THE ADOPTION OF INNOVATION IN THE RETAIL INDUSTRY

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Abstract: *This paper proposes an investigation of the retail managers' attitudes on the relationship between information and innovation, and the operation of this relationship in the retail industry businesses.*
Our approach in this article is that the future of the retail industry will be undoubtedly configured by the mix of information and communication technologies with the social, economic and legislative issues, a context in which retail companies will become more competitive and will generate more value for the consumer.

Key words: *retail, information, innovation, informational system.*

1. Introduction

Retail companies sell all kinds of products: from food to computers, from clothing to office supplies, from camping products to sophisticated electronic products, from DIY products to automotive, both for individuals and for organizational users.

The "Retail World" is constantly changing under the impact of technological, legislative, economic, social and political factors, changes that generate both transparency, predictability and uncertainties.

In the global context of predictability and uncertainty, the retail industry crosses the world from side to side, with a distribution that reflects the current configuration of the global economic power. Thus, considering a top of the first 250 global retailers, we find that Europe and the United States together hold approximately one third and Japan has about 15%. Regarding the global retail brands, Europe, due to the United Kingdom, ranks first in terms of the international penetration rate -over 60%, followed by the United Arab Emirates and the USA.

Based on these developments and global trends, the consumer goods market raises complex issues for retail companies. Given the increasingly strong competition, retail companies in Romania are facing the need to solve issues regarding market mechanisms integration, problems diagnose due to competition, business start-up and development etc. Some of the major retails to increase their competitiveness in the market have set

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their own strategies that ensure both quality standards imposed by law, and on the external market (Neacşu N.A., 2017).

From a pragmatic perspective, based on relationships and information in the context presented above, we state that the retail industry develops simultaneous projections on three major axes: the consumer, the company and the society. So, marketing in the "retail sector" is based on a strong strategic reflection and on a well-structured management thinking (Bruhn, 1999).

Given these considerations, the research aims at the topic of retail business innovation based on the required and available information. Innovation itself is a business model, because it leads to a reconsideration of how to run a business, how to create value for customers and business partners.

With the increasing availability and flow speed of information, companies acquire an almost instantaneous and, most importantly, undistorted image on demand (Dovleac and Bălăşescu, 2012).

2. State of the Art regarding Information Systems and Innovation Process in Retail Sector

Innovation is one of the main drivers of economic growth today. As a concept, innovation is defined in many ways by specialists from different fields. Innovation is now an emblem of modern society.

The third edition of the OECD Oslo Manual (2005) recommends a broad definition of innovation that includes the idea of innovation in marketing: "An innovation represents the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new way of business organizing, in employment organizing or external relations. The minimum requirement for an innovation is that the product, process, marketing method or organizational method be new (or significantly improved) for both business and society".

In retail firms, the innovation process operates in several directions. The innovation process is a factor of development and also a creative force that requires radical exploration of the possibilities. Finally, innovation is itself a business model, as it leads to a reconsideration of how to run a business, how it creates value for customers and business partners.

Business models in the retail sector are based on two fundamental characteristics. The first feature is the sale of products created by others, which rarely allows an exclusive assortment, so there will be no long-term competitive advantage. Therefore, business success depends not only on what to sell, but rather on how to sell. The second feature means that retailers are in direct interaction with end users, unlike producers. Therefore, retailers should be concerned with optimizing this interaction and strengthening the relationship with customers.

In retail business models, the innovation can be achieved in two directions:

•   For the business - increasing the operational efficiency by concentrating on changing the assortment, implementing a rapid inventory system, minimizing the

volume of perishable goods unused, offers with integrated services, and expansion beyond business borders.

- For customers - creating value for the customer is achieved through innovative store formats that facilitates the shopping experience, creating an optimal assortment and related services through good cooperation with business partners, engaging consumers in making the products packages they need.

In the literature, those elements of the retail business were identified where innovations are possible: store format (Reinartz, 2011), branding (Steenkamp and Dekimpe 1997) assortment, consumer experience, technology information, new media (Mathwick, Malhotra and Rigdon 2001), payment facilities (Avlonitis and Papastathopoulou, 2000). For the business success, innovation plays an important role in the relationship between manufacturer and retailer (Shankar 2011), and multichannel marketing (Neslin and Shankar, 2009), or innovation in consumer attitudes metrics, especially in the online environment (Shankar, 2011).

