

## Chapter 21

# Retail Innovativeness: Importance of ICT and Impact on Consumer Behaviour

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### ABSTRACT

*Retailers have to operate in highly competitive environments, where innovation may become a source of sustainable competitive advantage. This chapter aims at exploring the relationship between retail innovativeness and the level of technological advancement as well as the ICT solutions implemented by store chains of four retail activities (e.g. grocery, textile, electronics, and furniture and decoration). In addition to this, the authors test the existence of significant differences in consumer perceptions and behavioral intentions between retailers perceived as high innovators and those considered low innovators. As a result, differences in consumer behaviour are found between high and low innovators that may be explained by the strong relationship between retail innovativeness and the technology implemented by the store. Notwithstanding, these findings are sensitive to the type of product sold by the store.*

### INTRODUCTION

Retail innovativeness, defined as the extent to which retailers in the local market adopt new merchandising or service ideas (Homburg et al., 2002), is a topic that has received scarce attention in the marketing literature up to date. In particular, innovation in marketing channels

has been discussed in reference to specific areas of innovation or to single categories of subjects within channels (Musso, 2010). Most of contributions have focused on innovation in retailing as ‘product innovation’ for distribution companies (Dawson, 2001; Dupuis, 2000; Castaldo, 2001), or as innovation in the supply chain (Musso, 2010). In this sense, the interest of researchers has focused

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on technological issues, particularly those relating to information and communication technologies (ICT). However, to the best of our knowledge, little attention has been paid to the relationship between retail innovativeness and several ICT implemented by retailers or to the implications of retail innovativeness on consumer behavior.

In highly competitive environments, there may be great pressure for individual retailers to be innovative. Empirical strategy research based on contingency theory has suggested that the level of dynamism in the environment created through innovativeness is a key driver of a company's strategic decisions (Miller 1988; Miller & Dröge 1986). Given the classical merchandising orientation of many retailers (Mulhern, 1997; Homburg et al., 2002), one promising way for a firm to innovate is by implementing ICT to enhance their service-oriented business strategy. Notwithstanding, there may be differences in the importance of ICT for retail innovativeness across retailers depending on the store assortment. In this sense, following Berry and Barnes' (1987) typology, there is a distinction between high-touch retailers, i.e. characterized by a high level of personal contact with customers through personal selling and advice and customized services, and low-touch retailers which emphasize the use of self-service technologies. Since self-service is the sales system in most of the grocery, clothing and footwear retailers, we expect some ICT solutions, e.g. self-service technologies, to be used to a greater extent. On the other hand, for durable goods retailers, i.e. electronics/electrical appliances and furniture/decoration, higher customer involvement is expected in the purchase process and sales systems based on customization and personal selling. Thus, we understand that according to the type of product distributed by the retailer, there is a different degree of contact between customers and vendors and, thus, there may well be differences in the level of use of retailer technology depending on the type of retail activity.

Therefore, the aims of this paper are, first, to explore the relationship between retail innovativeness and the retailer's level of technological advancement and, second, to test the existence of significant differences in consumer perceptions and behavioral intentions between retailers perceived as high innovators and those considered as low innovators. In order to take into consideration the existence of potential differences due to the retailer's assortment, four types of store chains are analyzed: grocery, textile, electronics and furniture and decoration.

## **BACKGROUND**

In recent decades, the innovation processes in marketing channels have occurred with high intensity and speed, particularly explained by advances in technology that allowed the adoption of more efficient organizational solutions (Musso, 2010). Referring to marketing channels, the concept of innovation must be seen as a strategic activity for both industrial and distribution firms to acquire a competitive advantage along the distribution channel, and as a changing process of the economic function of the distribution systems. As a result of these processes, an increased competitiveness for all firms in the channel has emerged. Technology – in particular, ICT -, social changes and new behavioral patterns of the final demand, have stimulated innovations in retailing.

Following Ryssel et al. (2004: 198), information and communication technology (ICT) is “a term that encompasses all forms of technology utilized to create, capture, manipulate, communicate, exchange, present, and use information in its various forms (business data, voice conversations, still images, motion pictures, multimedia presentations,” etc.). In the relationships with the final consumer, there is a wide catalogue of technological innovations – e.g. checkout technologies, electronic and mobile payment systems, distance

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