

## **Chapter 8**

### **RETAIL INNOVATIONS: THE ESSENCE OF CONCEPT AND FEATURES**

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#### **INTRODUCTION**

According to the State Statistics Service of Ukraine, retail turnover in our country reached almost UAH 1 billion in 2018 while at the same time as of June 2019 retail trade turnover increased by 10.3% compared to the same period last year<sup>1</sup>. The statistical data only accompanies the global trend of overconsumption and, consequently, considerable growth rate is retail and some analysts argue<sup>2</sup>, that at the moment there is no reason to believe that the dynamics will change on the downward trend in future.

There is a high level of competition, especially in the niches that sell consumer products due to the dramatically positive dynamics of retail development. Retailers resort to a variety of marketing strategies and tools to gain customer attention and increase customer loyalty. Moreover, in a competitive environment, companies are trying to reduce customer service costs while improving service quality. The priority task of retailers in the retail market is to attract as many target consumers as possible while effectively using the budget for customer service and business retention.

Thus, with the aim to attract as many customers and differ from competitors, retailers consider innovation as one of the leading tools for improving their own competitiveness and the management process of the implementation of innovation and results analysis are consequences of developing for the innovation.

Nowadays, in the economic literature on innovation, retail as a separate type of economic activity is not under sufficient attention. Retail is identified with either the general concept of “trade” or the concept of “entrepreneurship”<sup>3</sup>. However, retail activity has several

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<sup>1</sup> Derzhavna sluzhba statystyky Ukrayiny. [State Statistics Service of Ukraine]. (n.d.). Retrieved November 23, 2019, from <http://www.ukrstat.gov.ua/>. [in Ukrainian]

<sup>2</sup> Rodriguez, M., Paredes, F., & Yi, G. (2016). Towards Future Customer Experience: Trends and Innovation in Retail. *Foresight and STI Governance*, 10(3), 18–28. doi: 10.17323/1995-459x.2016.3.18.28

<sup>3</sup> Vaschenko, N. (2014) Sutnist innovatsiy torgovelnogo pidpriemstva. [The essence of innovation of a trading company]. *Teoretychni ta prikladni pitannya ekonomiki*, 1(28), 369-381. [in Ukrainian]

significant differences from these types of activities. Firstly, this activity is intrinsically linked and depends on the ultimate consumer's preferences; secondly, the ultimate consumer uses the purchased products personally, therefore, has a high degree of criticality for the good and the brand as it is. Given that the good also has its way to the moment it hits the retailer's shelf, the important issue about innovations in the retail industry are as follows:

What innovations are most applicable to this industry and how to classify them?

What are the steps of innovation and/or impact that products have in their way?

What are some examples of innovations according to the following classification from the practice of modern retail?

The purpose of the study is to highlight the nature, types of innovations and methodological approaches to their assessment in the field of retail based on existing developments and research on innovation and innovation activity.

### **8.1. Essential aspects of retail innovation**

Firstly, we will outline the concepts, features and types of retail as a separate area of the global market for more comprehensive consideration of the innovation of the retail sector. The concept of retail can be defined as an activity aimed at selling products directly to end consumers, who will use these products for their personal non-commercial needs regardless of the form of payment, to the retail trade, including beverages for bottling and ready-made food in restaurants, cafes, bars and other places of public catering<sup>4</sup>. The trading process can take place virtually anywhere e.g. on the market, inside a fixed outlet or directly outside the counter, that is, wherever the buyer is free to go and buy the products they need. This definition can be used to describe the whole process of retail organization.

Retail trade is carried out in a variety of ways, such as personal sales or sales at retail outlets (without reference to size, both in small kiosks and hypermarkets) and sales via the Internet, of course. The main difference between retail and wholesale is that the products are sold in small quantities for direct use by the ultimate consumer and such

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<sup>4</sup> Śmigielska, Gr., & Orzeł, K. (2015). Innovations in the Retail Sector and Their Influence on the Market. *Handel Wewnętrzny*, 5, 338-346.

products are not intended for subsequent sale or use in manufacturing as semi-finished goods.

One of the tools for improving the competitiveness of retail enterprises is innovation, and the result of developing a particular innovation is the process of managing its implementation and analysis of results.

Innovation in the general sense is the result of a set of actions aimed at developing a new idea that has been tested in the form of a new or improved good for sale on the market or a new or improved technological/business process used in practice.

Different people can buy the same goods, their main reason for buying is their desire. Accordingly, in order to fulfill the desire of buyers, a trading organization shall offer them a solution in the form of goods. In the practice of developing a marketing strategy for retail businesses, much attention is paid to the concept of a unique sales proposal which reflecting the consumer strategic differences of the company's products from those of competitors in the following areas: price, quality, satisfaction from the process of purchase, service speed, assortment, making purchases without staff assistance<sup>5</sup>, social responsibility, support for environmental initiatives, etc.

