

Evaluation of the impact of innovation processes and activities on Romanian retailers and consumers through marketing methods and techniques

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Abstract: *Through this study we propose, with the help of specific marketing methods and techniques, to assess the impact of innovation processes and activities, both from the retailing and consumers perspective. To the basis of these evaluations are the results of two market studies, one conducted among retailers in Brasov (Romania) and one conducted among retail consumers from the same city.*

Key-words: *innovation, retailing, innovation marketing, marketing research*

1. Introduction

Worldwide, retailing has an important role and together with the wholesale trade, is an intermediate link in the flow of producer-consumer relations (Patriche et al, 2004). In this context, operators must be able to cope with high and complex customer demands to be able to maintain a high level in this market. The only way that any company (no matter what size or nature of business) could successfully cope with market challenges and defeat the competition is innovation. Due to the fact that trade is an area where companies must constantly understand customer needs, it must anticipate behavioural changes, requiring, beside market research, innovation for designing products, processes and services for customers (Popescu 2006, pag 76).

Analysing the way distribution systems evolved in various countries it can be seen that, in all areas of the globe, the distribution has become progressively a particularly dynamic sector, suffering mutations in all areas, always changing methods, distribution forms, geographic distribution (Balasescu and Balasescu, 2010) .

The evolution of world economy highlights the fact that, all over the globe, the trade, especially retail trade, became progressively a very dynamic economic sector, knowing changes on all levels: sale methods, distribution forms, geographic distribution of business management (Balasescu 2013, pag 15-20).

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The modern economy has led to new requirements towards retailing, causing it to develop and provide services that improve the system to meet customer needs and increase their satisfaction. To achieve these objectives, trade appeals to innovation – something new, a change, technical improvement or rationalization of solutions applied (Balasescu 2012, pag.9-15).

Innovation does not have a narrow sense, so it can be used in the social and artistic systems, government, business, etc. The goal of this paper is to identify the views and attitudes of retailers on trade innovations, determining the importance of innovation, and thus innovation marketing, in trade sector, a complex sector evolving and adapting to market demands and customer needs. We will determine how necessary innovations are and what role they occupy in large retailers' activity. Also, the paper is also considering how consumers perceive retail innovations. For the success of own research we carefully analysed previous studies conducted on this topic. We tried to eliminate redundant approaches to totally focus on the latest results and conclusions (Balasescu 2012, pag. 9-15).

2. Results of research of the opinions and attitudes of retailers from Brasov, Romania, related to retail innovations

2.1. Qualitative research methodology and conclusions

The topic of the qualitative marketing research is: "Opinions of retail managers from Brasov regarding the importance and utility of retail innovations".

a) Sample size and structure

The sample was form using a database with retail companies in Brasov. This list includes 4929 retail companies, of which 3495 firms are active. For this qualitative research we chose 12 managers with appropriate differentiation according to company size and trade form. The research results cannot be extrapolated.

b) Research method

For this research we chose a projective method: the test of sentences completion (Lefter 2004, pag.39). The list of 10 sentences is presented below.

- An innovation is
- Until now I am satisfied with retail innovations because
- In retail, innovations offer
- The most important benefit of retail innovations is.....
- I consider that RFID technology is
- Since we implemented the informational system
- Selfservice in retailing is.....
- The merchandising activity indispensable for my firm activity is.....
- Bar codes simplified the trade activity by

▪ Retail innovation users are

c) Research hypothesis and objectives

The most important objectives for this marketing research are the following:

- Determining the opinions of retail managers from Brasov regarding the role and importance of innovation in this field.
- Determining the opinions of retail managers from Brasov regarding the utility of retail innovations already used.
- Identifying innovations that brought the biggest changes in the activity of retail local firms.
- Identifying the views of managers from Brasov on RFID technology.
- Identifying innovations currently used in trade by retail local firms.
- Identifying the advantages that innovations have brought to retail local firms.

Starting from the managers answers it was made the content analysis based on vertical and horizontal analysis.

d) Research conclusions

After analyzing the information collected from the projective method (sentence completion test) were identified and clarified the main issues related to the opinions and attitudes regarding innovation in trade sector. These results are extremely useful because it forms a solid basis for descriptive research that was done based on this study.

It was found that innovations are considered important by all managers, regardless of size firms, but recent innovations, such as RFID technology, are difficult to absorb by small and medium-size firms due to lack of financial resources.

