

OPINIONS OF MANAGERS FROM BRASOV REGARDING THE NECESSITY OF INOVATIONS IN THE RETAIL INDUSTRY

Simona BĂLĂŞESCU¹

Abstract: *Modern economy has led to new demands from the retail commerce, determining it to develop and provide services that improve the process of satisfying consumers' needs. To achieve this objective, trade appeals to innovation. More and more managers of retail companies realize the need of assimilating these innovations which can be news, changes, improvements, or rationalization of applied solutions.*

Key words: *innovation, retail, qualitative research.*

1. Introduction

Worldwide, the retail commerce has an important role because together with the wholesale commerce, it represents an intermediate link in the producer-consumer relations flow. [3] But retailers today can no longer be accurately characterized as “merchant intermediaries” that buy from suppliers and sell to customers. Rather, they are best described as orchestrators or conductors of two-sided platforms that serve as ecosystems in which value is created and delivered to customers and, subsequently, appropriated by the retailer and its business partners. [7]

In this context, traders must be able to cope with high and complex customer demands, in order to maintain a high level in this market. Retailers must know that they can gain customers by selling not just products, but an entire experience that – while centered on the products – adds an entirely new exciting layer to the retail setting.

A sustained focus on improving the customer experience may prompt retailers to identify innovative ways to best align their “backstage” (back-office), “frontstage” (physical environment, service employees, service delivery process), and “auditorium” (fellow customers) design areas. [8]

The only way for any company (no matter the size or nature of its business) to successfully face the market challenges and defeat the competition is innovation. In the commerce area, companies must constantly understand customer needs and anticipate behaviour changes. Therefore, they need to conduct market research, but besides that, they need innovation for creating products, processes and services around customers. [6]

This paper presents the results of qualitative marketing research conducted among retail managers from Brasov. The main objective of the research is obtaining information on the importance given by

¹ Dept. of Economic Sciences and Business Administration, *Transilvania University of Braşov*.

managers to the innovation process in retail.

2. The importance of innovation in commerce

An established definition of the term *innovation*, which refers to products, services and processes, was given by G. R. Pinchot and Pellman in 1999. It explains that: "Innovation is the creation and bringing profitable use of new technologies, new products, new services, new marketing ideas, new systems and new ways of operating." [5]

Innovation is one of the five factors of productivity growth. The other four are: skills, investment, entrepreneurship and competition. Innovation may create the conditions for business success and help companies face the challenges of globalization. [4]

There are four types of innovations according to OSLO Manual[9]:

- Product innovation
- Process innovation
- Marketing innovation
- Organisational innovation

In the commerce area, all four categories mentioned above are important. Their combination lead to a positive image of companies among consumers and employees and help increase sales by creating more attractive products to customers and by implementing improved models of business management system, or modern methods of labor management. [1]

In the retail industry, the company's innovation can bring multiple benefits to companies as follows:

- Generates and maintains the competitive advantage of the firm;
- Contributes to developing and maintaining the market position occupied by the company;
- Facilitates trade activities;
- Facilitates the performance of various operations;
- Reduces production costs;

- In a crisis situation, ensures the trader survival on the market;
- Provides opportunity to expand the covered market area;
- Helps the trader face frequent changes in customer expectations and needs.

Among the most important innovations in commerce over time are the concept of self-service, the bar codes, the RFID technology, the concept of merchandising.

3. Methodological aspects regarding qualitative marketing research

The theme of qualitative marketing research is: "The opinions of retail managers from Brasov on the importance and utility of innovations in the commerce area."

The research method used is the pencil and paper interview, which aims to identify, clarify and define what is relevant and meaningful to the topic.

The method is based on the existence of a list of themes and sub-themes, presented as questions in a questionnaire. [2]

This qualitative research was attended by 12 retail managers from Brasov. The research was conducted from March to May 2011.

The *general assumptions* for this research are:

- Generally, the retail managers from Brasov consider that innovations are needed in the commerce area.
- The retail managers from Brasov consider that innovations help companies achieve a competitive advantage.
- A relatively small part of Braşov retail managers consider that RFID technology is useful.
- The majority of retail managers are satisfied with the information systems they use.
- The retail managers from Brasov believe that the use of bar codes facilitated their work.

