

# GLOBAL RETAILERS, MARKET-DRIVEN MANAGEMENT AND INNOVATION

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## *Abstract*

*The globalization of markets forces large retailers to re-think their long-term development, combining corporate growth with demand satisfaction. In particular, global markets and the state of over-supply push mass retailers to adopt hard competitive policies based on market-driven management, which emphasize continuous product innovation in order to satisfy temporary demand opportunities (demand bubble). The purpose of this paper is to provide an overview of the main issues concerning market-driven innovation for global retailers. In fact, this subject, to date, is a relatively neglected element of the retailing literature. The paper is based on a review and synthesis of secondary data and published work and proposes to link together the issues concerning global retailing with market-driven innovation, offering an initial classificatory schema of activity areas where global retailers can innovate to compete in global markets. The paper concludes with an agenda for future research in this area.*

**Keywords:** Global Retailers; Market-Driven Management; Retail Innovation; Demand Bubble; Over-Supply; Competitive Customer Value.

## **1. Introduction**

The paper studies the issue of global retailers facing a dramatic growth in competition all over the world. Local barriers (such as national borders, linguistic barriers, fiscal laws etc.) are no longer able to protect retailers from the competition of other retailers who move in the world locating their points of sale everywhere. This globalisation concerns not only the establishment of points of sale but also the opportunity to purchase anywhere in the world, reaching important economies of scale. Specifically, retailers can establish in the world many different relationships with other companies, in order to produce, buy and distribute products. These relationships can be organised in different ways, concerning the kind of link companies wish to establish: retailers can use the franchising system to open shops in different locations in a short time, or can forge equity alliances to establish long term relationships with local sellers or firms supplying specific services (such as logistics, researches, etc.).

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\* This paper is the work of a common research project. However, S.M. Brondoni wrote sections 2 and 5; M. Corniani wrote sections 1 and 3; S. Riboldazzi wrote section 4.

Whatever the relationship established, most retailers are going global, to reach higher economies of scale by developing their market share. Competition is thus growing fast in global markets, even for retailers, who are becoming more and more global companies, with global relationships.

To face global competition, the paper aims to consider the market-driven management approach, which suggests that corporations should focus on competitors when making managerial decisions. Therefore, companies should be able to focus on competition, that is set specific investments in order to define and monitor competitors and, of course, carry out the right activities to face them. To achieve this goal this paper introduces another issue for global retailing: innovation. Innovation is often seen as a “manufacturer’s problem”, specifically concerning new product features, brand or processes, to allow firms to produce and sell with higher contribution margins. Other papers have studied innovation as an issue for the marketing channel, but typically, innovation is not a main concern in retailing literature.

In this paper we analyse innovation as a matter for retailing corporations and especially for global retailers (i.e. big ones, with huge economic resources, and with high level competitive capabilities) explaining what innovation involves: networking relations with manufacturers, consumers and other partners in order to accomplish the retailing functions; the commercial offer, working on distribution formats; the retailing mix. In all these areas innovation can be created if retailers are able to focus on competitors, willing to create a competitive customer value, i.e. a supply system able to grant customers (actual and potential ones) a value perceived as superior to the value offered by competitors.

A specific example of innovation creating a competitive customer value is the demand bubble, which is the aggregation of demand due to a special supply (offering system of product bundle, price, etc.) able to attract at a definite time and place numbers of buyers perceiving the supply as being competitive.

The issues are very important for retailers, because in global markets many of them are loosing their competitive capabilities, facing bankruptcy or being sold to other corporations. We think that this situation is mostly due to a lack of a market-driven orientation, as retailers are often more oriented towards short term margins instead of creating global competitive capabilities by learning from competitors and working on a world wide scale. This matter is also very important for local corporations (manufacturers, retailers or other related services providers) to obtain a framework to look at when evaluating their survival and development opportunities. Local corporations can grow by entering bigger and global networks, learning from them and contributing to their competitive development.

To reach this purpose, neglected in the retailing literature, we have chosen to examine the policies of the major global retailers, using secondary data, available on the main databases, on retailers’ websites and reports as well as in published works.

