

A New Innovations of Retail Marketing

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ABSTRACT

A retail business model articulates how a retailer creates value for its customers and appropriates value from the markets. Innovations in business models are increasingly critical for building sustainable advantage in a marketplace defined by unrelenting change, escalating customer expectations, and intense competition. Drawing from extant strategy and retailing research, we propose that innovations in retail business models are best viewed as changes in three design components: (1) the way in which the activities are organized, (2) the type of activities that are executed, and (3) the level of participation of the actors engaged in performing those activities. We propose six major ways in which retailers could innovate their business models to enhance value creation and appropriation beyond the levels afforded by traditional approaches to retailing. We also describe the drivers of business model innovations, the potential consequences of such innovations, and numerous examples from retail practice that highlight our concepts and arguments.

1. Introduction

Globally, retailing is witnessing seismic shifts. The growth of the Internet has powered upheavals in the retail landscape that are revolutionary in scope, and unprecedented in nature. Some firms have created new markets, such as Apple with iTunes, and some have changed existing markets, such as Priceline.com. Today, most large retailers have morphed into multichannel firms, where the same customer visits the retailer via different channels for different purposes (e.g., obtains information online, makes purchases offline, and contacts customer support via telephone). Most have also expanded their focus from selling products to engaging and empowering customers, with the ultimate goal of creating a rewarding customer experience.

As a result, retailing practice is increasingly encompassing a broader range of activities as retailers expand the boundaries of their target markets and develop new ways for interacting with customers and channel partners. For instance, some retailers now use mass customization technologies to provide their customers with “made to order” products instantly (e.g., Build-a-Bear). Others effectively use technology to streamline the supply chain to rapidly align their product assortment with seasonal trends (e.g., Zara’s “fast fashion” approach of releasing five times as many collections per year as the industry average). Some have devised innovative customer interfaces (e.g., Shop24 dispenses over 200 grocery items 24/7 using automated kiosks). Yet another category of retailers simultaneously cater to multiple niche segments and as a result effectively exploit the “long-tail”(e.g., Amazon.com). Finally, in countries like India and China, the opportunity to satisfy the needs and wants of the populations at the “bottom of the pyramid” has spawned numerous retail innovations, such as Project Shakti implemented by Hindustan Lever, which has enabled poor rural women to become distributors of branded products in villages.

2. Retail Innovation: Trends, Challenges and Opportunities

Retail giants such as Amazon have literally eaten up thousands of stores world over, capturing considerable market share. Although legacy retailers can blame Amazon (think Prime, Marketplace, Echo, Go, and several patents and acquisitions) for anticipating consumer needs and redefining retail, they have to look ahead and make bold moves to win over the eternally disgruntled shopper in a VUCA world.

3. A Word to the Wise

Every innovation in retail is now about designing an experience that’s remarkable and creates value that keeps bringing the “discerning” customer back. Shoppers are critical influencers thanks to the insane growth of social media networks and mobile commerce. To turn the “increasingly digitally connected” customer into a brand advocate and to drive sales, retailers recognize the need to be five steps ahead at all times.

Great customer service, impressively quick responsiveness, ease and flexibility, nifty tools, and mind-boggling choices have contributed to a community of happy campers worldwide. We don’t even have to go back decades to see how retailing has changed, and how much the buyer is deciding the goal of the retailer’s innovation strategy.

4. Always Be Connecting Dots”

Sir Richard Branson says that, who successfully helms diverse businesses. The A-B-C-D principle tells you to find new ways to do things with what you already have; innovation is not just finding cutting-edge technology to boost revenue. Making sense of disparate activities is a critical capability that requires effort—this is what most innovative retail companies such as Walmart, BMW, Everlane, IKEA, and Sephora do. They take these dots—customer insights, cross-functional activities, and data—and string them together to create retail magic! Twitter is

perhaps a good example with SMS technology, Live Journal, and vehicle dispatch that were integrated to build an entire business.

Imagination, ideas, possibilities—the wheel, the press—make the world move forward. By seeing dots where there aren't any, top retail companies

5. Retailers are moving in New Directions

In his 2015 report, *Leading Trends in Retail Innovation: Insights from Some of the Most Progressive Retailers Changing the Game*, Brian Solis Principal Analyst, Altimeter, tells us winning retail companies:

6. Constantly Map the Customer Journey

Engage in and understand deep consumer research, Challenge their own conventions to see how the customer is changing, translate customer insights into innovation pilots and programs gather the required teams and expertise to enable a test-and-learn environment.

Companies are moving away from traditional approaches to newer ways to find unique value propositions. For instance, Hindustan Unilever, a subsidiary of British-Dutch company Unilever, used Sprint, an innovation management platform, to crowd source ideas to understand consumer preferences in small retail stores in neighborhoods; the company wanted to capture sales data through the point of sales system and leverage it with innovative Machine Learning (ML) and analytical models. HUL found three exciting winning solutions from over 138 ideas that were submitted.

The way retail business models offer, and capture, value has evolved over the years. Whether it's changing the existing retail landscape or creating a new market like Apple did with iTunes, there has been a huge upheaval in the way business is done. Most retailers now have an omnichannel strategy focused on more than just selling products and services; they want to engage the end buyers; they want to empower them; they want to create unforgettable experiences.

7. Top Innovations Transforming Retail

Here are some examples of different innovations in the retail industry.

1. Method's squirt bottle — Innovation in packaging
2. Stella McCartney for GAP Kids — Innovation through collaboration
3. Meal solution Mix & Match Creations from Birds-eye, Tyson, and Walmart — Innovative product

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4. Uniqlo's HEATTECH design, AIRism line — Innovation in product design
5. Try Before You Buy Service from Amazon — Innovation in customer service
6. HDFC Bank's Eva Chatbot — Innovation in communication
7. Coca Cola's Customer Engagement Platform — Innovation in customer engagement
8. Holition (AR-enabled mirror) from Charlotte Tilbury — Innovation in in-store shopping experience
9. Zara's manufacturing process — Innovation in business process
10. Everyday low prices at Walmart — Innovative business model

8. What stops Retailers from achieving New Heights in Digital Innovation?

Except for leaders in the space, most chains do not (or rather are unable to) leverage analytics or SaaS solutions, adopt cloud infrastructures, embrace agile approaches, or boast omnichannel offerings.

Reluctance to upgrade brick-and-mortar stores and/or adding a digital component in delivery or supply chains (Blockbuster, for example) is a major disadvantage.

According to BCG's report, "only a handful of retailers practice 'innovation discovery', a fourth measure of IT innovation that is about exposing organizations to new ideas and tactics." This would refer to how much they used hackathons, mergers and acquisitions, venture capital, innovation labs, incubators, and other external collaborations.

When retailers are no longer connected to the product like traditional merchants, they also fail to connect with the customer and the market. The lack of a customer-centric approach is the biggest obstacle to retail innovation.

Companies sometimes measure customer experience against competitors in the same vertical. But that doesn't work for today's shopper. They want booking a hotel to be as easy as buying a pair of shoes. They want the retailer to be mobile-friendly to help them clinch the best deal.

9. Conclusion

Looking at the following analysis, you can see how emerging tech and innovation initiatives to understand the behaviors, and satisfy the desires, of the connected consumer is going to define the future of retail. Reinventing business models trumps business as usual, doesn't it?

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