For the innovation to be less risky, a powerful system must be created for the analysis of consumer attitudes (Atuahene-Gima, 2002). Accurate and comprehensive information on clients are decisive for each company (Băltescu, 2010). Companies must implement competences on relevant marketing data sources: data from consumer panels, data from multichannel systems, data from the use of loyalty cards, online data, and data from RFID tracking devices (Manchanda, 2006).

In terms of innovative technology, in the literature there is a lack of research on the retailers' expectations from the new technology that they could adopt in the store. So far research has been directed towards consumers' expectations regarding the technology they want to find at the point of sale (von Hippel and Katz, 2002; Bonner, 2010), but there is no focus on the retailers' needs (Pantano and Viassone, 2014).

Commercial situations are clearly affected by the source effect (generated by the prestige of the producer) (Balasescu, 2011).

Improving quality requires the adoption of a new set of values learned by all staff, attitudes and behaviours of production, oriented towards customer satisfaction (Madar, 2016).

Different optics for the innovation perception by suppliers and beneficiaries can lead to failure, from the perspective of the actual capacity of innovation to meet the real needs of consumers. In this context, the innovation needs to be approached by retailers through strict product similarity, and the accuracy of the response to the consumers' needs (Von Hippel and Katz, 2002).

3. Research Methodology

The marketing research regarding the *attitudes, opinions and behaviours of retail managers of Brasov city on acquiring and using marketing information* was realized based on a survey that used a questionnaire with 38 questions. The data was collected between February 15 and May 15, 2017. The questionnaires were applied by eight interviewers who were trained in advance.

This marketing research is based on a set of hypotheses designed to direct the investigation. These are:

H1. A relatively small portion of the local retail firms act in terms of the modern concept of information integration in the decision-making processes of marketing and distribution;

H2. Information is necessary in retail companies for knowing the consumer behaviour and for taking appropriate decisions on the adoption of innovation;

H3. Most local retail managers believe that obtaining information from their partners (suppliers and customers) is a very difficult activity, requiring modern and innovative collection technologies.

The research objectives are:

• To determine the importance given by retail managers to acquiring and using marketing information for business development.

• To identify the types of marketing information currently used by retailers, and also the information that should be available.

• To determine the retail managers' satisfaction regarding the marketing information exchange with partners (suppliers and customers).

• To determine the usefulness of existing marketing information for innovation in the retail business.

• To determine the concrete possibilities of implementing a successful innovation process in the retail business, and determine the managers' interest in innovating for business development.

• To identify the main types of innovations that retail managers intend to implement in their business as soon as possible.

The population for this research includes all active retail companies registered in Brasov city. From the companies selected to be in the sample, the managers responsible for marketing were interviewed.

In order to determine the *sample size* a confidence level of 95% was considered and a 5% error. The resulting sample size is 384 companies. For setting the sample, the method of proportionally stratified random sampling was used, given two variables: the size of firms and the predominant form of trade. The samples corresponding to the layers were established based on the firms' lists, applying the systematic sampling method.

The sample representativeness is ensured in structure and statistical size considering an error of 5%. The *sample validation* was made considering the firm size and type of goods sold.

4. Results and Discussions

Results show that more than three quarters of the local retail managers (78.4%) are largely interested in **acquiring marketing information** for developing their activity of selling goods.

The most **used methods of collecting marketing information** mentioned by retail managers are: secondary data analysis from media and the online environment

(mentioned by all managers) and observation of the consumers' behaviour (99.7% of the cases). This is explained by the fact that these sources of information are more accessible and less expensive compared to the probabilistic survey (indicated by 8.3% of respondents) or exploratory qualitative research (indicated in 9.9% of the cases). Also, their own data base is used by 60% of managers.

Each retail firm has a distribution policy that relates to the marketing mix policies with policies of innovation, quality, staff, and spatial territory. Retail managers were asked to rank these policies, according to the importance in the retail policy design. On the first rank the assortment policy was placed, number 2 is quality policy, 3 is price policy, and in decreasing order of importance are: employment policy, the advertising policy, merchandising policy, sales promotion policy, innovation policy and ultimately territorial policy. We can see that innovation policy has a low importance for retailers.

Regarding the importance given by managers to the consumer behaviour study, the following results were obtained: 38.3% of managers consider this aspect very important, and 27.1% consider it important. Only 3.1% rated this as very little important.