We have then used literature concerning market-driven management and retailing innovation and linked the information by using secondary data resulting from global retailers’ policies. The existent specialized literature we have considered is summarized in the second section of this paper, while third and fourth sections are devoted to presenting the paper contents on innovation and demand bubbles on the one hand, and on the main features of large market-driven retailers on the other hand.

## **2. Global retailers, market-driven management and retail innovation: literature review**

For several years the concept of market orientation has experienced a resurgence of an interest in academia and in firms, especially during the numerous corporate reorganizations driven by the globalisation of the economy (Shapiro, 1988; Lambin, 1998; Pitt, Caruana & Berthon,

1996; Fritz, 1996; Deshpande & Farley, 1996; Han, Kim & Srivastava, 1998; Lambin & Chumpitaz, 2000-2001).

Market-driven management began to establish itself in the late 1980s as an effect of many innovations (flexible production, lean production, just in time, total quality, mass customisation) introduced by Toyota and Japanese scholars (Ohmae, 1982; 1986; 1990; 1994; 1999; 2005; Ohno, 1988). However, market-oriented management model began to spread in the West thanks to the work of a group of American scholars (Webster Jr., 1988; 1992; Day, 1990; 1994; 1998; 1999; Narver & Slater 1990; Slater & Narver, 1994, 1998; Jaworski, Kohli & Sahay, 2000; Best, 2009). All these studies support the conclusion that market orientation is essential to success in a global market (Gordini, 2010).

Market-orientation is generally referred to the basic orientation that governs the relationship of a firm with its market and, more particularly, with its customers. In specific Lambin (2002; 2009) defines the concept of market-orientation on one hand, identifying four key players involved in the functioning of the market (customers, distributors, competitors and prescribers), on the other hand underlining the distinction between the MO as a management philosophy (culture), as a tool of strategic thinking (analysis) and as a commercial activity of the company (action).

According to Day (2000-2001) market-driven organizations know their markets so thoroughly that they are able to keep valuable customers and consistently win in their markets. Three elements characterize market-driven companies: an *externally oriented culture* (based on a superior customer value and the continual quest for new sources of advantage), *distinctive capabilities* (in market sensing, market relating and anticipatory strategic thinking) and an *organizational configuration* (that enables the entire organization to continually anticipate and respond to changing customer requirements and market conditions).

Since the start of the third Millennium, manufacturing globalisation (with the delocalisation of manufacturing activities from socially advanced countries to new areas), the opening of new consumer and import-export markets, and finally the digitalisation of communication, have combined to push many markets into a state of over-supply (Brondoni, 2005).

According to Brondoni (2009) global market and the state of over-supply force businesses to adopt a new “competitive market-oriented management philosophy” (market-driven management), indeed a corporate strategy that presupposes direct, continuous benchmarking with competitors, in a context of customer value management.

In particular, the state of over-supply and consumption saturation are factors which characterise markets in which global large retailers operate; these factors induce retail companies to continually search for innovation, in order to create competitive customer value and obtain a positive continuous benchmarking with competitors.

Innovation in retailing is a theme that has been treated in reference to specific areas by many scholars (Hollander, 1960; Gupta & Loulou, 1998; Dupuis, 2000; Rosenbloom, 2004; Cardinali, 2005; Kim, Cavusgil & Calantone, 2006; Gundlach, Bolumole, Eltantawy & Frankel, 2006; Musso, 2010).

Major contributions have focused on innovation in retailing as product innovation for distribution companies or as innovation in the supply chain. For example Lugli (Lugli & Pellegrini 2005) underlines that innovation must involve the entire distribution value chain<sup>2</sup>. Thus, retail innovation is connected with marketing channel innovation.

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<sup>2</sup> The distribution value chain is structured according to content, context and infrastructure. With reference to content, the enterprise can act on the composition of assortment, in particular, on the level of service referring to a specific product, on the splitting of lots, on the product categories an assortment is composed of, on the

According to Musso (2010), in the context of globalization, innovation in marketing channels becomes a complex, multiorganizational, multidisciplinary activity that requires collaboration and interactions across various entities within the supply chain network.

