environments. Within these latter, stands that of Katsikis (2016), which evaluated open innovation practices in B2B from a company culture perspective.

Many resources linked to marketing activities, which can be considered as any feature concrete or intangible, physical or human, knowledgeable or interpersonal that can contribute to the organization's competitive advantage, are subsequently potential important advantage-

generating resources (Hooley *et al*, 2005). In addition, the authors state that, given the importance that loyal and satisfied customers have for the success of the organization, a major part of marketing efforts are aimed to build this loyalty from customers. Therefore, marketing innovation, together with the capability to build and maintain strong relationships with customers, lead to the development of customer satisfaction and loyalty and subsequently improved firm performance (Hooley *et al*, 2005).

Performance is related to the organization's capability of meeting its goals and objectives through methodical procedures and its capability to adapt to change and to maintain its functions in an effective way (Damanpour *et al*, 2009). Moreover, performance can be defined as the ability that an organization has to attract new customers and retain existing ones for the quality of the solutions it provides (Hogan, 2014).

Companies undertake innovation as a way to develop organizational change. Innovations promote the adaptive change towards the organization's environment, which means that an organization is then able to respond in a more efficient and effective way to changes that might occur in the environment, and as a result, improve their performance (Damanpour *et al,* 2009).

According to the below mentioned authors, innovation affects firm's performance based in two arguments:

- By being innovative a company can take over first or early mover advantage, which can result in an improved performance (Roberts and Amit, 2003).
- The need for a change that comes from the difference between the current performance of a company and the potential in performance it has to achieve – the "performance gap" - which arouses motivation in the company to be innovative and consequently be able to decrease this gap (Damanpour *et al*, 2009).

Regarding the second argument, it does not only apply to companies with low performance, but also high-performance organizations may have the need for a change in order to maintain their level of effectiveness and take advantage of new opportunities (Damanpour *et al*, 2009).

Moreover, there are several empirical studies on the innovation-performance relationship that have showed that innovation's influence on performance is positive (Damanpour *et al*, 2009;

Walker, 2004). However, most of these studies are cross sectional and based on only one innovation type (Damanpour *et al*, 2009). Nonetheless, according to Roberts and Amit (2003), performance is not influenced by just one single type of innovation but from the joint and respective result of different kinds of innovations.

Besides, it is agreed since the last 20 years, that the competitive advantage of an organization depends from the resources it can make use of, which should be somehow superior to those of the competition and hard to imitate (Hooley *et al*, 2005; Barney, 1991; Reed and DeFillippi, 1990; Dierickx and Cool, 1989).

2.3. Business-to-Business relationships

2.3.1 Business-to-Business context

Business between organizations is present since the origin of commerce, nonetheless, it is of importance to point out that the published research on B2B marketing has not yet reached the desired attention when comparing to its significant economic power (Cortez and Johnston, 2017). Investigations on B2B marketing exist since 1890; however the authors consider that the main contributions were made during the past thirty years (Cortez and Johnston, 2017; Hadjukhani and LaPlaca, 2013).

B2B markets have a high level of complexity, which is related to the existence of a dynamic, long and demanding purchasing decision environment (Benedetto and Han, 2016; Ford, Gadde, Hakansson and Snehota, 2002; Lindon, Lendrevie, Lévy, Dionisio and Rodrigues, 2011; Young, Wilkinson and Smith, 2015). Furthermore, a B2B market is defined as complex because of the sophistication and expertise of the products and services, in that the specialty is a key factor to correspond to the client's needs (Kotler and Pfoertsch, 2006).

The fact that companies operating in B2B markets depend on each other for success in a non-isolated way, unlike what happens in the B2C markets, causes them to give extra importance to the relationships that supports them (Benedetto and Han, 2016;Ford *et al*, 2002).

Despite the fact that, in the structure of these markets, there is a reduced number of consumers that require a product or service tailored to their needs, they are larger and have a wider and more concentrated geographical focus. The customers are more heterogeneous, and each of them represents big value to the company. A B2B company is required to have a greater power of adaptation to the needs of customers (in comparison to B2C), by adapting their production and acquiring specialized know-how (Cruz, 2009; Peppers & Rogers, 2001).

A relationship of cooperation and proximity is something that is highly valued by companies that operate in a B2B market (Young et al., 2015; Kotler & Pfoertsch, 2006). The opportunity to better understand the customers' needs allows companies to create value for their customers by satisfying them in every transaction (Kumar & Nayak, 2015).