Research results show that only 15.6% of retail firms have specialized personnel to collect, process and interpret marketing data. In small retail firms, this specialized personnel practically does not exist. Even in the large and medium firms more than half do not have staff specialized in creating and managing databases.

Only 13.5% of retail managers have used a company specialized in marketing research. The 86.5% of the respondents who have not, have diverse reasons. Thus, 35.4% of them pointed to the lack of financial resources, 29.4% have raised distrust of the available information. In contrast, 21.6% of managers considered that marketing research is not necessary for their business.

For companies which are really customer oriented, the marketing research is a complex method of gathering marketing information. In general, companies with strong financial resources use marketing research agencies, even if they are expensive. 85% of the managers who have used marketing research have found the research results very useful.

For a company concerned with its market position and its competition, an information resource that should not be neglected is the online environment. Questioning the retail managers on this issue revealed following results: 82% of the companies search for information on the internet daily, 10.9% search for it weekly and the rest more rarely.

Regarding the amount of information received by the retailers from suppliers, 31.5% of respondents say that they receive very little information, and 15.9% say that suppliers provide a large amount of data. The types of information received the most easily from suppliers are: information about new products first - 33.6%; information related to new emerging technologies - 30.2%; consumer preferences - 13.5%; forecast sales - 13%.

Regarding the r**eal possibility of adopting a successful innovation process in the retail business**, one third of the managers (31.2%) consider this highly possible, 25.3% - possible, and about 23% of managers believe that innovation in retail is hardly possible.

Only about a third of all respondents (27.9%) say they **were concerned to innovate for business development** and for more success on the market. Of these, most of them innovated in relation to the marketing mix: offers (products and services) in store (79%),

product promotion (54%), assortment (42%), products disposal in the store (23%), the sales form (12%). The structure of responses is shown in the following figure.
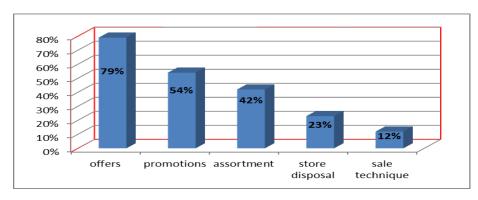

Fig.1. *Main innovations in the store*

Source: *own research*

Regarding the **tools available to collect information**, 73.8% of the managers who innovated in business, did it starting from the information included in the customer database, 32% of managers used mainly the marketing research results, and 89% have used the Internet as a reliable information source.

The retail managers **took the decision to innovate their business based on the following information**: information about consumer behaviour, especially customers (25%), the evolution of their own sales (23%), competition strategies (17%), competition sales (16%), the supplier behaviour (12%), information about the economic environment and other information (7%). These results can be seen in the following figure.
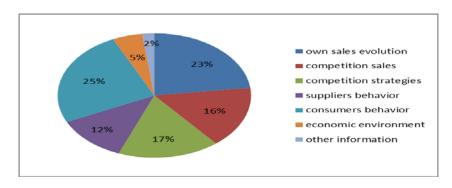

Fig. 2. *Main types of information used in the innovation decision*

Source: *own research*

The chi-square test (Constantin, 2006) has revealed that there is a link between the type of products sold by the retail firm and its interest in innovation. It has been observed that the retail firms from the non-food sector have a higher interest to innovate than the retailers from the food sector.

A very interesting aspect highlighted by the research is that 60% of managers have admitted that they have **used the intuition in making strategic decisions**, and not the

information from marketing research. But even so, 27.6% say they have managed to innovate their business.

In a competitive market like the retail market, an innovative marketing strategy becomes a more pressing requirement. Analysing the importance given by retailers to this issue, we found that in 48.6% of the businesses that have innovated on the operational level (the marketing mix), managers have innovated at strategic level, too. They have applied innovative strategies, demonstrating that they have an overall view and give importance to the whole innovation process at all business levels.

The greatest number of effects of implementing innovations based on information, mentioned by retail managers are: sales growth (45.8%), increased customer satisfaction (22.4%), customer loyalty (13, 1%), operations efficiency (8.4%), improvement of store image (5.6%), increased awareness (4.7%).

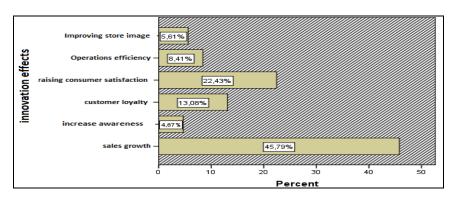The structure of the responses is shown in the following figure.