The *main objectives* of the qualitative research are:

- to identify the opinions of the retail managers from Brasov on the role and importance of innovation in this area.
- to determine the extent to which managers of retail companies find the innovations they already used useful.
- to identify the innovations that brought the biggest changes in the activity of retail companies from Brasov.
- to identify managers' opinions on RFID technology.
- to establish the types of innovations commonly used by retail companies from Brasov.
- to identify the advantages that innovations have on the activity of retail companies.

The *interview guide* used to collect the information from participants includes the following themes and sub-themes:

1. The importance of innovations in the retail trade.
 - 1.1. In your opinion, which is the importance of innovations in commerce?
 - 1.2. What is the role of innovation in retail?
 - 1.3. Do you think that these innovations are useful for your activity?
2. Identifying the innovations used by retail managers from Brasov.
 - 2.1. Do you use innovations in your commercial activities?
 - 2.2. Why do you use these innovations?
 - 2.3. Do you use self-service in your business?
 - 2.4. Which self-service feature do you think is appreciated by your customers?
 - 2.5. How important do you think is merchandising for the retail activity?
 - 2.6. Do you use merchandising?
 - 2.7. Which are the advantages of bar codes in your opinion?
 - 2.8. In your business, do you use an information system?

2.9. What part of your company's information system is a key component in your activity?

3. Evaluation of RFID technology.
 - 3.1. Did you implement the RFID technology?
 - 3.2. In your opinion, which are the benefits of this technology?
 - 3.3. Which do you think are the disadvantages of this technology?
 - 3.4. How useful is this technology for your activity?
4. Opinions on the changes generated by innovations
 - 4.1. Do innovations influence your sales?
 - 4.2. In which way do these innovations affect your sales?

4. The results of qualitative marketing research

Vertical analysis

Subject 1 (manager of a small business - non-food goods) stated that innovations are important because they help to maintain a competitive advantage. He believes that in retail, innovations are necessary, and regarding self-service, his customers show a special interest in the wide range of products. In terms of merchandising, the biggest advantage is the permanent availability of products. Bar codes are important because of the effective control of inventories. The company has an information system and its main component is the administration system. RFID Technology is very useful in the respondent's opinion. Its advantage is the higher speed of communication and the disadvantage is its high cost.

Subject 2 (manager of a small business - food retail) consider innovation important because they facilitate work. The innovation used inside the firm is the self-service, considered important by customers due to the sellers' lack of involvement. Also a very useful innovation is merchandising, which regards the product

presentation on the shelves. The manager is very satisfied with barcodes because the automatic selection of prices is more efficient. The firm does not yet have an information system so the manager has not expressed his views regarding the RFID technology.

Subject 3 (manager of a medium-sized firm – food retail) stated that innovations are important because they ensure the quick adaptability to frequent changes in customer needs. He believes that customers consider it important both the free movement through the store and the ambiance. The manager is satisfied about barcodes because they provide effective control of stock. The firm does not have an information system or a RFID technology.

Subject 4 (manager of a small business – food retail) identified that the innovations are very useful for the retail activity. The role of innovation is to facilitate activities. The manager believes that the strong point of self-service is offering a significant number of products which are always available in store. The firm uses barcodes due to the automatic selection of price and it has an information system. Its most important component is the logistic system. The manager did not express opinions about RFID technology.

Subject 5 (manager of a medium-sized firms - non-food retail) considers that innovations are important, especially due to the ability to streamline sales. He says the main advantage of self-service consists of the sellers' non-involvement; merchandising is important because of shelf arrangement. The company uses an information system and the most important component was specified as the decision-making system. Regarding RFID technology, the manager presented as advantages the simultaneous reading of multiple tags and higher storage capacity, and as disadvantage, the high cost.

Subject 6 (manager of a small business - non-food retail) argued that innovations

are important because they make the business efficient. Not involving sellers in the purchase process was appreciated important to customers as well as the presentation of products on store shelves. The firm does not have an information system and the manager has not expressed opinions about RFID technology.

Subject 7 (manager of a medium-sized firm - non-food retail) stated that innovations are necessary and important for maintaining competitive advantage. Free movement of the customers inside the store, the existence of road signs and advertising materials are considered important for customers. The trader has an information system based on the management system. As regards RFID technology, the main advantage is the higher communication speed and the disadvantage is its high cost.