This perception of value by customers is related to the clear satisfaction of a need and not only to the possibility of obtaining the products or services at a lower cost (Ellis, 2011). This alone explains why marketing innovation is crucial for this type of companies, as it is the way for them to differentiate themselves from the competition and create value for the customer.

Ford et al (2002) refer another specificity about this market: price sensitivity. B2B clients are less sensible to price variations, as they have a different perception in comparison to a B2C context, because they give more value to adaptation and the quality of the product or service than they give to pricing.

Besides, the segmentation in a B2B context is related to the customer's sector, dimension of the potential purchase, purchasing decision process, the importance of the product or service for each of the customers and the strategic and economic interest of the customer (Baptista, 2009).

According to Anderson & Naurus (2004), customers in a B2B market worry mainly about the functionality or performance of the product or service. B2B markets have their own characteristics in terms of structure, buyer behaviour and marketing practices, where

communication requires new and different ways of thinking. They are therefore characterized not by their products or services, but by the buyers and the relationships between the companies, which are essential.

Additionally, the B2B context has been highly influenced by the digitalization growth. In the last 10 years, marketers have adopted an online, dual interaction with customers, which was possible because of the rise of social media networks (Cortez and Johnston, 2017). The majority of B2B companies use social media marketing efforts, although they are not completely aware of its potential (Cortez and Johnston, 2017). Less than 50% of business marketers acknowledge LinkedIn as a significant platform and only 30% sees Facebook as a useful tool. Therefore, there is a potential for B2B marketers to develop social media opportunities, and it will depend on evidence taken from scientific research to show its utility (Cortez and Johnston, 2017; Ritcher, 2015).

Moreover, according to Wiersema (2013), there is a theoretical gap in what concerns B2B marketing. Despite the fact that it has an increasingly significant impact on economy, it has not received the attention it deserves. Specific insights and knowledge on B2B marketing is needed in that knowledge about marketing in general is not always applicable to certain and specific conditions and situations within the B2B marketing and marketplace.

Finally, it is possible to conclude that, to understand the relations in B2B markets, it is crucial to approach relationship marketing. Relations in B2B markets are managed based on cooperation rather than competition and these markets aim to satisfy and retain customers through long-term relationships and mutual benefits between companies based on the trust and commitment developed between the parts (Young *et al*, 2015). These networks of relationships allow customers to resist the alternatives that exist in the market, also due to the high cost of switching suppliers, and consequently obtain the benefits of long-term relationships (Ellis, 2011).

2.3.2 The contribution of relationship marketing

The evolution of marketing theory, having the globalization of businesses as main influencer, has brought us to the understanding that building customer-company relationships, as well as with the rest of the stakeholders, and investing on customer loyalty and retention has major importance to achieve financial goals. In such a competitive business environment, relationship marketing is seen as a very rewarding and efficient marketing strategy (Rizan *et al*, 2014).

Companies operating in a B2B market have as concern the maintenance of the customer-supplier relationship, which is determinant for the success of the business (Benedetto and Han, 2016). Indeed, the fact that B2B relationships are usually long-term between the involved parts, has led to the practice of relationship marketing (Ellis, 2011). Relationship marketing, being interconnected to B2B markets, gives companies the competitive advantage based on the creation of value for its clients (Ruiz-Molina *et al*, 2015).

Hence, one of the main goals linked to relationship marketing is to retain existing customers. Today's business is highly competitive and the companies' offerings in what concerns products and services are more and more identical to each other, which makes the differentiation through relationship marketing strategy a vital factor for a firm's competitiveness in the market (Hidayanti *et al*, 2018). Moreover, generating satisfied customers is not the major task for companies anymore, as nowadays competitors can also accomplish this, but making customers happy and loyal, overcoming their expectations (Hidayanti *et al*, 2018).

The concept of relationship marketing is related to the effort a company makes to creating, increasing and preserving quality and strong relational interactions with key customers, which will lead to profit and competitive advantage (Ryu and Lee, 2017). One common practice on building relationship marketing is granting special treatments and deals to regular customers through reward programs (Ryu and Lee, 2017). These last mentioned authors also argue that customers, who perceive the investment of a company in building valuable relationships with

them, will consequently feel grateful and satisfied towards the company, which then leads to customer loyalty and retention.

To work collaboratively, based on a transparent exchange of information, is an increasing tendency in the B2B markets (Kumar & Yakhlef, 2016), due to the fact that it enhances the effectiveness and efficiency of the supply chain. According to Christopher *et al* (2009), this perspective provides the opportunity for companies to develop relational strategies based on the co-creation of value.