However, the scientific literature does not pay sufficient attention to innovation in the retail sector and most of the work is devoted to trade in general and not to retail in particular. Therefore, let us consider the main approaches to understanding the notion of innovation in the trade sector.

In foreign business literature innovation in trade is defined as a complex of the proposed characteristics of the products having a certain value for the buyer, thereby attesting to the social orientation of any changes occurring in the economy as a whole or at a particular enterprise<sup>6</sup>.

Domestic sources provide examples of surveys on understanding the concept of "innovation" in trade. Survey results suggest that part of the audience defines innovation in trading activities as incremental changes while others talk about radical changes. T. Lvova and I. Semenova give examples of the following definitions: "My favorite definition of innovation is very simple. It is a change that adds value. We are trying to keep everything in the form that is familiar to us... it

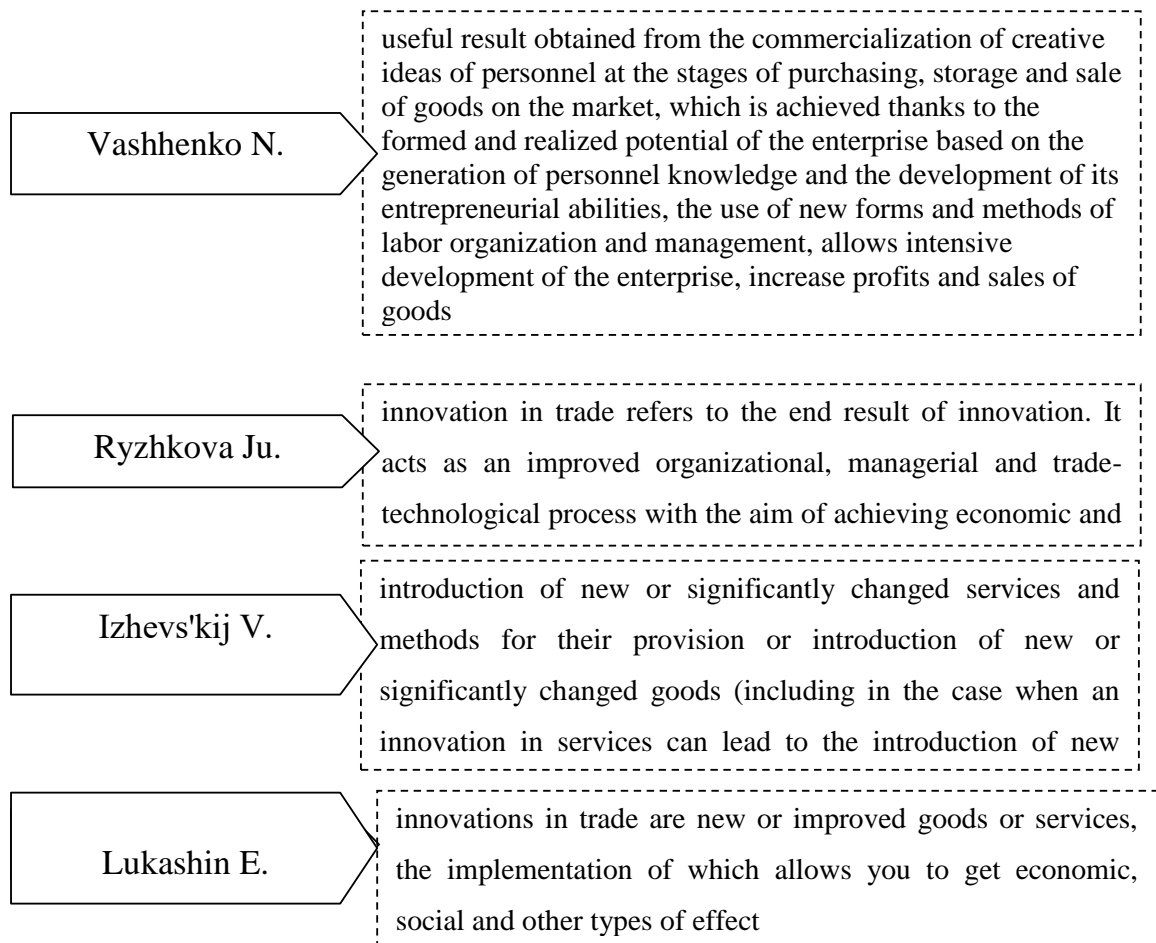
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<sup>5</sup> Śmigielska, Gr., & Orzeł, K. (2015). Innovations in the Retail Sector and Their Influence on the Market. *Handel Wewnętrzny*, 5, 338-346.

<sup>6</sup> Rodríguez, M., Paredes, F., & Yi, G. (2016). Towards Future Customer Experience: Trends and Innovation in Retail. *Foresight and STI Governance*, 10(3), 18-28. doi: 10.17323/1995-459x.2016.3.18.28

must be something new, but it shall also matter. You have many things that are new, but if they do not add value to the organization or the individual then I do not think it is really an innovation”<sup>7</sup>. “... I would say that innovation for me is what helps the customer to live their life much better than it is today”<sup>8</sup>.

