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Conceptualizing and measuring consumer perceptions of retailer innovativeness in Taiwan

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ABSTRACT

This study aims to develop a reliable and valid measure of perceived retailer innovativeness (PRI) in Taiwan. Both qualitative and quantitative analyses were employed. A qualitative content analysis from six focus group interviews concludes a specific form of PRI. The quantitative study, which contains 486 7-Eleven and 489 Carrefour consumers, provides an exploratory and confirmatory factor analysis in examining the validity of PRI scale. Consumer perceptions of retailer innovativeness can be conceptualized as emotions, cognitions, and behavior responses evoked by store-related stimuli that are part of the offerings, services, design, and activities of a store. Four dimensions have been identified, namely, perceived product-related, service-related, promotion-related, and experience-related innovation capabilities. The PRI scale might be valued by academic scholars for its application for future studies, particularly in an era of intense competition in which innovation is considered as a critical strategic tool for differentiation.

1. Introduction

The ability of a retailer to innovate has been widely recognized as a key factor why some retailers, such as IKEA and Wal-Mart, are ahead of their competitors (Freeman et al., 2011). Unlike traditional firms, many large retailers are also marketing, organizational, and open innovators because they seek to coordinate not only product and process innovation, but also innovation in their value propositions across the value networks in which they operate (Reynolds, 2014). Recently, consumers have noticed that many innovations have been introduced in retail stores such as interactive kiosks, smart mirror, radio frequency identification (RFID) systems, virtual trolleys, mobile promotion, online shopping programs, interactive voice-based services, and electronic handled devices, among others (Grewal, et al., 2011; Pantano and Pietro, 2012). Some studies have asserted that most innovations offered by retailers are in fact a series of small changes and improvements, but these micro-innovations in retailing may have a significant effect on the retailing business when sustained over a long period of time (Sparks, 2000). These retail innovations can make traditional retail stores more attractive, which influence the purchase intentions of consumers.

Many recent studies have begun to address the issue on retail innovation (e.g. Pantano and Pietro, 2012; Reynolds, 2014) and some articles have focused on consumer perceptions of the ability of retailers to offer new products (e.g., Chimhundu et al., 2010; Morrison and Humlen, 2013) and/or services (e.g., Berry et al., 2010; Druehl and Porteus, 2010). However, the idea on a general consumer-orientated conceptualization of perceived retailer innovativeness (PRI), combining multiple dimensions of retail contributions, is less understood. Measuring consumer perceptions of the innovation capability of a retailer is important because more and more retailers have invested in innovation such as designing new private brand products, creating new attractive promotions, offering new in-store services, and organizing new store atmosphere. An increasing need to test how consumers perceive these innovations exists. Retail managers should evaluate the benefit of offering innovations before deciding whether they should introduce more innovations in the future or not.

Taiwan is a newly industrialized economy and its retail market has moved into a new generation whereas several international retailers such as Auchan (French), Carrefour (French), Costco (US), Family-Mart (Japan), 7-Eleven (Japan), and Tesco (UK) entered the market in the early 1980s. Today, the convenience store, department store, supermarket and hypermarket together define the general merchandise retail industry in Taiwan (Chang and Dawson, 2007). Among these retail formats, the convenience store and hypermarket play an important role for the retail modernization. Today, there are more than ten thousands convenience stores in Taiwan and it has the highest density of convenience stores in the world (about one store per 2000 people in 2014). Keen competition among retailers has forced them to differ themselves through

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innovation. Also, offering a good opportunity for study, analysis, and prediction on the future growth and success of these retailers.

The current research aims to provide answers on the following questions. How do consumers perceive the innovativeness of a retailer? How is PRI measured? Does it relate to consumer behaviors? To answer these questions, this study is organized as follows. First, a review of related literature concerning innovation in retailing and retailer innovativeness is conducted to conceptualize and define PRI. Second, a mixed method, which combines a qualitative interview and a quantitative survey approach, is adapted to conduct PRI measurement scales (Morgan, 1998). The measurement scales are tested using a second-order construct analysis. Finally, some managerial and academic implications of the current research are discussed, and several suggestions are proposed for future research.

2. Literature review

Before defining and conceptualizing PRI, clarifying the difference between the terms "innovation," "innovation in retailing" and "retailer innovativeness" is needed because these terms can be confusing and are often used in various academy studies.