### **3. Demand bubble and innovation in global retailers**

The market orientation (Brondoni, 2008; 2009; 2012) aims first and foremost to identify a temporary competitive space, a 'demand vacuum' to be rendered highly unstable – in terms of sales volumes and customer expectations – as an effect of continual innovative proposals. In other words, the 'market driven' management process presupposes that the business first focuses on the competition (market-space) to identify temporary demand opportunities (demand bubble), and then chooses the product characteristics that are closest to demand expectations, in order to prepare contingent (but strong) differential advantages of supply (competitive pricing, before and better than competitors).

In particular demand bubbles identify temporary groupings of purchasers, which may be aggregated on the basis of sharing specific characteristics of a given corporate supply. Demand bubbles are created and extinguished, starting from a precise, explicitly planned, corporate stimulus which normally takes shape in a corporate supply presented with tangible and intangible features such as to attract the preferences of a group of prospective customers and which is rapidly taken off the market when it is deemed opportune for the bubble to burst (Corniani, 2005; 2011; 2012).

Market-driven management therefore highlights new purchasing behaviour, which emphasises competitive customer value, in which final demand tends not to position itself at the end of the transaction chain, with a marginal, passive position that can be conditioned in its choices by limited marketing investments. On the other hand, demand is in a 'circular relationship' with trade and manufacturers, expressing new purchasing models based on non-loyal behavior, which joins the well-known loyalty mechanisms (Lambin, 2007).

In fact, in intensely competitive global markets, repetitive purchasing stability is often lacking and the presence of non-loyal behaviour is accentuated. In other words, a state of discontinuity that must be controlled by the obsolescence of the supply and continuous product innovation, planned on the basis of customer readiness (monitored with new techniques and instruments such as competitive intelligence, data mining, fidelity cards, etc.), fragmenting existing demand and recomposing it in unstable purchaser groups which react differently to the price but are always very open to information and communications (Brondoni, 2009).

In particular the proximity relationship between large retailers (Table 1) and consumers (most feedback from the market is turned into trade information systems) makes intermediaries active interlocutors in demand, therefore, drivers of innovation in marketing channel processes, needed to formulate offers suitable for increasingly and sophisticated customer expectations (demand bubble).

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assortment depth with reference to the categories of particular interest for consumers in a definite time and space. With regard to context, innovation may relate to the equipment layout, product layout and display space allocation. With regards to infrastructure, innovation may relate to the degree and modes of involvement of consumers and suppliers in the production of the service.

Table 1 – Global ranking of large retailers/wholesalers by revenue (billions of euro) – 2011

<i>Company</i>	<i>Nationality</i>	<i>Revenue (billions of euro)</i>
Walmart	USA	352
Carrefour	France	109
Tesco	UK	84
Metro	Germany	78
AEON	Japan	77
Seven & I	Japan	75
Schwarz Group	Germany	70
Kroger	USA	64
Costco	USA	63
Auchan	France	62

Source: Adapted from Planet Retail

Thus, innovation in global large retailers involves the entire distribution value chain and may concerns:

- Networking relations with manufacturers, consumers and other partners for effective/efficient accomplishment of the retailers functions. One possible classification of the fundamental functions of retailers is the following: logistics, assortment, contact, information, communication, economic-financial and production functions.
- The commercial offer, or the combination of the attributes (opening hours, pre-selection, comfort, pre-sale, post-sale and during sale services etc.) that determine a given distribution format; this is a secondary innovation which refers to frequent changes in format service elements in order to meet non-loyal, local demand. These innovations are the driver of primary innovation, that is the introduction of a new distribution format.
- Retailing mix and, specifically, assortment (aggregation of products offered in a store), merchandising (product presentation at a sale point), private label (management of private label portfolio), price (definition of commercial margins), communication (communication policies). Retailing mix levers are managed and coordinated as a reflection of the continual stimulations exercised by the market (Riboldazzi, 2005; 2010a).

Innovation therefore involves global retailers in a continuous process of growth/development inherent to their activity. Growth, in particular, refers to a change in company size; development, however, concerns the relations between the firm and the environment, which usually contemplate a more effective ability to adapt to changing market conditions. While growth allows business to obtain cost competitive advantages (through economies of scale, scope, etc.), development permits them to satisfy a changeable and unstable demand<sup>3</sup>.

Large scale and continuous development are therefore necessary conditions that coexist in global retailers, primarily focused on a continuous benchmarking with competitors (market-driven management).