In retail, self-service is considered a form of effective sales form and an indispensable component of this area, and in terms of merchandising, the activity most appreciated by managers is continuous product availability. Information systems have increased the efficiency in the sense that they have not encountered problems with on time products delivery and have effective control of the entire activity. Regarding RFID technology, the advantages listed by respondents were: higher communication speed, simultaneous reading of multiple tags and higher storage capacity. The main disadvantage mentioned by managers was the high cost.

Managers are satisfied with the retail innovations because they simplified their work, have helped reduce customer service time and enabled them to adapt rapidly to market conditions, especially in the current economic crisis.

2.2. Quantitative research methodology and conclusions

The topic of the qualitative marketing research is: *"Opinions and attitudes of retailers from Brasov regarding retail innovations"*

Quantitative research is considering the same issue, studied in the qualitative

research, aiming to respond to requirements for measuring different phenomena and to ensure the representativeness of the results.

The main **objectives** of research are:

- Measurement of the importance given by retail managers from Brasov to the retail innovations.
- Knowledge of the importance given by retail managers from Brasov to the innovations already used.
- Finding the opinions of retail managers on the effectiveness of innovations currently used (self-service, merchandising, bar codes, information systems).
- Identifying the segment of retail managers who have implemented RFID technology.
- Determining the utility of RFID technology for the retail managers.
- Identify financial and economic crisis effects on the retail business.

The basis for the research sample consists of all active retail companies registered in Brasov. The sample size is of 200 retail firms from Brasov and the respondents are managers of these retail firms. For the sample was used the stratified sample method.

Research conclusions

The importance of innovations in retail trade was an important topic of this investigation. All respondents stated that innovations are important in their activity. Last year 51.9% of managers used product innovation, 22.2% used marketing innovation and 18.5% used organizational innovation. Only 7.4% used process innovation.

Another issue addressed in this research was the importance given to retail innovations used by retailers. The managers ranks first the barcodes. Second they placed the management information systems, merchandising came the third and the 4th place was self-service. This shows that, overall, managers give a greater importance to those innovations that have facilitated the work. Although the last place in importance, self-service is considered an effective way of sale by 90% of managers surveyed. In their view, the characteristic of "non-involvement of sellers" in the buying process, has the greatest importance for consumers, followed by "offering a large number of products".

The barcode was appreciated as an useful innovation, lightening a lot their work. The most important benefit of barcodes mentioned was the effective stock control. The next places were occupied by: automatic selection of price, traceability of serial numbers, reducing serving time and eliminating errors caused by human operation.

In trade sector, all managers use merchandising, considered important by 51% of respondents and very important for 43%. Among the merchandising activities, managers specified the permanent availability of the products in the store as a priority, the presentation of products on shelves and signaling and publicity material existence.

From all respondents, 93% had an information system. After the introduction of these information systems, 74% of managers have never encountered problems with ontime product delivery. The 19% who have encountered problems with the delivery of the products mentioned that this have occurred due to relationships with certain suppliers who did not respect orders and delivery periods.

Another important issue for the marketing research was to identify the views of retail managers on RFID technology and its utility. 49% of respondents have not yet implemented this technology, the main reason being the lack of financial resources. Of these, 71.4% are not planning to implement this technology in the near future.

51% of managers which implemented RFID technology, said that the main reason for its introduction was the possibility to read multiple tags simultaneously (45.1%). 70,6% appreciated the technology as helpful.

3. Research methodology and conclusions

The next research is „*Attitudes, opinions and behaviors of citizens of Brasov regarding retail innovations*”.

The major hypermarkets in Brasov are considered Kaufland, Carrefour and Auchan, so we wanted to hear the views of citizens on innovative methods of customers attraction, if customers have used them and found them effective, and if the purchasing process was simplified. Also we consider important to find out their attitudes towards how these innovations are implemented, if these changes are really desired or not in their lives.

The **objectives** of this research are:

- identifying attitudes of Brasov citizens on the hypermarkets, the frequency of buying and satisfaction level.
- determining if Brasov consumers appreciate innovations in hypermarkets and if they consider important or are reluctant to the changes increasingly directed towards the use of high technology.
- identifying the most effective innovations brought by hypermarkets and what other innovations would consumers want.