Having analyzed the scientific opinions concerning the notion of trade innovation, it should be noted that there is a lack of uniqueness and applicability to the current realities of trade practice among the existing interpretations in some cases. Here are some examples (Figure 1).



**Figure 1. Scientific perspectives on the definition of “innovation in trade”**

*Source: author’s study based on* <sup>9, 10, 11, 12</sup>

<sup>7</sup> Lvova, T. N., & Semenova, I. A. (2015). Innovatsiyi v togovomu protsesi riteylu. [Innovations in the retail trade process]. Vysnik udmurtskogo universitetu. Ekonomika ta pravo, 25, 27-32. [in Ukrainian]

<sup>8</sup> Lvova, T. N., & Semenova, I. A. (2015). Innovatsiyi v togovomu protsesi riteylu. [Innovations in the retail trade process]. Vysnik udmurtskogo universitetu. Ekonomika ta pravo, 25, 27-32. [in Ukrainian]

<sup>9</sup> Vaschenko, N. (2014). Sutnist innovatsiy togovelnogo pidpriemstva. [The essence of innovation of a trading company]. Teoretychni ta prikladni pitannya ekonomiki, 1(28), 369-381. [in Ukrainian]

Thus, N. Vashchenko has provided a broad definition of the category “innovation in trade”, however, we can't help but notice that the author's statement refers to purely successful innovations that give “... a useful result from the commercialization of creative ideas of staff”, in practice, of course, not all innovations are successful. First and foremost, innovation is an idea that may be economically feasible but may also lead to losses<sup>13</sup>. For example, Google's innovative Google Glass was recognized as one of the biggest failures in the company's history, but the problem was not the technology itself, but its implementation and market presentation.

V. Izhevskiy<sup>14</sup> pays more attention to organizational-managerial and trade-technological processes, which are improved by the means of innovations, however, in his definition he goes beyond the process of developing an innovative good, unlike E. Lukashenka, who sees innovation only in new products or services.

Summarizing the definitions above, it can be noted that innovation in trade is more viewed from the point of view of the object of trade and the generation of money circulation (profit, economic impact of change), but does not focus specifically on the ultimate consumer (social orientation). At the same time, in retail trade the consumer is the central object of the entrepreneur's attention and providing positive impression of purchase and WOW effect are important directions of innovative activity of the company. That is, the definition of innovation in retail needs clarification.

Therefore, from our point of view, retail innovation can be defined as a set of interconnected actions to generate new ideas at different stages of the company's activity from purchasing to selling the good on the market, which create additional value for the customer and/or enable intensive development of the company or to achieve economic, social or other effect. The listed types of effects are achieved through the latest

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<sup>10</sup> Kavtaradze, L. (2014). Innovatsii v sovremennoy roznichnoy trgovle. [Innovations in modern retail trade]. *Resursyi, Informatsiya, Snabzhenie, Konkurentsya*, 3, 170. [in Russian]

<sup>11</sup> Izhevskiy, V. V. (2011). Innovatsiinyi rozvytok rozdribnoi torhivli ta restorannoho hospodarstva u rynkovomu seredovyshchi: dys. Kandydata ekonomichnykh nauk: 08.00.04 [Innovative development of retail and restaurant industry in a market environment: dis. Candidate of Economic Sciences: 08.00.04]. Lviv. [in Ukrainian]

<sup>12</sup> Ryzhkova, Y. O. (2008). Mizhnarodnyi dosvid obstezhennia innovatsii u sferi posluh [International experience in the survey of innovations in the service sector]. *Problemy Nauky*, 11, 43-47. [in Ukrainian]

<sup>13</sup> Vaschenko, N. (2014). Sutnist innovatsiy tovgovelnogo pidpriemstva. [The essence of innovation of a trading company]. *Teoretychni ta prikladni pitannya ekonomiki*, 1(28), 369-381. [in Ukrainian]

<sup>14</sup> Izhevskiy, V. V. (2011). Innovatsiinyi rozvytok rozdribnoi torhivli ta restorannoho hospodarstva u rynkovomu seredovyshchi: dys. Kandydata ekonomichnykh nauk: 08.00.04 [Innovative development of retail and restaurant industry in a market environment: dis. Candidate of Economic Sciences: 08.00.04]. Lviv. [in Ukrainian]

developments in the field of retail, formed and realized innovative potential of the enterprise, the use of new business processes, forms and methods of organization of work and management.

If we consider the essence of innovation from the point of view of their main functions, the introduction of innovative technologies in retail trade allows commercial enterprises:

- to ensure the efficiency and quality of the process of bringing the products to the consumer;

- to minimize costs and reduce the level of losses when using retail space, warehouses, commercial equipment;

- to introduce various information technologies in order to reduce the workflow and to minimize mistakes as a result of human influence;

- create the necessary working conditions for staff in order to increase their productivity;

- create safety and energy-saving systems;

- finally, to increase the margin of the products and increase the net profit of the enterprise.