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<sup>3</sup> See Brondoni (2002, p. 28). The globalization of markets highlights a deep re-thinking of long-term development philosophy by leading large corporations, that tend to reconcile a quantitative approach to growth (supply-driven management) with the goal of satisfying demand (market-driven management).

#### 4. Features of large market-driven retailers

The analysis of main global market-driven retail companies reveals several common characteristics:

- *Large size and global development.*

The study of large retailers underlines an articulated and variable geographical distribution of their "business space" (Table 2).

Retail groups, in particular, have spread and expanded their activities through operations of vertical and horizontal development as well as diversification.

Horizontal development concerns the acquisition of competitors or other stores to strengthen the company's competitive position.

For exemple Carrefour (Promodès) acquired many sales points owned by other retailers (www.carrefour.com), including Primistères, Euromarchè, Montlaur, Fèlix Potion; the French group has recently acquired Espírito (Portugal), Hyparlo (Italy), 12 Hypernova hypermarkets (owned by Ahold), 250 stores Tengelmans (Spain), 4 hypermarkets Caprabo (Spain), 34 hypermarkets Atacadao (Brazil).

Similarly Walmart (www.walmart.com) - since 1962, the year when Sam Walton opened the first Walmart store in Rogers - has taken over many acquisitions; the most important ones refer to the purchase of 122 Woolco Stores in Canada (1994), ASDA stores in the UK (1999), D&S SA (majority stake) in Chile and Massmart in South Africa.

Vertical development refers, instead, to traders' control of a further stage in the marketing channel. This stage can be positioned "upstream" or "downstream" depending on companies' traditional activities.

Table 2 – Geographical distribution of the four main retailers/ wholesalers (by revenue) - 2011

<i>Company</i>	<i>Countries</i>
Walmart	United States, Argentina, Brazil, Canada, Chile, China, Costa Rica, El Salvador, Guatemala, Honduras, India, Japan, Mexico, Nicaragua , Puerto Rico,United Kingdom.
Carrefour	Belgium, Cyprus, Greece, Italy, Poland, Romania, Spain, Turkey, Argentina, Brazil, Colombia, China, Indonesia, Malaysia, Singapore, Taiwan, India, Maghreb, Middle East, Dominican Republic.
Tesco	Republic of Ireland, Poland, Hungary, Czech Republic, Slovakia,Turkey, South Korea, Thailand, China, Malaysia, Japan.
Metro	Austria, Belgium, Denmark, France, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, Switzerland, United Kingdom, Bulgaria, Croatia, Czech Republic, Greece, Hungary, Kazakhstan, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Turkey,Ukraine, China, Egypt, India, Japan, Pakistan, Vietnam.

Source: Adapted from Walmart Annual Report 2011, Carrefour Annual Report 2011, Tesco Annual Report 2011, Metro Annual Report 2011

Generally large retailers pursue "upstream" vertical integration by controlling functions previously performed by wholesalers or by replacing manufacturers in the production of products (or product lines) present in their assortment.

Finally diversification develops from an expansion of commercial activities related to new products for new markets and/or technologies. New activities may have links with previous activities (homogeneous or related diversification), or no links with activities developed before diversification (heterogeneous or conglomerate diversification).

Recent examples of diversification pursued by retailers are the sale of private label drugs (e.g. Tesco Pharmacy and Carrefour Parapharmacies), the offer of mobile services (some examples are Uno Mobile Carrefour, Tesco Mobile, Auchan Mobile), the sale of fuel

(Riboldazzi, 2010b; 2011) (there are numerous distributors engaged in this business, among which: Wal-Mart, Carrefour, Tesco, Auchan, Intermarché) and the provision of financial and insurance services (e.g. Carrefour Financial Services, Tesco Bank) (Risso, 2010).

Tesco, as well as being engaged in the sale of drugs (Tesco Pharmacy) and fuel (Tesco Petrol Filling Stations), also provides insurance, financial and phone services. In the telecommunications market, in particular, the company has developed (in the United Kingdom) 194 Phone Shops with over 2.5 million consumers; while in the financial business Tesco Bank has more than 6.5 million customers and generates annual revenues (2011) of 264 million pounds (Tesco Annual Report, 2012).

