Abstract: Innovative marketing in a small firm context is not merely to do with new product development. Rather, it is concerned with all marketing activities in the SME, from the slightest incremental change, right through to the most radical. Innovation is discussed in definitional terms, and various classifications and taxonomies are presented as a background to the concept. From a literature review, a conceptual model was developed, supported by findings from a qualitative research study with the owner-managers of 60 Small- to Medium-sized Enterprises (SMEs) in a regional economy.

The key aspects of the nature and scope of marketing innovation based on the literature concludes that: 1. It encompasses all marketing activity and does not just refer to new products; 2. It is profit-driven and this guides the majority of innovative behaviour; 3. It is very much reactive and market-led; 4. Any change tends to be incremental from, or complementary to, the SMEs' existing activities; 5. It is continuous and ongoing; and 6. It is not necessarily a new idea, but is often based on an existing activity, where the innovative behaviour is exhibited in the owner-manager's ability to take advantage of some opportunity which presents itself.

In addition, factors insufficiently discussed in the literature are addressed, as are new insights which emerged from the empirical study. Among these were issues such as: 1. The influence of the owner-managers' network(s) and the role these play in innovation in the small firm; 2. The role of luck, chance, and good fortune; 3. The close link between innovation and the owner-managers' distinct marketing competencies; 4. The ability of the firm to customise their offering and offer a flexible service; and 5. The fact that innovation is environmentally-dependent, since what may be regarded as extremely innovative in one industry sector may be "par for the course" in another. These findings provide the basis for a further conceptual model, the aim of which is to provide greater depth, clarity, and understanding of the topic of innovative marketing in SMEs, whilst providing opportunities and directions for future research in the area.