## **8.2. Types of innovation in the field of retail**

The term “innovation” is widely interpreted by retailers. However, most people agree that innovation is a new solution to an old problem and every new solution is designed to improve the efficiency of the enterprise.

It is reasonable to consider retail innovations from the point of view of scientific developments regarding their classification and the possibility of implementation in the sphere of retail trade. It is important that the attributes used to classify innovation would correspond to current trends and market conditions.

Therefore, analyzing the existing approaches to the classification of innovations, we will outline those that are relevant to the sphere of retail and can also be adapted and used in it (Table 1).

Thus, the classification of innovations in general applied to the sphere of retail can be as follows:

1. Innovations the processes (introduction of new technologies in production of goods, logistics, service).

2. Innovation in products and/or services (implementation of ideas and developments regarding innovative products or services).

3. Innovation in business (new ways and methods of business operation as a system).

Table 1

**Scientific approaches to classification of innovations**

Author	Signs	Types
A. Pryhozhyn	1. Under prevalence	Single, diffusional
	2. Under place in the production cycle	Materials; supporting; grocery
	3. Under succession	Replacing; canceling; turning; opening; retroduction
	4. Under reaching	Local; systemic; strategic
	5. Under innovative potential and degree of novelty	Radical; combinatorial; improving
O. Bovin	1. Changes in the goods	Technological
	2. Changes in the way of sale of the goods	Commercial
V. Horshkov, E. Kretova	1. Structural characteristics of innovation	Innovation at the “entrance” to the enterprise; “exit” of innovations from the enterprise; innovations of the enterprise’s structure
	2. Target changes	Technological, industrial, economic, trade, social, managerial
I. Balabanov	1. Target characteristic	Crisis innovation; development innovation
	2. External characteristic	Innovations in the form of the goods; innovation in the form of operation
	3. Structural feature	Production and trade; social and economic; financial; managerial

Source: adapted by the authors based on <sup>15, 16, 17</sup>

<sup>15</sup> Chernyavska, M. Z. (2017). Sutnist Innovatsiy torgovelnogo pidpriemstva. [The essence of trade enterprise innovation]. *Naukoviy visnik Mukachivskogo derzhavnogo universitetu*, 1(7), 102-107. [in Ukrainian]

<sup>16</sup> Kavtaradze, L. (2014). Innovatsii v sovremennoy roznichnoy trgovle. [innovations in modern retail trade]. *Resursyi, Informatsiya, Snabzhenie, Konkurentsya*, 3, 170. [in Russian]

<sup>17</sup> Vaschenko, N. (2014). Sutnist innovatsiy torgovelnogo pidpriemstva. [The essence of innovation of a trading company]. *Teoretychni ta prikladni pitannya ekonomiki*, 1(28), 369-381. [in Ukrainian]

Among the proposed classifications of retail innovations, the most generalized is the development of economist A. Bovin<sup>18</sup>, who distinguishes technological and commercial innovations. According to his position, technological innovations are related to the transformation of the physical properties of products in the production process: for example, the introduction of new ingredients, the use of new production process to obtain new goods. Commercial innovations include changes in the ways of organization, marketing and communication in the process of selling a product. For the retail sector, this trend will be reflected in a new product packaging design, a new way of advertising and delivering products to the consumer. Such innovations arise on the way of products from the manufacturer to the consumer.

On the other hand, classification of E. Blondo<sup>19</sup>, who has experience as a top manager in retail, distinguishes seven types of innovation:

- radical innovations (for example, delivery of products by drones);
- architectural innovations (technologies of warehousing and packaging of products on shelves, merchandising, commercial relations);
- step-by-step innovations (phasing out plastic packaging and moving to eco-friendly packaging);
- technical innovations (possibility of trying on clothes and accessories using augmented reality technologies);
- social innovations (24/7 stores; purchase by installments or credit; chatbots)
- local innovations (creation of own brands in a specific trading house brand network);
- revolutionary innovations (electronic document flow, sophisticated software for managing sales and operating activities of an enterprise – ERP).

Analyzing E. Blondo's approach, it should be noted that his classification of innovations in the field of retail trade does not contain any classification traits by which innovations could be divided into groups. Therefore, in our opinion, E. Blondo's classification is more properly called simply a list of types of innovation.