- *Management of product/format portfolio related to different store-brands.*

Large retailers generally coordinate and manage different formats in relation to the degree of specialization in the selling technique used, point-of-sale location, price level, turnover and the size of the sale point (Table 3).

Table 3 – Walmart, Carrefour and Metro’s Format (by area)

Walmart U.S. <sup>4</sup>		Discount Stores	Supercenters	Neighborhood Markets	Sam's Clubs	
		803	2.747	158	596	
Walmart Intenational		Discount Stores	Supercenters	Hypermarkets	Supermarkets	Other
	Argentina		24			19
	Brazil		45	65	157	167
	Canada	233	84			
	Chile	110		93	47	2
	China		167	104		8
	Costa Rica	127		6	25	12
	El Salvador	50		2	25	
	Guatemala	113		7	28	16
	Honduras	39		1	7	6
	India					1
	Japan			101	257	1
	Mexico	246	169		202	852
	Nicaragua	48			7	
Puerto Rico	7	8		30	11	
UK		29	261	57	24	
Carrefour		Convenience Store	Cash&Carry	Hypermarkets	Supermarkets	
	Europe	5072	150	688	2685	
	Latin America	98		355	150	
	Asia		2	361	17	
Metro		Galleria Kaufhuf	Metro Cash&Carry	Media-Saturn	Real	
	WesternEurope	140	367	733	316	
	Eastern Europe		268	153	110	
	Asia/Africa		93	7		

Source: Adapted from Walmart Annual Report 2010, Carrefour Annual Report 2011, Metro Annual Report 2011

<sup>4</sup> Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

Supermarkets, hypermarkets, convenience stores, discount stores, specialty stores, with specific commercial offers, united by the same brand-name or characterized by specific store-brands, oversee different physical commercial spaces, to maintain a certain activity portfolio balance (in terms of growth and profitability) at corporate level.

Thus, retail companies extend their competition boundaries by enhancing a corporate brand equity for the company development as a whole and by adopting brand extension (extension of a brand in different product classes) and brand portfolio policies to accommodate needs in the demand with specific brands (Brondoni, 2009).

Table 4 shows the example of Rewe Group (Germany); the company developed different store brands referred to particular commercial offers (formats) for specific countries.

Table 4 – Rewe Group’s Store Brands.

<i>National Full Range Stores</i>	Rewe, Toom Markt, Toom Getrankemarkt, Vielinden Bio Supermarkt, Temma, Kaufpark.
<i>International Full Range Stores</i>	Billa, Merkur, Adeg, Bipa
<i>National and Internat. Discount Stores</i>	Penny Market, PennyMarkt, XXL.
<i>National Specialist Stores</i>	Toom, B1 Discount Baumark, ProMarkt, Klee.
<i>Business to Business</i>	Rewe Food Service, FegroSelgros Cash & Carry, TransGourmet, TransGourmet Sea Food, Prodega cash&carry, Growa cash+carry, Howeg, C-Groo.
<i>Other</i>	Fursie, Kressner, Rothermel, Glocken, Wilhelm Brandenburg, Iki, Akzenta.
<i>Travel and Tourism</i>	ITS, Jahn Reisen, Tjaereborg, ITS Billa Reisen, ITS Billa Travel, ITS Coop Travel, Der Tour, Meier’s Weltreisen, Asac Reisen, Derpart Travel Service, Derpart Der Partner Fur Ihre Reise, Atlas Reisen, Der Reisenburo, FCM Travel Solution, RSG, Dr. Holiday, Clever Tours.com, Club Calimera, PrimaSol, LTI Hotels.

Source: Adapted from Rewe Annual Report 2010.

- *Activation of competitive strategic alliances (equity, non-equity alliances).*

Many operations such as joint ventures, co-production, R&D partnerships, outsourcing, cooperative marketing, franchising, etc. are activated and coordinated in order to limit competition, reduce the over-supply or exploit skills, capabilities and competitive advantages of specific partners.

In fact big retailers develop different types of alliances (with suppliers, competitors or other partners) to set up new business, improve commercial services or to exercise distribution functions effectively/efficiently, and especially primary functions (transport, storage, quantitative adaptation<sup>5</sup>, qualitative adaptation<sup>6</sup>), secondary functions (pre-sale<sup>7</sup>,

<sup>5</sup> Quantitative adaptation refers to the difference between quantities produced by manufacturers and quantities purchased by consumers.