Indeed, this cooperation will facilitate the introduction and implementation of innovative solutions, which will then lead to customer differentiation in the market and superior performance (Christopher *et al*, 2009). Another advantage of relationships in a B2B market is related to the development of technological information, giving companies the opportunity to install integrated processes that allow them to create strong partnerships with mutual benefits (Cruz, 2009).

2.3.3 Co-creation value

Co-creation value has received a lot of attention from B2B researchers. Theories of this concept are related to varied organizational levels such as strategy, sales and marketing (Kohtamaki and Rajala, 2016).

Within marketing field, value co-creation is seen nowadays as a crucial factor to better meet the customers' needs and create strong bonds with them (Marcos-Cuevas *et al*, 2016).

Co-creation value can be defined as the dynamic interchange of procedures and activities between customers and organizations, which can be pre-defined and happen on a regular basis (Hidayanti *et al*, 2018).

Value can be traditionally defined as "the output of a company's creation that then is sent to the customers in the form of products in the market" (Hidayanti *et al*, 2018, p. 19). The

customer behaviour can change if the value of a company's products or services does not match with their expectations. Therefore, to avoid this, customers nowadays wish to be involved in the value creation process. It is not enough that a company creates value without the input from the customers (Hidayanti *et al*, 2018). Besides, a collaborative process between companies and customers leads to superior value creation and it is of major importance for an organization to have the customer's acquaintance in order to be innovative (Hidayanti *et al*, 2018).

Finally, the concept of relational marketing is identified as a long-term relationship between the stakeholders, mainly supplier-client, as it is intended that this relationship creates value for the parts while giving them a competitive advantage (Benedetto and Han, 2016; Ruiz-Molina *et al*, 2015). Therefore, it can be concluded that relationship marketing is the perfect framework for the development of relational networks that can lead to value co-creation between the parts involved.

3. The internship

This section will present a brief contextualization of the host entity where the curricular internship was held, which was carried out in order to obtain a Master degree in Economics and Innovation Management from the Faculty of Economics of University of Porto. Furthermore, it includes methodologic considerations for the development of this report and a reflection about the internship context and experience, with the focus on processes and activities that took place in the company.

3.1. The host institution: PPG Protective & Marine Coatings

As previously mentioned, the internship took place at PPG Protective & Marine Coatings (PPG PMC). PPG PMC is a business unit of PPG Industries, a global company specialized on the manufacturing and supply of coatings and paints, serving customers globally in several industrial markets. PPG Industries is a Fortune 500 company, operating in more than 70 countries around the world.

PPG PMC serves markets such as civil infrastructure, offshore, petrochemical, power and marine. The company's mission is to develop coatings that enhance and protect a wide range of assets in some of the most challenging environments around the world. The vision is to be the world's leading marine and protective coatings company, by constantly delivering innovative and sustainable solutions that customers rely on to protect their assets and environment.

The company is strategically located across the globe in order to serve customers in APAC, EMEA and NASA. Although it offers products and services for the global market, the daily operations are managed on a local level. PPG owns laboratories, manufacturing facilities, stock points and distribution centers spread across all countries. This is what enables the global supplier to provide a fast and consistent service on a global scale.