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<sup>18</sup> Chernyavska, M. Z. (2017). Sutnist Innovatsiy torgovelnogo pidpriemstva. [The essence of trade enterprise innovation]. *Naukoviy visnik Mukachivskogo derzhavnogo universitetu*, 1(7), 102-107. [in Ukrainian]

<sup>19</sup> Blondo, E. (2005). Innovatsii v roznichnoy torgovle. [Innovations in Retailing]. *Bysnes-journal*, 5, 48–51. [in Russian]



V. Apopij, J. Dajnovs'kij and S. Skibins'kij<sup>20</sup>, researchers of innovation in trade, developed a classifier of innovation in trading on the following areas of change:

- the depth of change (radical, improving, combinatorial);
- by scope (sectoral, retail, wholesale);
- by content (commercial, technological, managerial, combined);
- according to the development strategy (transferred, borrowed, increased);
- for reasons of occurrence (reactive, strategic).

According to I. Sevruc's<sup>21</sup> statement which we agree with, the most important types of innovations in retail can be considered social, revolutionary, radical, architectural, as well as local.

In addition to the products being marketed by the company, in order to understand the steps and the area of influence, it is necessary to focus on the retail chain, as well as at the moment of ownership of the trademark (Figure 2). It is reasonable to consider the types of retail innovations inseparably from the sales chain because it is in this chain that you can separate the spheres of influence at each stage of the product life cycle.

Therefore, analyzing the main approaches to the classification of both innovation in general and trade innovation, we propose an additional option of classification of innovation in the retail trade (Table 2).

The proposed classification is a combination of the main activities that can be applied by retailers at all stages from the moment of product development (service) and ending with the delivery/sale of the product to the ultimate consumer.

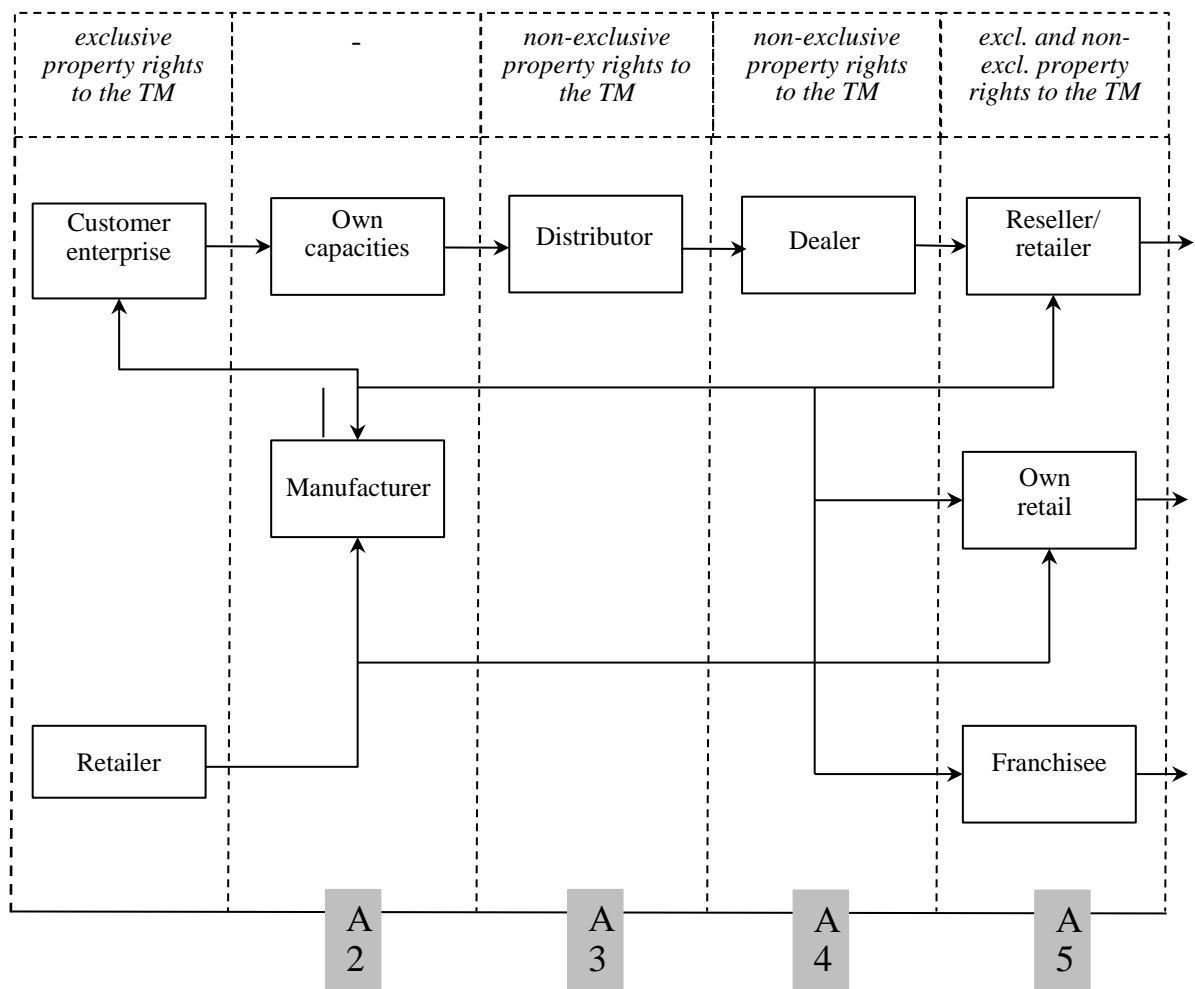
In this classification developed by the retail sector, we deliberately included wholesale sales channels for consideration. After all, innovations that have been implemented by enterprises at “wholesale” stages A1-A4, in the final case may affect the result of the retailer's work, which has a connection with the consumer. For example, changes in the distribution chain towards reducing the delivery time of products

