

Issues of innovations in large retailers marketing

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Abstract: *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 dynamic, suffering mutations on all levels, changing constantly the methods of marketing and sale, distribution forms, geographic distribution, etc. Retail sector has become a dynamic sector, with a rapid evolution and various forms of organization, mainly due to economic development and technological progress we have witnessed in recent years. To the rapid development of retail contributed the innovation, allowing it to adapt rapidly to market conditions, to continuous growth in consumer demands and requirements and the need for traders to streamline their business activities.*

Key-words: *innovation, marketing, retailing*

1. Introduction

Innovation Marketing refers to how a product or service originated from innovation is valorised, after being investigated various possible applications, starting from technology. (wikipedia.org).

In Romania, the importance given both to marketing and innovation is very small, considering the European Ranking on Innovation - European Innovation Scoreboard - 2008, where Romania is placed in the fourth group - countries recovery with innovation performance below the EU average (europa.eu).

A first objective of this paper is to approach the definition of the role and importance of innovation and marketing innovation highlighting specific strategies. The second objective of the paper is to analyze the innovative marketing strategies that international hypermarkets uses, including on Romanian markets.

When we talk about innovation, we tend to think of technology and high-tech, but innovation can mean different things depending on each consumer perception (Dovleac and Bălăşescu, 2012, 8).

Innovation relates generally to bring something new, designed either to increase the value (for consumer or producer) or to solve a problem. This innovation

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may consist of ideas, methods, digital content or devices. Not all innovations are necessarily high-tech (Mohr et al, 2010).

Innovation, according to Peter Drucker (2002), rarely occurs because of a moment of inspiration, but from an objective analysis, having the following 7 fundamental sources:

- a. precipitating event that may occur as a result of success or failure;
- b. inconsistency, when two or more elements are not working together as they should and to remedy the situation comes the need for innovation;
- c. needs related to aging process or activity that need improvement or change;
- d. changes in the market and industry, technology advances, customers are changing;
- e. demographic changes of factors such as: age, education, income, location;
- f. changes in the perception of customers, developing new needs and expectations;
- g. new knowledge when the knowledge or capability provides new opportunities.

2. Particularities of innovation marketing

Over time in various definitions of marketing was reminded that it must "sell" and "meet the needs consumers". But there are many opinions on what marketing means, what is its purpose, and how should be used.

In the vision of Don Jackson, marketing is used by everyone from publishers, to banking and insurance. Marketing is the business that acquires customers and then must constantly satisfy them. It argues that marketing means not only customer satisfaction, but: "Anyone with half a brain and a half of computer can satisfy a client, but only when you will delight the customer continuously he will return for more. (Hatch and Jackson 2001, 3)

Philip Kotler says that nowadays no longer apply the old notion of marketing, but marketing is redefined as the process by which companies create value for consumers and build strong relationships with consumers to get value from them instead. (Kotler and Armstrong 2014, 26)

Marketing aims to influence how the company is perceived by the consumer, how to influence the behavior towards its offers and understanding their motivations. On the market, the consumer is central reference for any entrepreneur, the market can not be defined independently of those who give it life. The market itself will always be smarter, and therefore it must be known and analyzed, because it can provide answers and directions to follow.

Modern marketing concept suggests that companies should develop the economic activity turning his attention to meet the effective and potential requirements of consumers. (Cătoișiu and Teodorescu 2003, 12)

The success of a company lies with the consumer, and if a company wants to

have a bigger market share, it means to sell more products to more consumers. But if it wants to win more consumers, it should ensure that every customer who purchased the products will buy more products only from that firm, they will be excited about the offer and they will not move to competition (Denny, H., Don, J. 2001, 5-10)

Promotional activity has a very important role in attracting customers. The purpose of advertising is to sell more products to more people for more money. Advertising is not just about TV commercials, radio, banners and flyers, but includes how the employee speaks to the consumers, its clothing, the place of presentation of products or services, the reaction time to customer requirements and of course rumours. Thus we can say that everything communicates and everything is a form of advertising. (Zyman and Brott 2008, 29)

The concept of innovation marketing appeared first in the 1980s and in the literature it was called the marketing of high-tech products, signaling the necessity of differentiating between it and traditional marketing, given the uncertainty related to technology and the particular way of market reaction.

Romanian literature provides the definition of innovation marketing: „a complex set of sequential decisions, scientific argued, which concerns through a permanent reporting to business environment, enterprise orientation along the entire process of designing and launching the new product on the market”. (Dovleac and Bălăşescu, 2012, 46)

Innovation marketing always involves adapting to the complex environment of high technology continuously evolving and adapting the marketing mix strategies to environmental changes. Innovation marketing in an organization can be manifested on three levels: strategic, operational and tactical. Through innovation marketing, companies have the opportunity to maintain and strengthen the relations with consumers and partners, and gain their trust by keeping promises. We could say that marketing brings consumer voice inside the company. (Mohr et al, 2010, 5)

3. Strategies of innovation marketing used by international retailers on Romanian market

Some time ago, the size of hypermarkets was why consumers were choosing them, but today this is just their disadvantage. In the age of speed, people feel that they have no time to lose in a space so large and often at a significant distance from home. Recently it was found an increased need for convenience, sustainability, health, luxury, private label and innovative food, but also a sensitivity to price (Report, 2012).