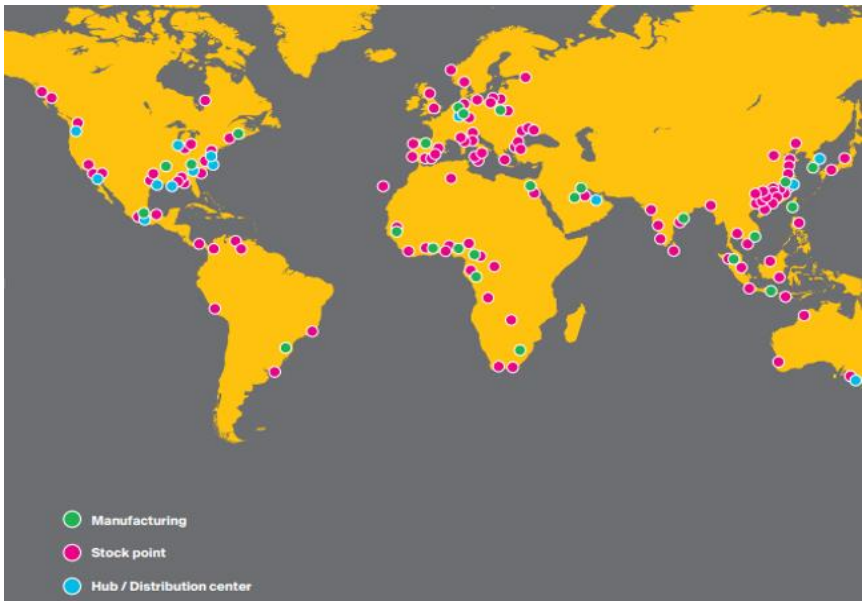


Image 1: Map where PPG PMC operates Source: PPG

PPG PMC focusses on anticipating the evolving needs of customers. Having the knowledge and understanding of what the customer will need and having the skills and resources to deliver it, is what makes this company a market leader.

PPG has, as a motto, the following: "Delivering true value for money".

The company commits to the following:

- Conduct a detailed analysis of the problems that clients face now and are expected to face in the future.
- Develop and manufacture robust solutions that are perfectly suitable for the purpose for which they were designed.
- Guarantee that solutions are accessible where and when needed and that they at all times meet applicable local and international standards.
- Ensure that customers benefit from the widespread product development program that constantly improves their own operating results.

3.2. Methodological considerations

As mentioned before, the conceptual reflection for this Report concerns the further understanding of the relevance that marketing innovation and relationship with customers have for the performance and competitiveness of a company operating in the Business-to-Business segment. Given this, a qualitative methodology was put into practice for the development of this report. This kind of approach involves the gathering of information through interpretations directly extracted from studies of companies that the researcher has direct contact with, with the aim to develop and understand concepts and phenomena from patterns resulting from the collection of data (Cunningham *et al*, 2017; Patton, 2015; Woodside & Wilson, 2003). Also, according to Cunningham *et al* (2017) and Yin (2009), qualitative methodology is associated with studies related to social sciences that address questions such as "how" and "why", as the researcher as little control about the phenomena, behaviors and results. Throughout the internship, direct contact has been made through meetings with key people, field activities and through the analysis of documentation. This, together with some relevant scientific literature, contribute for the understanding of PPG PMC performance in the market, in terms of what the proposed topic entails.

Initially, a theoretical framework is addressed in order to further understand how innovation, marketing innovation and B2B relationships contribute for the superior performance of a company. Secondly, with the input from the internship experience and through the analysis of documentation, observation, and involvement in relevant projects, a parallelism is made between the researched literature and the reality of a company operating in an industrial market.

Given this, the method used for this analysis is the study of varied cases and contexts in a real business environment, more specifically a qualitative method based on action research. According to Denzin et al. (2006), action research aims to solve relevant problems in a real context through the application of the research method. In this approach, there is a co-production of knowledge between researchers and local collaborators to resolve issues

previously defined. The researcher combines his experience, knowledge and methods of research with the knowledge of the collaborators about the issues to be solved.

In a qualitative research method, there are different research techniques and data collection may be carried out through surveys; observation, which may be formal and systematic or participative, and document analysis. In the present study, document analysis and participative observation were the techniques put into practice. At first, and once the goal of this report was defined, the analysis and study of the company portfolio, the market it operates, and the strategic marketing function and information on B2B relationships, was carried out in order to comprehend and contextualize the work that took place afterwards. Then, participative observation was crucial for the reflection and understanding of processes. This enabled a hands-on attitude, in that it was the opportunity to be actively involved on some activities and projects that allowed the deeper understanding of how the company performs in terms of strategic marketing initiatives and the relationship with customers. Being involved in projects and activities, allowed, when analyzing existing literature on the proposed topic, to make the parallelism with concrete examples in a real work environment. Furthermore, the participative observation technique was also fundamental for the development of the theoretical framework as well as the analysis and reflection of it.

Having the topic defined previously and researching for existing literature relevant for the scope of the internship plan and goals, was of great importance for the comprehension of the activities and projects that happened throughout the internship. A more critical and reflective attitude was put into practice, when making the parallelism with scientific theories and studies.

3.3. Internship context and experience

The internship was held in the European Marketing department of PPG PMC from the period of 1st of September of 2018 until the 11th of January of 2019, under the orientation of the Global Marketing Manager.

This department is responsible for all internal and external communications for Europe. Moreover, it takes over activities such as developing and launching new product concepts, promoting the brand and products through different channels such as website, press relationships, e-mail, social media and customer facing events. The ultimate goal of the department is ensuring that all brand communications and information are consistent and showcase the value of the company, by attracting and retaining clients.

