

Innovation in Retail Marketing

*Mrs. P.L.Supriya

Asst. Professor in Commerce, KTSV first grade college for women, Bengaluru (India)

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*Corresponding Author

Email: [supriyapl28\[at\]gmail.com](mailto:supriyapl28[at]gmail.com)

ABSTRACT

It is widely acknowledged that innovations hold the key to the better performance and the competitiveness of firms. Yet, evidence across countries reveals that only a small proportion of firms engage in innovation activities. To some extent, this can be attributed to the high rate of failure to commercialize innovation efforts. Bearing the above said in mind, this paper explores which factors and forces determine decision of firms to innovate and the market success of their innovations. 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.

1. Introduction

The retail industry is the most sensitive to changes in consumer behavior. It is the industry that firstly responds to both positive and negative trends in the environment, and this is particularly true for food retailers. There are two major challenges in front of contemporary retailers, with the whole new set of market terms and conditions and which results in even greater need for innovation in order to survive in the market and in order to obtain the competitive advantage. These are: the recession and the rapid technological innovation. The recession as an economic fact puts retailers in front of consumers that are more sensitive to price, so retailers must innovate themselves in order to increase cost efficiency. While technological innovation, puts them in front of consumers which are fully informed, so retailers have to innovate even more in order to become better and differentiate in comparison to other retailers. Accordingly, nowadays retailers are faced with well-informed and cost-demanding consumers. So they search for ways to innovate, not only technologically but in all other ways, starting from the approach and communication with consumers, to ways of pricing and assortment planning, to ways to provide services and ways of performing business processes. In this context, it can be said that in addition to private returns, innovations provide social returns through gains in the competitiveness of industries and the improvements in the ability of nations to provide their citizens with a better standard of living. Due to the above described features, the promotion of innovations has been among most frequently advised policy recommendations for stimulation of the performance and competitiveness of firms, regions, industries and nations. The common line connecting these views is a belief that the increase of spending on R&D can pave the way for achievement of smart and sustainable growth.

2. Review of Literature

- According to J. Schumpeter, innovation is “doing things differently in the realm of economic live” (Sweezy 1943, p. 93)
- B. Kucharska indicates the feature of retail innovations which include that (Kucharska 2014, p. 23): - Changes are related to different aspects of the ways of doing things and thinking about the enterprise, supply chain, market, which means changing the previous routine and they are introduced intentionally, consciously and often long lasting.
- W.J. Abernathy and K.B. Clark have developed the following definition of retail innovation: “An innovation is the initial market introduction of a new product or process whose design departs radically from the past practices. It is derived from the advances in science and its introduction makes existing knowledge in that application obsolete. It creates new markets, supports freshly articulated user’s needs in the function it offers and in practice demands new channels of distribution and aftermarket support. In its wake it leaves obsolete firms, practices and factors of production, while creating a new industry” (Abernathy and Clark 1985, p. 6).

3. Objectives of the Study

- To study the impact of innovation in retail marketing.
- To analyze the effect of information technology in retail marketing environment.
- To study the pros and cons of innovation for retailers and consumers.

4. Research Methodology

Being an explanatory research it is based on secondary data of journals, articles, magazines, considering the objective of the study descriptive type design is adopted to have more accuracy on rigorous analysis of research study.

5. The Evolutionary Approach to Innovation In Trade And Retail

Innovation is one of the main characteristics of trade in developed market conditions. Virtually no sector of the economy is subject to such change intensity as trade. That is why the experience of the past development of trade is abundant. It offers the possibility for certain generalizations and for consideration of certain principles in the processes of innovation in trade. Innovation is the main lever of economic progress, regardless of the characteristics of the socio-political system. Product innovation contributes to the spread of the range offered on the market, but also to significant changes in marketing channels. In the wholesale and retail, innovation continuously has strengthened its position in the marketing system. Innovation in the organization of consumers and its impact on socio-economic trends has not been without impact on the activity of marketing channel members. The question is which principles have arisen from the past development of trade. They are primarily reflected in the innovation processes and application of modern techniques and technology in trade. In this regard, the following principles can be observed.