<sup>6</sup> The role of intermediaries is to create assortment that enables customers to buy a wide variety of products in a single operation thus helping to reduce the time and effort required to find the products they need.

<sup>7</sup> Pre-sale services include all the activities aimed at: supplying sufficient information and choosing the point of sales, coordinating the process of orders and bookings acceptance, developing projects related to the use of goods purchased. Services relating to access can be classified as: point of sale hours, parking and home delivery.



during sale<sup>8</sup>, post-sale<sup>9</sup> services) and other activities (e.g. finance and information functions)<sup>10</sup>.

For example Carrefour manages 6.189 stores with franchise agreements or partners (Carrefour Annual Report 2011). Over the years the group has started numerous equity and non equity alliances. To develop its activities in the Balkans, e.g., the company has recently announced (Carrefour Press Release 2010) the activation of a joint venture with Marinopoulos; the new company, franchised under the Carrefour banner, will be 60% owned by Marinopoulos and 40% owned by Carrefour. Carrefour and Marinopoulos operate with hypermarkets, supermarkets and convenience stores in Greece, Cyprus, Bulgaria, Albania, Bosnia, Croatia, Montenegro, Serbia and Slovenia. Besides this in order to develop its range of financial products, the group has announced (Carrefour Press Release 2011) the activation of a joint venture with Itau Unibanco, the largest private bank in Brazil with 3,900 branches and 30,000 ATM services.

- *Management of a wide range of private label products.*

Most large retailers stock a wide range of private labels located in different positions on the scale price (from premium price to first price).

Store brand, store sub brand, generic brand, first price brand, corporate brand (Myers, 1967; Brosselin, 1979; Gnechchi, 2002) fill retailers' shelves and reduce the competitive space and profitability of local manufacturers; as a result of this situation producers are forced to work with retail companies. In fact private label producers may be: - large companies or global networks that produce the same goods under their own brands and under private labels; - small and medium sized companies, specialising in the production of goods with the retailer's trademark; - retailers and wholesalers (members of a central purchasing organization) that have their own factories and produce goods with specific brands for different trade companies.

- *New technology and online sales.*

The use of new technologies by retailer, as well as improving the efficiency of marketing channel processes, has allowed to generate innovation in the commercial offer and consequently improvement of customers relations.

Barcodes, pos-scanner, self-scanning, self-checkout<sup>11</sup>, personal shopping assistant<sup>12</sup>, electronic shelf labels<sup>13</sup>, automatic EFT payment systems<sup>14</sup>, RFID<sup>15</sup> and virtual

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<sup>8</sup> Services during sale can be identify as: atmosphere, availability of equipment for the disabled and children, presence of support services (such as bars, telephones, restaurants), staff courtesy and professionalism, diversification of methods of payment etc.

<sup>9</sup> Post-sale services may be: product guarantees, setting up of a structure for interaction with customers in order to spot ongoing changes in the needs to be satisfied.

<sup>10</sup> Finance function refers to commercial credit, while the informative function regards the management of important information flows in the marketing channel.

<sup>11</sup> Point-of-sale scanners record goods leaving a store with an optical reader that reads the bar code on the products. Self-scanning technology refers to portable scanners (suitable for reading bar codes) that customers can use while shopping. Self-checkouts refer to the use of automated cash-out points where the customer performs the same operations normally carried out by a cashier.

<sup>12</sup> Personal shopping assistant is a small GPS computer that customers can use as a guide while they are in a large store.

<sup>13</sup> An Electronic shelf label, also known by the acronym ESL, is a system used by retailers for displaying product pricing on shelves. A communication network allows the price display to be automatically updated whenever a product price is changed.

<sup>14</sup> Electronic Fund Transfer payment systems allow the transfer of money without the movement of currency. This structure is the basis of EFT payment systems by debit or credit cards.

<sup>15</sup> A tag is applied to every product containing information about the product itself; by going through the automatic devices placed at the exit from the production warehouse, the entrance to and exit from the

supermarkets<sup>16</sup>, for example, enrich the commercial offer and contribute to value creation for both consumer and retail companies (Riboldazzi, 2005).