The main objectives of the internship were:

- Develop skills related to market research and marketing strategies
- Planning and developing of marketing activities such as e-mail campaigns directed to prospective customers
- Analysis and comprehension of the full cycle of a new product, from ideation to launch
- Understanding of processes related to marketing and product innovation
- Planning and development of the company's participation in an industry's trade fair.

3.4. From the internship experience to the conceptual reflection

At first, the activities during the curricular internship were based on studying the company, its products, and its position in the marketplace as well as the competitors. This was of major importance in order to understand how the company competes and which is its vision and mission in the market. With this analysis, the comprehension of the competitive advantage of the company, what it has to offer and how it solves customer's needs and concerns was fully understood.

Secondly, the familiarization with the marketing plan for the European market place and how the company markets the products and interacts with external audiences took place. This phase was relevant to comprehend the key messages PPG PMC makes use of to position itself in the market and what is the focus in regards to marketing activities.

The European Marketing department I was involved in played a strategic role in the sense that based on the corporate strategy, marketing plans are drawn up. Through the use of the famous marketing mix - product design, pricing, communication and distribution, the company's mission is achieved and sailing towards its vision.

Product development and design are capabilities of major importance for the marketing department, in similarity with the function of innovation management. This is carried out, at first, by investigating trends in the industry it operates in, studying customer's needs and expectations and developing the product ideation accordingly and how it will be presented to potential customers. Therefore, the product development process requires the constant involvement of customers in order to collect feedback on current advances. As mentioned earlier on this report, a B2B firm has to pay special attention to the customer's needs and constantly adapt to them, as the customers are more heterogeneous and each of them has a significant economic interest to the company. (Cruz, 2009; Peppers & Rogers, 2001).

During the internship, varied tasks were carried out, as well as the involvement on some projects. The support on the development of marketing materials, such as sales presentations about a new product, presentations and flyers with a high-level overview of the business unit,

articles and content for the website and social media, and the support on the organisation of the company´s participation at a tradeshow were projects carried out throughout the internship.

Hence, there was the opportunity to take part of meetings and brainstorms about marketing strategies that support new product development and innovation.

Thanks to the internship experience, it was possible to relate the activities that took place with literature on innovation, marketing innovation, B2B context and relationship marketing. The B2B context in which the company operates, as well as the marketing strategy which has a similarity and works cross functional with the innovation management, was the opportunity to shed more light into the topic of the present report.

In the table below, it is represented a chronologic overview of the internship activities carried out throughout five months.

	Analysis of the company and industry	Market research and competitors	Familiarization with marketing innovation strategies	Development of marketing materials	Involvement in projects related to marketing and innovation
Sept. 2018					
Oct. 2018					
Nov. 2018					
Dec. 2018					
Jan. 2019					

Table 2: Chronologic overview of the internship

3.5. How marketing contributes to innovation and competitive advantage

As mentioned above, marketing activities have a close and cross function relation with innovation management. At PPG, innovation activities such as new product development and the creation of new concepts have marketing as a valuable ally in the sense that the marketing department has the responsibility of creating and delivering value, explore market trends and opportunities, and managing relationships with customers. As mentioned earlier, marketing capabilities have a positive influence on the innovation capacity of a company, in the sense that by raising awareness of what is happening in the market and knowing its trends, innovation efforts can take the right direction (O'Cass and Ngo, 2012).

During the internship at PPG PMC, it was clear the involvement that marketing had with the innovation and R&D departments. The managerial culture of PPG granted the marketing department a decision-making function and active involvement in new product development, on improving existing products and promotional methods for them.

The input from marketing is based on the understanding of customer value, the changing aspects of market segments and the contributions that diverse type of customers could potentially have to the innovation process. Hence, these mentioned factors are key in the sense that it grants the company with the ability to continuously and consistently improve products, services and processes, given the fact that customers in a B2B market are primarily interested about the functionality of the product or service and their perception of value is linked to the clear satisfaction of a need (Anderson & Naurus, 2004; Ellis, 2011).

Furthermore, these marketing customer-centered activities result into competitive advantage, as PPG PMC innovation teams are then able to, through the identification of needs and trends in the market, introduce technical specifications that makes the company's offering differentiated against competition.