2.1. Innovation and innovation in retail sectors

Innovation has been studied frequently in business, economics, and marketing literature. From a firm perspective, innovation is vitally important because it has been considered as one of the most important factors that enable a firm to compete effectively with others (Kunz et al., 2011). Rogers (2003) provides a precise definition of innovation, that is, an idea, practice, or object perceived as new by an individual or organization. Innovation is critical for the survival and success of organizations because dynamic markets constantly shake out players that lack capabilities in exploring new market opportunities (Luo and Bhattacharya, 2006; Schumpeter. 1934). Researchers have explored various perspectives to understand innovation, but most innovation-related research focus primarily on manufacturers/firm sectors (e.g., García-Zamora et al., 2013; Hogan et al., 2011; Hsieh et al., 2013; Kunz et al., 2011), whereas only few studies exist that address innovation in retail sectors (e.g., Freeman et al., 2011; Grewal et al., 2011; Morrison and Humlen, 2013).

Innovation in retail sectors has been given less concern because traditional retailers are stereotyped to operate with low-margin, have a low-priced business, and have little ability to offer new services. Only few academic studies discuss specific innovation in retail sectors. For example, assert that retailers can create customer preference and increase their competitive advantage by launching new concepts (e.g., promotion and design) and/or new offerings (e.g., products and services). have shown that the degree of innovation in retail depends on the capability of a retailer to offer innovative private brand products. These private brand products, which are referred to by Laaksonen and Reynolds (1994) as "generation four" products, may stimulate other manufacturer brands to innovate.

In 2011, the Journal of Retailing has published a special issue that discusses innovations in retailing. In the articles of the said issue, focused their attention on retail price and promotion innovations and provided some examples such as dynamic pricing, electronic price tags, and RFID, which can easily be observed in retailing. assert that the success of innovation in retail sectors is dependent on the ability of retailers to address the current needs of customers compared with that of existing offerings They pointed out the serious potential dimensions of innovation including new private brand product design, new shopping experience, new in-store sales portfolio, and strategic partnership with other companies. Recently, has reported that European retailers can engage in innovation behaviors that are characteristics of both production and service sectors. Retail businesses can be both product and process innovators that engage successfully with technological and non-technological innovations. Some researchers have made more detailed discussions on identifying different types of retail innovations from either firm or consumer perspective (see Table 1). Despite calls for more research on the retail sectors, a research gap still persists, particularly in the realm of how consumers perceive innovations in retailing.

2.2. Retailer innovativeness and perceived retailer innovativeness

One of the foremost means of developing a competitive advantage for retailers is innovation (Anselmsson and Johansson, 2009). Therefore, retailer innovativeness or the ability of a retailer to innovate has been discussed frequently (e.g., Reinartz et al.,

Table 1
Summarize of retail innovation during 2009–2014.

Study	Type of retail innovation	Research method	Research targets/sources	Firm/consumer
Reynolds (2014)	Product/service/process	Case study	European retail sectors	Firm
Adina et al. (2013)	Service	Semi-structured interview	Managers of DIY retail trade	Firm
Morrison and Humlen (2013)	Product/promotion	Case study	"Panera Cares" community café; pick n pay; celebrate local	Firm
Freeman et al. (2011)	Promotion (price)	Case study	Wal-Mart	Firm
Grewal et al. (2011)	Promotion (price)	Research agenda	Literature review	Firm
Reinartz et al. (2011)	Product/promotion	Research agenda	Literature review	Firm
Druehl and Porteus (2010)	Product/service	Price competition model estimation	On-line retailers	Firm
Berry et al. (2010)	Service	Research agenda	Literature review	Firm
Chimhundu et al. (2010)	Product (private brand)	Semi-structured interview	Managers in the New Zealand grocery retail and manufacturing sectors	Firm
Lin (2010)	Service	Fuzzy multiple preference integrated model	A certain chain wholesale	Firm
Zhang and Wedel (2009)	Promotion	Model estimation	Household purchase data provided by Information Resources Inc.	Consumer
Gehlhar et al. (2009)	Product	Case study	Heinz; Snyder's of Hanover	Firm
Anselmsson and Johansson (2009)	Product (private brand)	Linear regression analysis	Swedish grocery consumers	Consumer
Wu et al. (2009)	Product/service/hybrid	Content analysis	7-Eleven, Family Mart, and Hi-Life	Firm