The development of Internet and web-based technologies, has also helped retailers to add the traditional sale with online sale, in which the match between supply and demand is achieved in a virtual space. Most major trade groups develop integrated distribution policies (click-and-mortar) by combining benefits from the exploitation of defined commercial physical space (to oversee meeting demand through local spaces) with the opportunities resulting from the non-existent spatial and/or temporal constraints in online distribution.

Walmart, for example, invests considerably in the development of its Global eCommerce Division; as well as managing platforms Walmart.com and Asda.com (serving 97% of online consumers in the UK) the company is now also developing eCommerce in Brazilian and Chinese territory (Walmart Annual Report 2011).

## 5. Conclusions and implications

In this paper we have explained that with globalisation, over-supply has become a structural factor of development, forcing companies to come to terms with: irregular growth rates of consumption, unstable demand, and above all, changing consumption potential.

The deep-rooted changes in purchasing habits (of both households and individuals) produce new spending behaviour, which highlights:

- the drastic increase in consumer disloyalty, with peaks of 60-70% of brand switching;
- the booming of non-loyal purchasing (and the consequent search for cheaper retail formats and products);
- the postponement of non-essential purchases;
- the product switching;
- and finally, a reduction in quantities purchased.

Indeed, when in mass markets consumers' income decreases, customers become more selective on purchases and outlets, brand switching and non-loyal purchasing increase (encouraged above all by private labels and hard promotions), many clients abandon richer products, and purchased quantities are reduced.

Thus, crisis in consumption forces companies to adopt hard competitive policies, based on market-driven management, which favours competitive pricing and fidelity in consuming (which is more flexible and less expensive than purchasing loyalty).

Over-supply and global markets therefore impose new competition rules, which emphasise retailers offers with strong market-driven policies, where innovation is an important factor to achieve unstable customer aggregations (demand bubble) and the brand is a 'system of responsibility' in manufacturer-retailer-consumer relations within global marketing channels.

The implications of this paper are twofold:

distribution centre and the entrance to and exit from the point of sale, this tag allows the automatic updating of the entity of stocks for each individual reference and its relevant movement, thus reducing administrative errors. By also allowing simultaneous registration of the tags of all the products placed in a shopping trolley, RFID (Radio Frequency Identification) becomes a source of benefit for the consumer and the firm, thanks to the consistent quantity of information obtainable even beyond the cash point barrier.

<sup>16</sup> We refer to panels backlit (which replicate the normal supermarket shelves) combined with QR codes (quick response) which, after being photographed with a smart phone, allow consumers to shop online.

- the scientific one: we have linked global retailers and market-driven management with innovation. This link is new in literature, where studies are concentrated on more operational aspects of retailing and less on strategic ones. The implication is the need to look at global retailers as important actors in the global competition, where retail companies play a strategic role in setting relationships with their suppliers and their clients in order to develop consumption through specific types of innovation;
- the operational one: retailing managers are involved in making decisions about products, prices, places, etc. daily, but they lack a framework which can help them move in the right direction. In this sense, the market-driven management perspective becomes a way to help them face global competition, creating a framework for investments and activities. In this sense the creation of demand bubbles and the focus on competitive customer value, also by private label offerings, are two examples of how global retailers can play an innovative role in the market and in their competitive environment.

Future developments can take many directions, some of which can be summarized as follows:

- it will be important to find easy and synthetic metrics to help managers choose how to invest in retail innovation. For example: how many resources must be devoted to private labels, how many must be used to help manufacturers' brands to grow and gain higher levels in brand equity and in market share? To reach this operational purpose we need metrics able to connect the degree of market-driven innovation with retailers' performance.
- then, from a scientific point of view but, of course, with important managerial implications, it will be interesting to study the alliance systems that global retailers are setting to face competition, to have more insights into big players' policies and to explain how local players (retailers and manufacturers) can find a place in creating value in global competition. This aspect can be specifically studied in two directions: - analysing alliances and relationships that global retailers are developing within their traditional supply chain (i.e. with local retailers, manufacturers for supplying manufacturers brand and for private label offerings); - exploring the new kinds of relationships global retailers are setting with corporations from other industries as is the case for financial service providers, mobile connection providers, oil companies for the supply of gasoline, etc., in order to enrich global retailers' portfolios, to face the growing global competition.

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