Another method in which marketing contributes to innovation is the creative way it communicates and presents a new product to the market. The promotion technique is also associated with marketing innovation and can make the difference in terms of profitability and success of a new product that is being introduced in the market (OECD, 2015; Ramirez *et al*, 2018). Certainly, the growing competitive market the company operates requires distinctive marketing methods, highly targeted and customized to the customer's needs, in order to gain competitive advantage (Hidayanti, 2018).

For example, PPG PMC developed a new coating product, designed for protecting large vessels, manufactured with environment-friendly components and biocide free such as silicone, which ensures anti-corrosion and fouling release. Due to reluctance of risk-averse ship owners to try a new product that would require significantly higher investment, marketing and sales departments put into practice a creative promotional approach to gain market share for the new product. This was done by persuading the vessel owners and operators to compare the efficacy of a traditional product and the new one. Therefore, testing was done, as both coating products' samples were applied in the same vessels. As some time passed by, the physical differences between effects of both products were evident and clear to the eye. Decision makers of the industry were then convinced that this was indeed a good investment.

This is then a good example of how marketing can contribute to the success of innovations, as sometimes the product innovation alone is not enough to enable success, but the combination of product and marketing innovation (Grimpe *et al*, 2017).

3.6. Interaction with customers

In the context of customer relations in a B2B environment, PPG is committed to maintaining and developing a steady, lasting and mutually advantageous relationship with customers, which means that the company is strongly committed to a relational strategy with them. These customer relationships have a bidirectional and deeply interactive character, committed to customize and develop unique and differentiated solutions.

Customers are encouraged to share their difficulties, their needs and to share with the company what they would like and how they would like those needs to be met. The relations are based on collaboration which ultimate goal is to create long-lasting relationships based on trust and commitment (Young *et al*, 2015). In fact, customers are invited to enter into a co-creation logic that involves them in the development of solutions to their own problems, which is of major importance for the creation of strong bonds between the company and the customers (Marcos-Cuevas *et al*, 2016). This helps to leverage innovation and new product development processes, accelerating the innovation procedure, reducing the likelihood of failures, and ensuring permanent testing mechanisms.

This approach enables PPG to develop products and solutions that proved to be useful and tailored to multiple situations and with potential to many types of customers, and these products eventually had a significant sales volume and an important contribution to the overall results of the company, enhancing its competitive advantage and performance.

3.6.1. Strategic Marketing

At PPG PMC, it was clear the importance of the «voice of the customer» in regards to marketing strategies. It all starts with the premise of the value proposition and that this value can be very high if there is a unique product with unique characteristics or attributes. However, in order to make sure that the right product is being delivered to the right segment of customers, there is a lot of work to be done on the background.

First of all, it is crucial to know what customers need, how they buy, what they value and will pay for. Once this is defined, comes the capabilities required to serve the target segments to drive profitable growth. For PPG, the winning strategy is to invest on value propositions that offer demonstrably more value than competition in the eyes of the customer. In the image below, an overview of the strategic marketing framework is represented.

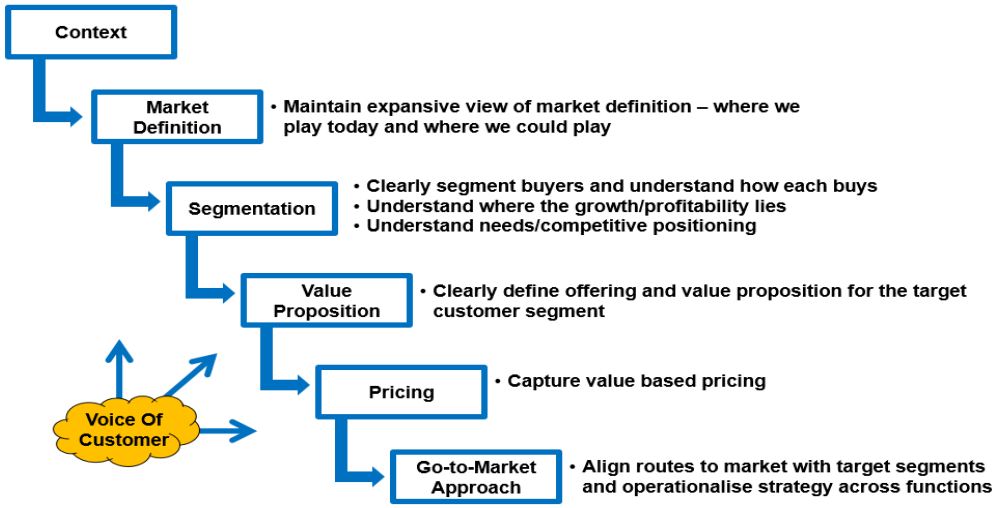


Image 2: Strategic Marketing framework Source: PPG

A strategic marketing function that values the interaction with customers and supports the introduction of innovations, starts with the context definition. This means that the starting point is investigating how the company is performing currently, what customers think in comparison to

the competition and what must be fixed in regards to competitive positioning. Last but not least, this phase can be addressed with the question «What problem are you trying to solve? ».