- In the economically most developed countries, innovation in trade normally occurs;
- In the trade of less developed countries, the process of accepting innovation is constantly intensifying;
- The whole process of innovation in trade intensifies, which permanently reduces the lifecycle of trade institutions;
- Large organizations dominate in innovation;

There are basically two types of innovation in trade. The first relates to the so-called institutional innovation. It is a holistic innovation in trade, in particular the innovation of individual trade institutions, such as department stores, supermarkets, discount stores, etc. The second group refers to the so-called functional innovation. It appears in the performance of certain functions or segments of the business activities of a commercial enterprise. In the long term, the leading role in trade certainly belongs to institutional innovation. This innovation can make significant advances in the overall technology and the functioning of trade. It is accompanied by certain risks and can have significant economic effects. Therefore, institutional innovation has long-term significance in trade. Functional innovation can have a daily character, and can be manifested in the daily adjustment of activities within retail outlets, but also within the entire business of a commercial enterprise.

6. Innovations in the Retail Sector

Innovations in the Retail Sector Today's retail environment is characterized by new, store and non-store, retailing formats, a wide range of new products, use of new information and communication technologies and consequently, the changing customer requirements. Apart from the profound changes undergoing in the sector, a number of new developments in technology and customer behavior in the past decades have led to a change in the relevance of different retail channels and to the evolution of new retail formats. This mainly refers to non-store retailing and the evolution of multi-channel retailing.

Notwithstanding the continuous changes occurring within the sector, it is argued that retailing is inherently less innovative than other sectors. As regards the retail sector, the main emphasis has been placed on service innovations. The term service product innovations is related to new development in the core offering of service companies that tend to create new revenue streams. For this reason it is often emphasized that first mover advantage is of utmost importance in retailing. Given the fact that new ideas will be copied and perfected, constant innovation becomes imperative to maintain competitive advantage. Retail formats have been regarded as an important aspect of innovations in retailing. During the 1980s a series of retailing innovations emerged in response to traditional forms of retailing competition, such as catalogue showrooms, home improvement centers, discount department stores and leisure supermarkets. On the other hand, current trends toward self-service in society may also pave the way for technologic innovations in supermarkets, as well as the affirmation of a wide range of self-service technologies in the retail sector. As regards non-store retailing, e-commerce has been seen as providing a major opportunity for retailing innovations over the last few years and it offers customer convenience and accessibility to both mass market and niche products. Delivery is another crucial area associated with retail innovations. As far as consumers are concerned, more recent research on attitude toward a service-based innovation suggests that the relationship between consumer innovativeness and attitude toward innovation varies across the three dimensions of perceived novelty, perceived value, and perceived risk. Moreover, it is suggested that innovations per se do not influence a positive evaluation by the consumer unless adequately supported by marketing efforts. Furthermore, consumers are sometimes unexpectedly resistant towards radically innovative product concepts due to their difficulties in understanding the novel products, ignorance or their lack of enthusiasm. The former behavior can be overcome by increasing direct customer participation in the process thus increasing the potential for market success. The major innovation in retail marketing is-

6.1 Electronic Retailing

Electronic retailing (E-retailing) is the sale of goods and services through the internet. It includes B2B, B2C. Sellers are finding tremendous advantages in this. They can increase sales and operations from local to worldwide, improve internal efficiency and productivity, enhance customer service etc.

Advantages

- Consumer convenience
- Simplicity
- Improved customer service
- Access to all markets
- Lower transaction cost
- Quick service
- Consumer can get more for less

Disadvantages

- Lack of awareness
- Lack of infrastructure
- Credit card frauds
- Cyber laws

- Stock dilemma
- Blocking and censorship
- Difficulty of reengineering
- Skepticism

7. Conclusion

Over past decades sizeable effort has been invested in development of measures and recommendations that could facilitate innovation behavior of firms. Yet, evidence from many countries reveals substantial reservation of firms towards innovation activities and failure in attempts to commercialize innovation efforts. The objective of this paper was to explore drivers of firms' decision to innovate and market success of its innovation in retail sectors of a number of transition economies. As it can be seen, channels recognized in earlier literature such

as intra-firm transfer of knowledge, multichannel retailing, horizontal and vertical market pressures and institutional environment shape both dimensions of firm's innovation behavior. In context of retail sector particularly interesting finding is the one with respect to the relationship between multichannel retailing practices and innovations that reveals skepticism on the demand side towards efforts of firms to introduce new channels of communication with their customers.

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