Next we analyze the strategy of innovation marketing for three hypermarkets, which are found in the top of international rankings and operates in Brasov city (Romania): Carrefour, Auchan and Kaufland.

Carrefour

Initially Carrefour concept was that people could find everything in one place. So it appeared a wide range of products, to which was added an aggressive pricing strategy for products to be accessible to the consumer. But in a world invaded by hypermarkets and a variety of merchants, Carrefour strategy no longer delivered the desired results, and managers decided to reinvent it. The environment was evolving, while the company offered the same things, and after some research it was discovered that what was missing was *innovation*.

The new strategy called Carrefour Planet was developed based on providing new improved experiences to consumers. It has three objectives designed to differentiate the main competitors. *The first object* is to provide a sense of delight to the consumer, which for the retailer means that this could become the favorite place of the consumer to purchase what is necessary. Innovation in this project is to provide more convenience to shopping, by increasing the space between districts, setting the islands to highlight the products on offer, the districts signaling and pricing readers etc. The accen was put on the food department, which is divided into fresh food, frozen food and organic (bio) food from local manufacturers. The buyers trend to be more concerned about their health and healthy eating could not be neglected, and also their desire to buy Romanian products.

Carrefour's own range of products is also part of this strategy, placing products for the consumer, offering quality at a price 15-20% lower than the competitors, thus becoming a product with a good price-quality ratio and accessible to all. A big advantage that they held is that they can find rapidly the products required by customers, using the ratio of inventories and sales. Based on these indicators products can be created. Carrefour brand is basically the center of this strategy. *Another goal* of the strategy is to achieve greater efficiency through the hypermarkets operation methods. At the same time is desired the assertion of organizational culture in the chain and professional development of staff. This strategy has proven to be a success, the customer feedback is a positive one, sales increased by 30% in certain sectors. (www.cantos.com)

In France, innovation among retailers took more widespread than in our country, hosting a pilot store Carrefour Drive-through and the method *click and collect delivery*. They came to support young families, who use the internet frequently and they are pressed by time. Innovation was used to maintain the attractiveness and usefulness, but also to retain customers. (blog.euromonitor.com)

Also in areas such as USA, there is a loyalty program for customers who enroll in their database, which through a received barcode, get a discount for the shopping basket at the cash register. At the same time were introduced the programs KeySelf-Scan Mobile, or Server and Control. The customers scan their own products basket with the mobile phone and then they just pay, without staying in line. With the help of technology, there is the possibility of shopping by phone through a program specially designed with the purpose of e-commerce.

Kaufland

In Romania, Kaufland built the first store in 2005 and has chosen a different strategy of its main competitors, choosing small towns with 25,000 to 40,000 inhabitants and not big cities. It also built two logistics centers ensuring the performance of the delivery of goods without incident. In 2010 it introduced its own brands called "K- Classic", and in 2013 initiated a large-scale project having as beneficiaries over 14.000 small children. According to an analysis of the Competition Council, Schwarz Group, which includes Kaufland and Lidl had a market share in Romania between 25% and 50% (depending on the city), which reflects the success of the german retailer. (www.consiliulconcurrentei.ro) In Romania, Kaufland is the first in retailers ranking, with store sales of over 18 million Euro. (Ilie, 2014)

Regarding its expansion in Romania, it appears that it will continue in 2015 by opening new 9 stores in September, reaching this way 111 stores. The entire expansion project has a budget of about 81 million Euro.(business-review.eu)

Regarding food segment, the Kaufland strategy is similar to Lidl store offering brand products at affordable prices, and also its own range of products, which reach over 1000 products. These include premium range called Cultura Vini or K-Bio. The bakeries in the stores, for Kaufland and Lidl, proved to be a success, and the whole concept intend to focus more on the freshness. But these are not the only things the two stores have in common, but also the suppliers and logistics operations, these working together to benefit from safer providers and for reducing costs. (<http://www.researchfarm.co.uk>)

In 2013, Kaufland won the award for the best innovation (Best Retailer Innovation Award), due to involvement proved, improving the lives of animals in the supply chain. This action is part of their mission called Supermarket Survey.

The consumers trend to purchase local and national products was not overlooked and it was tried to satisfy these desires. Including in Romania, suppliers of meat, eggs, oil and milk products coming mostly are local. (www.consiliulconcurrentei.ro)

Another innovative way of the retailer to attract consumers is through its own products. They are differentiated from the competition, firstly, by the special label applied, which displays information about ingredients, calories and other information for those who want to follow a diet or for those with allergies. Also for private brand products were designed recipes and tips by consumer type that are distributed via the Internet or own newspaper. Also for those who want additional information there is a telephone line for customers.