For this research, the basis population was considered all people over 16, from Brasov, consisting of 491.796 consumers, according to Department of Statistics Brasov County (insse.ro), of which 51.5% women and 48.5% men. The representative sample consists of 220 persons, 113 females and 107 males.

We used stratified sampling, the groups being represented by Brasov neighborhoods. The randomly extracted districts were Barolomeu, Racadau and Astra. Then, randomly were extracted the streets from these districts followed by the inventory of buildings. The data was collected from the field by questioning one person from every household which meets the criteria sample.

Research conclusions

What seemed to be questions about the location, products and changes, in fact are part of an innovative marketing strategy of hypermarkets which is applied on them, whether people realize it or not.

Despite the proximity, it seems that most residents of Bartolomeu district prefer to buy from Carrefour and not Auchan. This may be because Auchan prices are somewhat higher compared to the competition but we think the result can be influenced by the fact that it is his hypermarket is the newest on the market in Brasov.

Most respondents used to buy weekly from hypermarkets, choosing them due to the variety of products they can find in one place, lower prices than the convenience stores, but also the various offers and promotions that are found. More than 50% of consumers are satisfied of these advantages. These are strategies that were based companies to attract consumers, and as we can see they are effective.

Hypermarkets try to use the technology more intensively, but this does not satisfy all consumers. Although more than 60% consider that these changes are useful, those with older age and with skepticism reject the idea of change. For example, the scan system of products with the smartphone, without having to wait in line at the cash registers, but paying them in a special place, which Carrefour already practice in other states, it is considered effective in Braşov by 50% of respondents. Its applicability is questioned and some people would find it too complicated, but the desire to have what others have, the desire to have advanced technology exists among Brasov citizens. Based on smartphone, Carrefour wants to develop the customer loyalty strategy by forming a fidelity group. One of the benefits of the membership to this group would be the access to a barcode. When this barcode would be scanned from the smartphone at the cash registers it would provide automatic reduction on all purchased products. Applying the tests we can guarantee that more than 80% of the population would like to belong to such a group. But even we live in the age of technology, 61% of respondents say they would not use an online platform or phone application to buy the needed products, because they want to choose the products themselves.

But the shorter time we have available and convenience have led some people to use courier services for shopping. So we can say that the chances for such a strategy to be effective, however, are good. We consider essential that the large and powerful groups such as those which include the three hypermarkets analyzed, to consider the technological developments and try to implement as many innovative products and services to ease and improve shopping experiences. But for those conservative and skeptics consumers regarding the technology, companies must consider and find more simple methods. Hypermarkets must turn their attention to organic products from local suppliers and provide more product variety for people more and more concerned about health and fitness.

4. Conclusions

In the current economic situation, retail companies face the problem of staying on the market, reducing costs and offering products at prices as low as possible so customers do not shift to other sources of supply. In Romania this domain has faced a strong development at all levels (production, import, distribution, trade) but, by the end of 2009, this development began to stagnate or even decrease, some retailing companies reaching insolvency.

Due to the strong competition on the consumer goods market, retail companies must think to effective solutions which help them stay on the market and to help them overcome more easily this period.

Scientific studies and research undertaken by us have highlighted the need and importance of innovation in this field. However, traders should invest in research, because this help them to know and to follow the market requirements and then to use various innovations to achieve competitive advantage.

The scientific approach aimed, on the one hand, to identify the views of retail managers in Brasov on innovations. There were conducted two marketing research, one qualitative and the other quantitative. On the other hand, other research studied the attitudes, opinions and behaviours of retail consumers from Brasov.

The information provided by the managers of Brasov led to some meaningful conclusions. The most important conclusion is that, overall, the managers of retail firms from Brasov are aware of the importance of innovations in this sector, of their need for facilitating the commercial activity and to successfully cope with the increasingly higher demands of consumer.

Another meaningful conclusion shows that there is a clear differentiation between small independent retail firms, acting at regional or local level, and large firms in terms of innovations implementation and assimilation. Small companies due to limited financial resources, implement innovations over a long period of time. Large companies more easily assimilate innovations, using them much earlier and thus streamlining the business and attracting consumers.

From the study conducted among retail consumers the major conclusion is that consumer demands increased, wanting either quality products at low prices or exclusive products, unique, no matter their price. Technology is part of our life and its development is so fast that few companies succeed to keep pace with it. But consumers wish to find on the market last generation of technology and to share the latest innovations on the market.

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