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<sup>20</sup> Apopij, V. V., Dajnovs'kij, J. A., & Skibins'kij, S. V. (Eds.). (2011). *Torhivlia, komertsiiia, pidpriemnytstvo: zbirnyk naukovykh prats* [Trade, commerce, entrepreneurship: collection of scientific papers] (Vol. 12). L'viv: L'vivs'ka komercijna akademija.

<sup>21</sup> Sevruc, I. M. (2013). *Marketynhovi innovatsii v diialnosti mizhnarodnykh rozdribnykh merezh* [Marketing innovations in the activity of international retail chains]. *Visnyk ONU Imeni I.I. Mechnykova*, 18(1), 180–188. [in Ukrainian]

to wholesale retailers or online retailers reduce the time of delivery of products to the customer and, as a consequence, increase customer satisfaction with the work of the retailer, forming loyalty to the store. This is typical for Ukrainian business: retailers, online shopping predominantly, do not hold stocks of products in warehouses of their own, reducing thus their risks, and prefer delivery of products “made to order” of a specific buyer from the wholesaler (distributor, dealer or manufacturer). Or, in the case of relationships between wholesalers and retailers under a franchise agreement, when creating a new or improved existing products by a franchisor (wholesaler), the franchisee (retailer) will undoubtedly benefit.



**Figure 2. Retail value chain**

*Source: authors' study*

Table 2

**Classification of innovations in the field of retail trade**

Sign	Types		Stage of exposure
1. Under the object of innovative development *	new goods		A1
	new pattern of services		A5
	new business process on the enterprise		all stages
	new consumer experience		A5
2. Under the direction of development of trade activity	Wholesale innovations		A3, A4
	Retail innovation		A5
	Industry innovations		all stages
3. Under the area of origin and content	External	Innovations in the external market	A3, A4, A5
		Innovations in the internal market	A3, A4, A5
		Innovation in a specific trading pattern	A5
		Socially oriented	all stages
	Internal	Trade and technological innovations	A3, A4, A5
		Marketing innovations	A1, A3, A4, A5
		Organizational and managerial innovations	A2, A5
		Combined	all stages
4. Under the depth of change	Radical		all stages
	Improving (step by step)		all stages
	Combinatorial		all stages
5. System characteristic	Single crisis		all stages
	Strategic crisis		all stages
	Innovations for development		all stages

Source: author's study based on <sup>22, 23, 24, 25</sup>, \* author's contribution

<sup>22</sup> Rodríguez, M., Paredes, F., & Yi, G. (2016). Towards Future Customer Experience: Trends and Innovation in Retail. *Foresight and STI Governance*, 10(3), 18–28. doi: 10.17323/1995-459x.2016.3.18.28

<sup>23</sup> Vaschenko, N. (2014). Sutnist innovatsiy torgovelnogo pidpriemstva. [The essence of innovation of a trading company]. *Teoretychni ta prikladni pitannya ekonomiki*, 1(28), 369-381. [in Ukrainian]

<sup>24</sup> Smigielska, Gr., & Orzeł, K. (2015). Innovations in the Retail Sector and Their Influence on the Market. *Handel Wewnętrzny*, 5, 338-346.

<sup>25</sup> Chernyavska, M. Z. (2017). Sutnist Innovatsiy torgovelnogo pidpriemstva. [The essence of trade enterprise innovation]. *Naukoviy visnik Mukachivskogo derzhavnogo universitetu*, 1(7), 102-107. [in Ukrainian]

It should be noted that the retailer is not always the final element of the supply chain. Now, the system is increasingly developing when the retailer becomes the developer and customer of the products under its own trademarks in the production areas of certain factories. In the case of Ukrainian business, this situation is more observed in the big marketeers of FMCG and DIY market (Epicenter, Auchan, Silpo, Novus, ATB, etc.). On the one hand, it is often the retailers who communicate with consumers and understand their needs; on the other hand, for example, a retailer's decision to enter into an assortment of house brand is in many cases based on sales data from counterparty vendor shelves. Thus, the counterparty supplier is not protected from fraudulent actions by the retailer network and the innovative product developed by the supplier and tested on the shelf can be copied and ordered by the retailer under the house brand and the supplier may be expelled from the shelf in the future. This situation in the Ukrainian market significantly reduces the innovation activity in the development of new products among manufacturers and suppliers working with large retail chains<sup>26</sup>.