After that, comes the market definition, which means to have a deep knowledge about the position of the company in the marketplace and where it could play to drive further growth. Subsequently, comes the segmentation, value proposition and pricing. The segmentation in a B2B market, as stated previously on this report, is associated with the customer sector, dimension of the potential purchase and purchasing decision process as well as their value to the company and their own strategic and economic interest (Baptista, 2009). Value proposition and pricing are based on understanding the customer perspective. By identifying what the customer values, PPG is then able to create a more effective product offering. Therefore, the company takes over the interviewing of customers. This is crucial to understand customer's expectations and to design segments accordingly.

Examples of interview questions to customers:

- Describe the purchase process for coatings in your company. Who is involved?
- Who decides which brand of coatings to purchase (your company, your customer, you)?
- Besides PPG, what other companies do you buy coatings from?
- What influences you to buy from PPG?
- What factors are important to you when selecting a vendor for coatings? Why? Try to quantify their impact (e.g., cost of downtime, energy savings, improved quality). How would you weight the importance of these factors versus each other?
- How does PPG product perform along the critical factors we've just discussed?
- How do other suppliers perform along these factors? Who are the distinctive performers by category? What makes that supplier so good at (factor)?
- What have been the biggest changes in the way PPG has done business with you over the last 2-3 years?

- What is our share of your coatings purchase? Which supplier is gaining share of your business? Which supplier is losing share? Why? What can we do to gain more share?
- What are the most important areas of improvement for a coatings supplier to improve its relationship with you? Are there things we do that don't add value or that cost you money? Try to quantify (e.g., purchasing and receiving labor).
- Are there additional products or services that we could offer you to improve our value?
- What are your concerns and major challenges?

Learnings from interviews allow the company to aggregate customers into a smaller number of needs-based segments. With the customer's input, a good value proposition can be better defined in order to position products successfully against customer needs and against competitors. As stated by Hidayanti et al (2018), a cooperative relationship between the company and the customer allows the introduction and creation of superior value. These interviews are of crucial relevance for PPG in order to gain deeper understanding of the market context and needs and consequently be able to deliver competitive products and be innovative.

Another way that the marketing department collects valuable information from the customers and interacts with them is through frequently organised sessions, where customers are invited to the company's offices and innovations centres to share best practices and co-create value. As stated by Hidayanti et al (2018), co-creation value may be defined as the interchange of information between the customer and the company, which can be planned and be reoccurring.

The purpose of these sessions is for customers to share their insights and give their input on expectations, concerns and challenges. Through these sessions, the company is able to further comprehend what is it that the customer values and gain new ideas for improvement on products or services. Usually, sessions also include a forecasting scenario, which starts by addressing the question: «What could the industry/business look like in 30 years? ». From there, customers are taken in a time journey and the brainstorming starts, which provides a framework for the exploration of potential trends, core competencies, technologies and problems that need to be solved to meet the future's standards.

3.6.2. Participation at industry tradeshows

Industry tradeshows are another valuable opportunity to interact with customers in a B2B context. One of the milestones that are part of the corporate and marketing strategy is the participation on at least five tradeshows per year. These are a significant investment for the company for the fact that it is it a precious opportunity to raise brand awareness, meet and know customers and prospects, network with them, and present the portfolio of products and services.

During the internship, PPG participated at SMM, the leading international maritime trade fair, in Hamburg, Germany. This a bi-annual trade show, which gathers the expertise of the international maritime industry in one single place. For PPG PMC, being present in this tradeshow is a major investment, as it is a valuable opportunity to establish contact with a highly targeted audience. But most importantly, it is a great opportunity to meet with existing customers and prospects. Key players and decision makers in the industry gather at the fair, and PPG, as an exhibitor, took this unique opportunity to display business strengths and engage with the community and audience.