Subject 8 (manager of a large company – food retail) stated that innovations have facilitated the activity and they are useful in retail. Not involving sellers and continuous product availability are two important activities for the firm; the logistic system is the basic component for the information system. RFID technology is used in this company and the manager is excited about the possibility of simultaneous reading of multiple tags and higher communication speed. He believes that this technology is very useful, even if it requires significant financial resources.

Subject 9 (manager of a large company – food retail) stated that innovations are useful and for the customers it is important to have a wide range of products. He considers self-service as a very important innovation. The logistics system is a key component for the company activities. The RFID technology has the advantage of a large storage capacity and the disadvantage that it requires high costs.

Subject 10 (the manager of a large company - non-food retail) considers innovation important, as it ensures a

certain speed inside the trade activity. Offering a wide range of products and serving flow are two activities that are important to the company. The decision system is very important in the business activity; as regards RFID technology, the respondent did not state his opinions, since this has not been implemented in the company.

Subject 11 (manager of a medium-sized firm – food retail) believes that innovations are necessary to facilitate the specific retail activities. The activity is primarily based on providing a wide range of products and continuous product availability. He appreciates barcodes because this enables effective control of inventory holding, but has implemented RFID technology due to the higher communication speed and a large storage capacity.

Subject 12 (the manager of a large company - non-food retail) believes that the role of innovation in trade is to streamline the activities. He thinks that the innovation helps the company meet consumers' needs faster. Offering a wide range of products is considered the most important feature of self-service, and the arrangement of products on the shelves is the most important activity of merchandising. The management system is a key component of the information system. The RFID technology is used for the ability to read multiple tags simultaneously.

Horizontal analysis

The horizontal analysis reveals that the interviewed managers consider that innovations are very important in the retail industry. They think that innovations maintain the competitive advantage or facilitate the achievement or streamlining of activities.

All the managers said that in their business they use self-service because this way they can provide a wide range of products to their customers.

Merchandising, as well as self-service, is considered important for the retail area. This activity is very useful for customers because of the continuous product availability. This is the opinion of 4 managers.

With respect to information systems used inside the retail companies, the basic components mentioned by respondents were: the management system (3 times), the logistic system (4 times) and the decision-making system (2 times).

Only 7 managers knew what RFID technology refers to and they identified its benefits: simultaneous reading of multiple tags, large storage capacity and higher communication speed. The most important disadvantage for this technology is its high cost.

5. Conclusions regarding the qualitative marketing research

The participants in this qualitative marketing research were managers from food and non-food retail. They manage small, medium or large businesses. The main objective of this paper was to identify the managers' opinion on innovation in the retail area.

After analyzing the information obtained through the pencil and paper interviews, some key aspects of managers' opinions toward innovations in retail were identified and clarified. These results are very useful because they form a basis for a future descriptive research.

It was found that innovations are considered important by all managers, regardless of the size of the firms, but recent innovations, such as RFID, are hardly absorbed by small and medium-sized companies because of the lack of financial resources.

The most used innovation in retail is currently the self-service and merchandising. In the retail industry, self-service is considered an efficient sale method and an indispensable component of

the field. Merchandising is very appreciated by retailers and customers because of the permanent availability of products.

The information systems have streamlined the retail activity and helped managers avoid the problems with delayed delivery, giving them an effective control of all activities.

Regarding RFID technology, the main benefits mentioned by managers were: higher communication speed, simultaneous reading of multiple tags and large storage capacity. The only disadvantage of RFID technology mentioned by managers was related to the cost level.

The interviewed managers are satisfied with the innovations existing in retail, because they made the activity easier, they helped reduce the customers' time serving and allowed them to adapt rapidly to market conditions, especially in the current economic crisis.

This qualitative marketing research has 2 limits that can be mentioned:

- There is the possibility that during the interviews some respondents provided incorrect information in relation to reality;
- The results are informative, the aim being to highlight the existing differences between retail companies.

The development of the retail trade entailed the introduction of some techniques and technologies in this area, which succeeded to attract more customers, provide a variety of products, make distribution more efficient and faster. But innovation assimilation and management is done in every retail company considering the internal and external environment of the trader and its available resources.

The general conclusion obtained from the 12 managers is that innovation leads to efficiency. In the retail area, and not only, efficiency refers to doing things right

faster, more cheaply and simply. It entails making competent and productive use of resources without wastage.

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