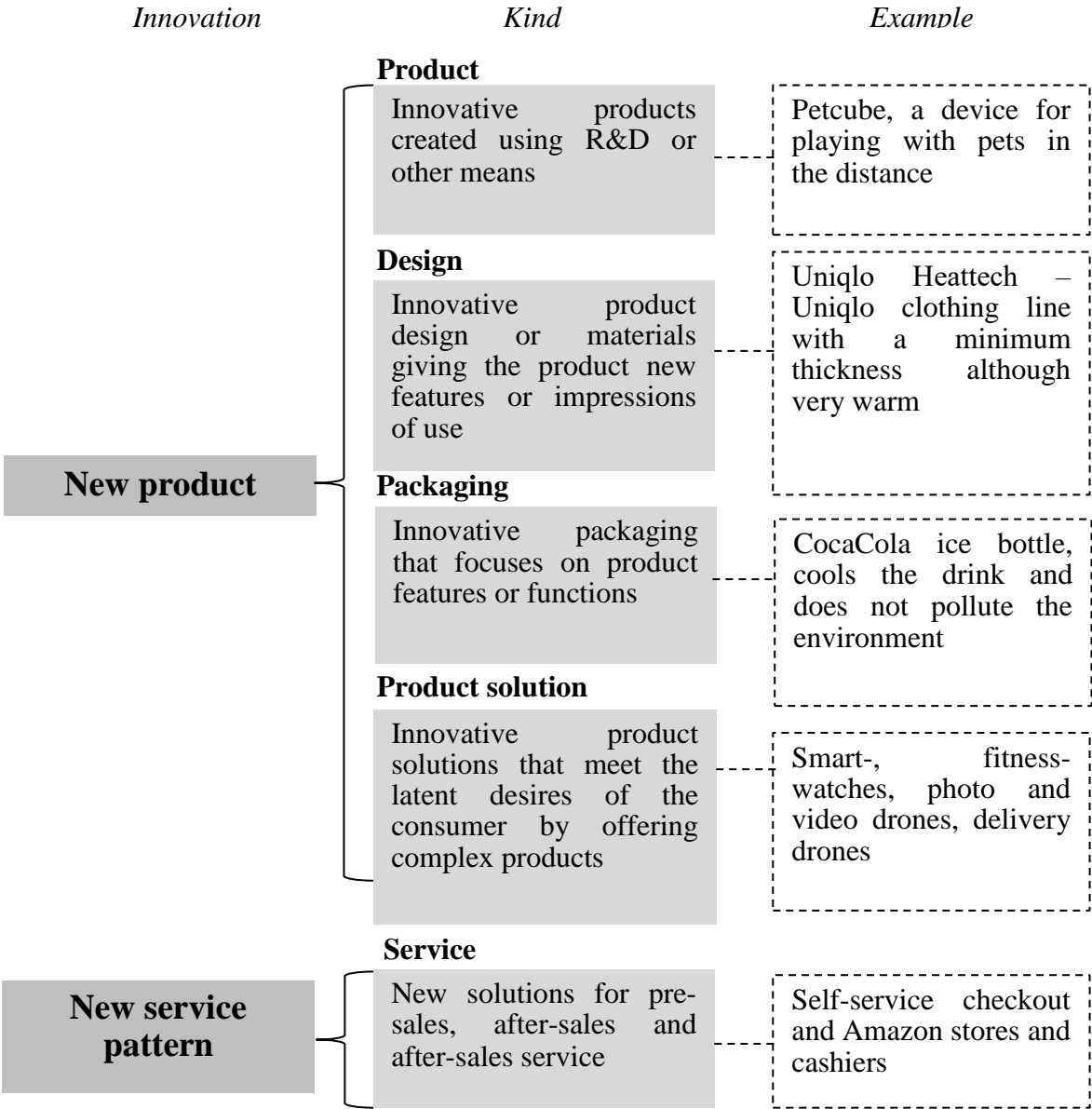
Classification of innovations given in Table 2 is somewhat general, so we will present a more extensive scheme of own classification of innovations in retail by object of development. Suggested classification developed based on a five-year experience of one of the authors of this study as director of marketing in the structure of Ukrainian enterprises in the retail as Diskoni, BUTLERS, Homax and considering cases such global companies like Apple, Samsung, Uniqlo, Amazon, IKEA, ZARA. The scientific novelty of this approach is that the activity of the retailer in terms of the major "points of growth" of the enterprise which are responsible for changing the volume of the positive effect (for example, revenue), focusing on the main appraiser of success or failure of the proposed changes – the consumer, is considered. Thus, we suggest to highlight a separate object of impact of innovation in the field of retail – consumer experience.

