

The role of innovation in the trade industry

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Abstract: *This paper researches the attitudes of managers of small and medium companies from Brasov concerning the importance of the innovation process for their business. The objective of this paper is to determine the present level of innovation in trade industry and the future innovation strategies. The conclusions of this research are based on the results of a marketing research among managers from Brasov city. From our point of view the future of the trade industry will be configured by the mix of information and communication technologies with the social, economic and legislative issues, context in which trade companies will become more competitive and will generate more value for the consumer.*

Key-words: *innovation, informational system, competitiveness, information and communication technology*

1. Introduction

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

In the global context of predictability and uncertainty, the trade industry crosses the world from one side to the other, with a distribution that reflects the current configuration of the global economic power. Given the increasingly strong competition, trade companies in Romania are facing the need to solve issues regarding market mechanisms integration, business start-up and development etc.

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

Given these considerations, the present research touches the topic of business innovation based on 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.

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Following a central goal, the specific objectives of the paper are:

- the analysis of the integration of the innovation process in the trade industry;
- some recommendations for business competitiveness using innovation.

2. Literature review

Today becomes more clear that innovation processes in the trade industry invariably and inevitably involve, inside the traditional point of sale, the use of the best information and communication technologies like: interactive displays and smart mirrors, search systems and buying systems for customers (Evans, 2011; Pantano and Di Pietro, 2012; Bodhani, 2012; Pantano and Viassone 2014), correlated with automatic selection and delivery systems, biometrics, DNA sequences, voice recognition systems, magnetic resonance, smartphones, etc.. This way is configured the so-called blocks of the future (Deloitte, 2014). These technologies provide interactive content and services to enrich the in-store consumers experience, providing them with detailed, personalized information (Rudolph and Emrich, 2009; Bennet and Savani, 2011). At the same time, symmetrical feedback is received from consumers, as packages of detailed information provided by them. With the increasing availability and flow speed of information, companies acquire an almost instantaneous and, most importantly, undistorted image on demand (Dovleac and Bălășescu, 2012).

Inside a trade firm, 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 (Fisk, 2008).

Innovation in trade business involves certain risks. If the innovation could be that easily imitated and entry barriers are low, the competitive advantage does not last too long (Adner and Zemsky, 2006; Makadok, 1998). Another risk is related to the adoption of advanced technology to the point of sale. Despite the potential benefits that these technologies can bring to the consumer experience and business profitability, very few retailers adopt them (Pantano and Viassone, 2012). This is due to the risks related to the uncertainty of technological efficiency or large financial investment difficult to recover (Evans, 2011; Alkemade and Suurs, 2012), consumer refuse to accept the technology, the technology pace of obsolesce (Di Pietro and Pantano 2012; Zhu et al. 2013).

For the innovation to be less risky, there must be created a powerful system for the analysis of consumer attitudes (Atuahene-Gima, 2002).

3. Research methodology

The marketing research regarding the attitudes of the managers in Brasov city concerning the adoption of the innovation process was conducted based on a survey using a questionnaire with 22 questions. The data was collected between May 15 and August 15, 2014. The research objectives are:

- To determine concrete possibilities of implementing a successful innovation process in the trade business
- To determine the managers' interest to innovate for business development.
- To identify the main types of innovations that managers intend to implement in their business as soon as possible.

The target for this research includes all active trade companies registered in Brasov city. The effective sample size is of 235 companies. For setting the sample, it was used the method of proportionally stratified random sampling, 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 systematic sampling method.

4. Results and discussions

From the research results, we selected the ones that are most relevant for our topic. Results show that more than three quarters of local trade managers (78.4%) are largely interested in acquiring marketing information for developing their activity of selling goods.

The managers were asked about the extent to which information contributes to the development of innovation process in trade business. The managers' opinions are the following: 38.4% of respondents consider that information has a very large contribution to innovation, 27.4% - a large contribution; 19.4% - small contribution; 8% - very small contribution, and 6,8% believe that information does not contribute in any way to the development of business innovation. It is important to note that 70% of trade managers consider that innovation process in the trade firm can be achieved mostly due to the information from marketing research.

Regarding the real possibility of adopting a successful innovation process in the trade business, a third of managers (32,8%) consider this highly possible, 24,2% - possible, and about 21% of managers believe that innovation in commerce is hardly possible.

Only about a third of all respondents (28.6%) say they were concerned to innovate for business development and for more success on the market. Of these, most innovated in relation to the marketing mix: offers (products and services) in store (81%), product promotion (64%), assortment (48%), products disposal in the store (21%), the sales form (10%).

The managers took the decision to innovate their business based on the following information: information about consumer behavior, especially customers (26%), the evolution of their own sales (22%), competition strategies (18%), competition sales (15%), the supplier behavior (11%), information about the economic environment and other information (8%).

In a competitive market as trade market, an innovative marketing strategy becomes a more pressing requirement. Analyzing the importance given by the managers to this issue we found that in 47.8% of the businesses that innovated on the operational level (the marketing mix), managers have innovated at strategic level, too. They applied innovative strategies, demonstrating that they have an overall view and give importance to the whole innovation process at all business levels.

The main effects of implementing innovations based on information, mentioned by managers are: sales growth (46%), increased customer satisfaction (25%), customer loyalty (12, 1%), operations efficiency (9.3%), improvement of store image (4.3%), increased awareness (3,3%).

Both in 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 (increase customer satisfaction and loyalty), while in the non-food sector, innovation effects occur both for consumer and business (increased customers satisfaction and operations efficiency).

When managers were asked what they would like to innovate in their business first in the near future, 40% of them said they intend to innovate the marketing mix, 33% intend to adopt new technologies, 17% intend to innovate the personnel policy, while 10% will consider other ways of innovation.

The research results show that retailers begin to truly understand the need to adopt innovations in their businesses (no matter the business size or product types). Although an important part of 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 managers lack of time, who in some cases gave incomplete answers, or to the refuse of certain structures of management (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 trade companies. Due to the competition, Romanian trade businesses face the need to solve issues regarding integration in market mechanisms, diagnose problems from competitive environment, business start-up and development etc.

In the knowledge-based society, innovation becomes an essential process for businesses to be competitive in the trade industry. The central objective of this paper was to determine the present level of innovation in trade industry and the intentions of innovation in the future. Analyzing the literature it was noticed that innovation processes in trade industry inevitably involve, in the traditional points of sales, the use of the best information and communication technologies. 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.

Research results show that in nearly half of the businesses innovating at operational level (the marketing mix), managers have innovated at strategic level too. They applied innovative strategies, demonstrating that they have an overall view and give importance to the whole process of innovation at all business levels.

As a recommendation, small firms 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. Consumers' interest for 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 company and its current and potential customers. Through social media, the company can directly and quickly get valuable information from customers for his business and also can communicate in a very efficient way to customer and other audiences.

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