In what concerns the organisation of the fair, the marketing and sales teams were engaged in communications with customers, inviting them to attend the event, offering free passes and hotel accommodation to the most valuable clients, scheduling meetings and dinners. Therefore, customers feel they are valued and appreciated, which contributes to loyalty and retention. According to Ryu and Lee (2017), customers, when perceiving the company is committed to build bonds with them, are more likely to trust and be loyal to the company.

Hence, this tradeshow is also a great occasion to present new products and innovations the company has been working on. PPG was able to showcase its full suite of products and services and the latest developments to an extremely targeted and interested audience.

Indeed, this tradeshow enabled the company to be in direct contact with its customers, having face to face meetings and even organised dinners between the sales teams with their valued customers, which provides a great opportunity for them to share needs and concerns and create an even

stronger customer-company engagement. All of this networking occasions with customers during tradeshows provide the business with precious insights on what the customers expect, how they see the company as a supplier and what they expect. Therefore, the marketing and innovation departments can leverage this information to create better value propositions.

Moreover, participating at SMM allowed PPG PMC to plan innovative marketing strategies. For example, a lottery was organised at the fair in order to attract visitors to the PPG PMC booth. Flyers promoting the lottery to win an electric scooter were distributed at the main entrance of the event venue. In order to participate in the lottery, visitors had to come to the PPG PMC stand in the fair and insert their contact details in an app prepared for the effect. After the event, the winner of an electric scooter would be sorted out randomly. This was a creative marketing method to attract visitors to the stand, which allowed the sales teams to establish contact and present the products and service to an attentive audience, and to collect contacts, which ultimately are converted into sales leads.

Hence, there was the opportunity for the company to be part of conferences. PPG PMC had a speaking opportunity at SMM, in which a sales director presented slides that explained how the marine industry is evolving, what trends are impacting the industry, what the needs are and how PPG could solve them. This speaking opportunity enabled the company to establish contact with customers, gain knowledge about the market and competitors, and showcase though leadership.

4. Conclusion

4.1. Critical evaluation of the internship experience

The opportunity to carry out the curricular internship at PPG PMC was, undoubtedly, an experience that exceeded initial expectations. The fact that PPG is a fast-growing multinational company, with many years of know-how in the industry, was a great opportunity in the sense that it was challenging but also rewarding. The integration in a team with highly-qualified professionals, with lots of experience and talent, and the possibility to be involved in activities and projects made the internship experience positive. I consider that the frequency of the internship and the preparation of this report were rewarding experiences for personal and professional valuation for the new competencies and knowledge acquired.

Throughout the internship, the integration on the team and projects was important not only to understand processes such as marketing innovation and relationship with customers but also to gain a deeper understanding of the daily challenges a global B2B company faces. It was a good opportunity to comprehend and know from a close perspective the Business to Business market, how it operates and how it addresses customer's needs. This was something very valuable and appreciated as the B2B market is not studied in depth in university, as the B2C segment is more present and relevant in the lives of professors and students.

Regarding the internship goals, I was able to achieve them, mainly, thanks to the support of the internship supervisor and other colleagues. This support and guidance from them was extremely important for me to develop my professional skills and being able to understand and being involved in the internship activities and projects. Furthermore, the goals were achieved also thanks to the theoretical framework and conceptual reflection that took place throughout the internship, as this was relevant for the understanding of processes in a real context.

In summary, during the internship experience it was possible to comprehend that the focus of marketing management is in the development of unique value propositions. The marketing department works closely with the innovation management, in the way that it investigates the

market and its trends, the customer's behaviours and expectations and the competition. With these valuable insights, marketing supports innovation initiatives and delivers good value propositions. Thanks to this, PPG PMC is able to design products and solutions that meet customer's needs and lead to competitive advantage.

4.2. Limitations

Concerning the main difficulties experienced during the internship, these are related to the sector in which the company is inserted. It is a very specific market, and in addition to this, it was necessary to understand the specialized solutions and products that the company offers to the market.

Secondly, it was indispensable to seek and understand how to deal with and communicate with the industry segment where PPG is inserted - the B2B segment. Therefore, long time was invested in studying and analyzing the market context of the company, the B2B marketing techniques and strategies.

Regarding the restrictions for this study, and in what concerns the literature search, some difficulties were in finding recent articles on the topics addressed, mainly the industrial markets. Additionally, I also faced some difficulty in finding relevant studies that address marketing innovation.

Another limitation of this report is related to the dimension of the reviewed literature. Despite the attempt to carry out a review of the main published works on the subject, it was not possible to include all the studies, therefore their contributions are not reflected in this report.

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