One way to attract customers who have a success in countries like the USA are discount coupons that are found in Kaufland own newspaper. Only a few customers use those coupons in Romania.

Auchan

Although it has stores worldwide, Auchan Group has a particularity the independent retail chains in each country. This provides greater proximity to customers and a better vision of their requirements and also the opportunity to offer in a shorter time what they want. However, there is a link between these chains, by sharing the experiences and ideas, for growing together. To strengthen its position in the international market, the group chose three areas on which to focus and to invest more, namely Western Europe, Central and Eastern Europe and Asia. In order to resist in this area which is constantly changing, Auchan seeks to innovate and test new concepts, such as online shopping, drive-through, and so in 2010 it began to devote himself to e-commerce business. (www.groupe-auchan.com)

The marketing strategy of Auchan Group, puts the consumer in its center. They want to know the customers expectations and how to meet them. Whether is about lower prices, diversity, quality of products and services, adaptability to local markets, etc, the company wants to deliver exactly what the consumer wants.

From the beginning, the group Auchan has invested time and money to innovate and also to encourage new solutions and concepts by using incubators and laboratories. Through innovation is desired a lasting and sustainable growth. For this purpose arose in 2011 Creative Attitude program, which aimed to create eco-friendly innovations in 5 countries of the group. The goal is to maintain innovation in existing businesses through free expression of employees ideas encouraged to formulate projects and to implement the idea using specialised employees. (www.groupe-auchan.com)

The group wants to be known as responsible, and therefore they replaced the plastic bags with biodegradable ones, they installed rainwater collectors on the roof of the store, they recycle the waste, try reducing carbon emissions. Also, in France, in collaboration with Nissan, there were installed in the store parking charging stations for electric cars. (www.groupe-auchan.com)

Moreover, by the overall innovative look, Auchan promote a quality commerce with its wide spaces, with a wide range of products structured by districts, with low prices and own products, and the attention it gives to local and regional producers.

Auchan group's strategy of taking decisions according to the consumer desires, seems to be successful. The group realized that the relationship developed with clients is what can make the difference. To this end, in 2014 it was signed a partnership with Quirky, offering customers innovative and attractive products. Moreover, consumers could express their desire upon the product they would like to find on the market, Quirky analysed and improved the idea, and finally 3 products were subject to marketing research, one of them reaching the Auchan store shelves. This interaction forms a bond with the group, the consumers feel important and listen, and the inventor receives between 10-30% from sales of the product.

In our country, Auchan wants to be innovative by the convenience offered by

the store arrangement. Moreover the product islands are easily highlighted to reach the customer. The wide range and bakery products are also a form to attract customers, but despite the Auchan group boasts its low prices, Romanian consumers do not seem to perceive the same. However, Auchan hypermarkets ranks second in the country in terms of sales.

4. Conclusions

The paper approached innovation as a novelty designed to increase the value of products and services or to solve a problem. It was highlighted that innovation is not just high-tech products, but may consist of ideas, methods, digital content or devices. Retailers should seek innovations to increase performance and reduce costs, or to attract consumers by improving the characteristics of existing products or through radical innovations. Even though companies risk to face the market uncertainty or failure of a new launched product, we should not forget that innovation means progress.

Traditional marketing no longer provide the desired results, and therefore companies should move towards more creative and innovative strategies. Given that the market is very diverse and increasingly segmented, which make difficult to attract new customers, companies should try to make loyal the current customers and sell several times more products to the same customer. To be successful, companies must adapt to increasingly demanding market, offering products which differ significantly from the competition.

With three international hypermarkets, Carrefour, Auchan and Kaufland, we was able to analyze innovations and market strategies adopted by retailers. Thus we noted that the French group Carrefour relies heavily on technology to make the shopping experience more enjoyable. Innovations such as self scanning within the store, discounts based on codes on smartphones and online shopping will gradually come on the Romanian market, begining with the online platform which already runs.

Kaufland, although is working on an online platform, focuses more on innovation product, selling organic products, and involving in sustainable development activities. At the same time continuously improves its own brands, thus creating product ranges for dieters or allergies.

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Also, the packaging of these products presents detailed information on ingredients and calories. Perhaps the best hypermarket strategy is to be closed to the specifics of local markets.

Regarding the Auchan hypermarket, convenience offered to consumers during the purchase appears to be a reason why they need its services. But it has two disadvantages on the market: the prices slightly raised and the recent appearance on the market from Brasov.

When it comes to the variety of products and self-service, Auchan is considered the most effective retailer.

Marketing innovation will be developed in the future that has grown in the last period and will come to the attention of all traders.

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