Fig. 3. *Main benefits of innovation for retailers*

Source*: own research*

Both in the food and non-food sector, sales growth was the main effect of innovation (in over 40% of cases). But differences in the effects of innovation appear at the sector level: in the food sector the effects are reflected especially on consumers (increased customer satisfaction and loyalty), while in the non-food sector, innovation effects occur both for consumers and the business (increased customer satisfaction and operations efficiency).

When retail managers were asked what they would like **to innovate in their business first in the near future**, 38% of them said they intended to innovate the marketing mix, 35% intended to adopt new technologies, 19% intended to innovate the personnel policy, while 8% would consider other ways of innovation. The structure of the responses is shown in the following figure.
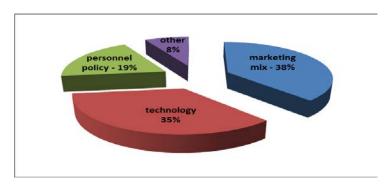
Fig. 4. *Main intentions of innovation in the future*

Source: *own research*

The chi-square test has revealed that the size of the retail business influences the type of innovation that should be implemented. Moreover, the contingency of two variables has showed that for large retail companies innovation intentions are first related to technology (34%), in opposition to small firms, where the main focus is on the marketing mix innovation (39.1%). Also, the type of products sold by the retail firm influences the type of innovation to be implemented, as demonstrated by applying the chi-square test again.

The following contingency table shows that, for retail firms in the food sector, the main concern is related to innovation in technology, and, for the firms in the non-food sector, the innovation is related to the marketing mix.

Contingency between innovation intentions and the trade sector   Table 2

| | | Trade sector by type of goods | | Total |
		Food	Non-food	
innovation intentions	marketing mix	32,8%	42,6%	38,0%
	technology	36,7%	33,8%	35,2%
	employees	21,1%	17,2%	19,0%
	other	9,4%	6,4%	7,8%
Total		100,0%	100,0%	100,0%

Source: *own research*

The research results have shown that retailers have begun to truly understand the need to adopt innovations in their businesses (no matter the business size or product types). Although an important part of retail managers still make strategic decisions based more on intuition than on information, more and more of them realize that information is a valuable resource to be effectively exploited for business innovation.

The limits of this marketing research are mainly due to the managers' lack of time, giving incomplete answers in some cases gave, or the refuse of certain structures of retail managers (initially included in the sample) to participate in research.

5. Conclusions

Current developments in the consumer goods market raise important and complex issues for all retail companies. Due to competition, the Romanian retail businesses face the need to solve issues regarding the integration in market mechanisms, to diagnose problems from competitive environment, business start-up and development etc. Furthermore, due to the direct relationship between their activity and the market requirements and the need for innovation, retail firms must know and follow their requirements. This phenomenon requires multiple studies, research and analyses that finally lead to different types of innovations in retail businesses.

In the knowledge-based society, innovation becomes an essential process for businesses to be competitive in the retail industry. The central objective of this paper was to determine the role of information in adopting innovation in the retail industry.

Analysing the literature, it has been noticed that innovation processes in the retail industry inevitably involve the use of the best information and communication technologies in the traditional points of sales. This effect of the digital age is felt in retail, where it contributes significantly to improving the consumer experience. Being a development factor and also a creative force, the innovation process benefits both retailers and consumers.

The analysis of how to integrate innovation in the retail industry based on information was possible due to the marketing research regarding attitudes, opinions and behaviours of retail managers from Brasov city on the collection and use of information.

An important recommendation concerns the need of innovation in retail business based on relevant information collected from the market. Small retailers must understand that innovation is the tool that can help them survive on the market and can offer the advantage in a highly competitive environment.

If the small retailer cannot afford to invest in adopting new technologies, innovation in value-added services to create a memorable experience for the consumer may be the key element in an environment where competitors sell the same products in the same format shop.

Consumers' interest in social media and their active involvement in social networks can be used by retailers to increase their business efficiency. The online environment is not only a way of promoting product and store image, but rather a communication method between the retailer and their current and potential customers. Through social media, the retailer can directly and quickly get valuable information from customers for his business and also can communicate to customers and other audiences in a very efficient way.

Deepening the analysis of the online environment and of the new information technologies' impact on the retail business is an important future research direction. Also, the investigation of the differences between the needs of innovation for retailers in the food and non-food sector may be the subject of further research.

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