Innovation on developing new products of may be different: from global innovations leading to the creation of entirely new markets to improved versions of existing goods. The main efforts of the companies are still aimed at improving the existing successful goods, their design,

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<sup>26</sup> Semyonova, T. (2019). Prodaet frukty i ovoschi po vsemu miru, no v Ukraine ne rabotaet printsipialno: istoriya Maksima Kulika. [Sells fruits and vegetables around the world, but in Ukraine does not work in principle: the story of Maxim Kulik]. MC Today: onlayn-zhurnal o biznese. Retrieved November 23, 2019, from <https://mc.today/prodaet-frukty-i-ovoshhi-po-vsemu-miru-no-v-ukraine-ne-rabotaet-printsipialno-istoriya-maksima-kulika/> [in Russian]

new characteristics or packaging, which is understandable, since in this way the company minimizes its risks (Figure 3). Among the examples of recent “improvements” of existing products we can highlight Iphone11 from Apple, Qled TV from Samsung and drones from Skydio. For example, F. Kotler<sup>27</sup> estimates that less than 10% of all new products are now truly unique and world-class. Although radical innovations can cause great losses and are truly risky, they offer significant competitive advantages in the strategic perspective if successful.

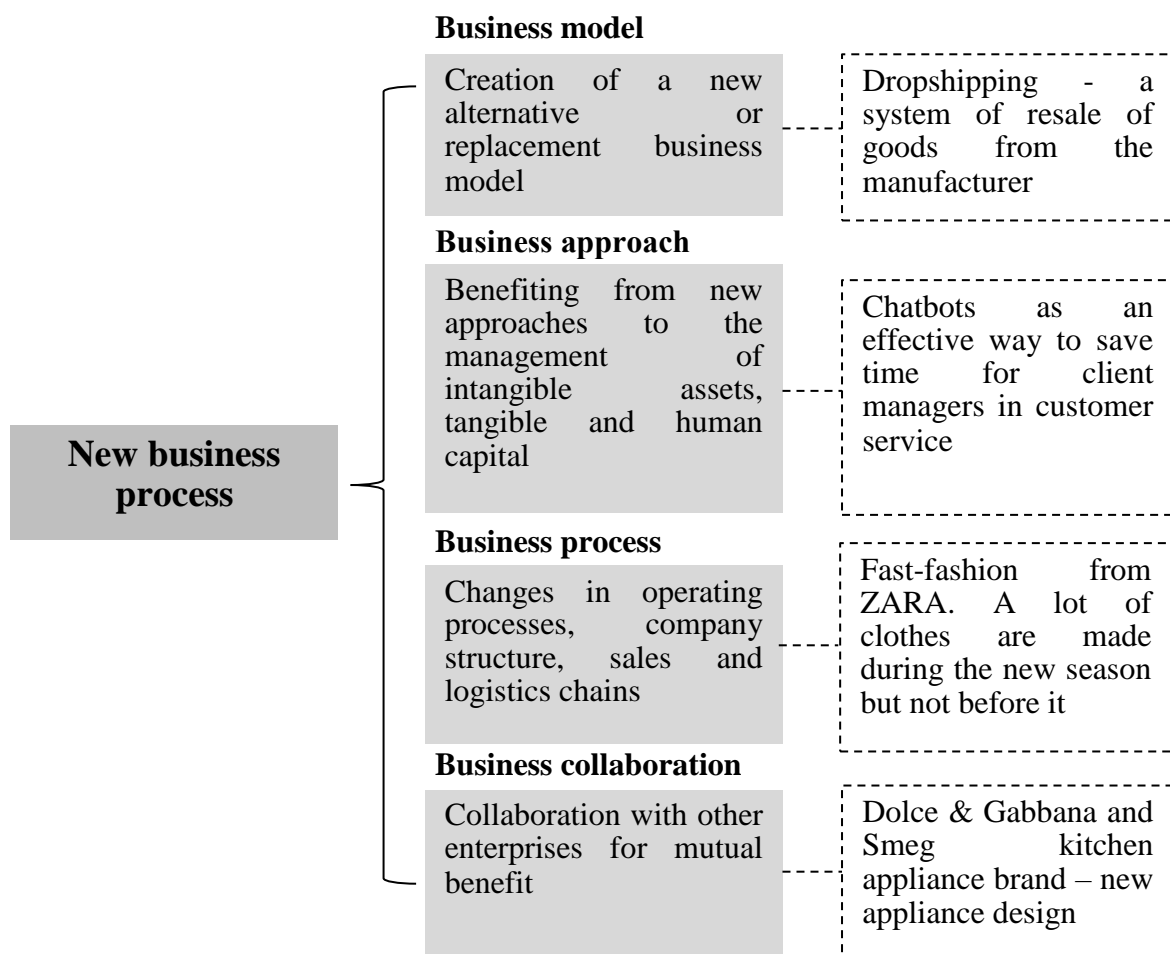


**Figure 3. Retail innovations (new product and new service pattern)**

*Source: authors’ study*

<sup>27</sup> Kotler, P., & Keller, K. L. (2019). Marketing management. Boston: Pearson.

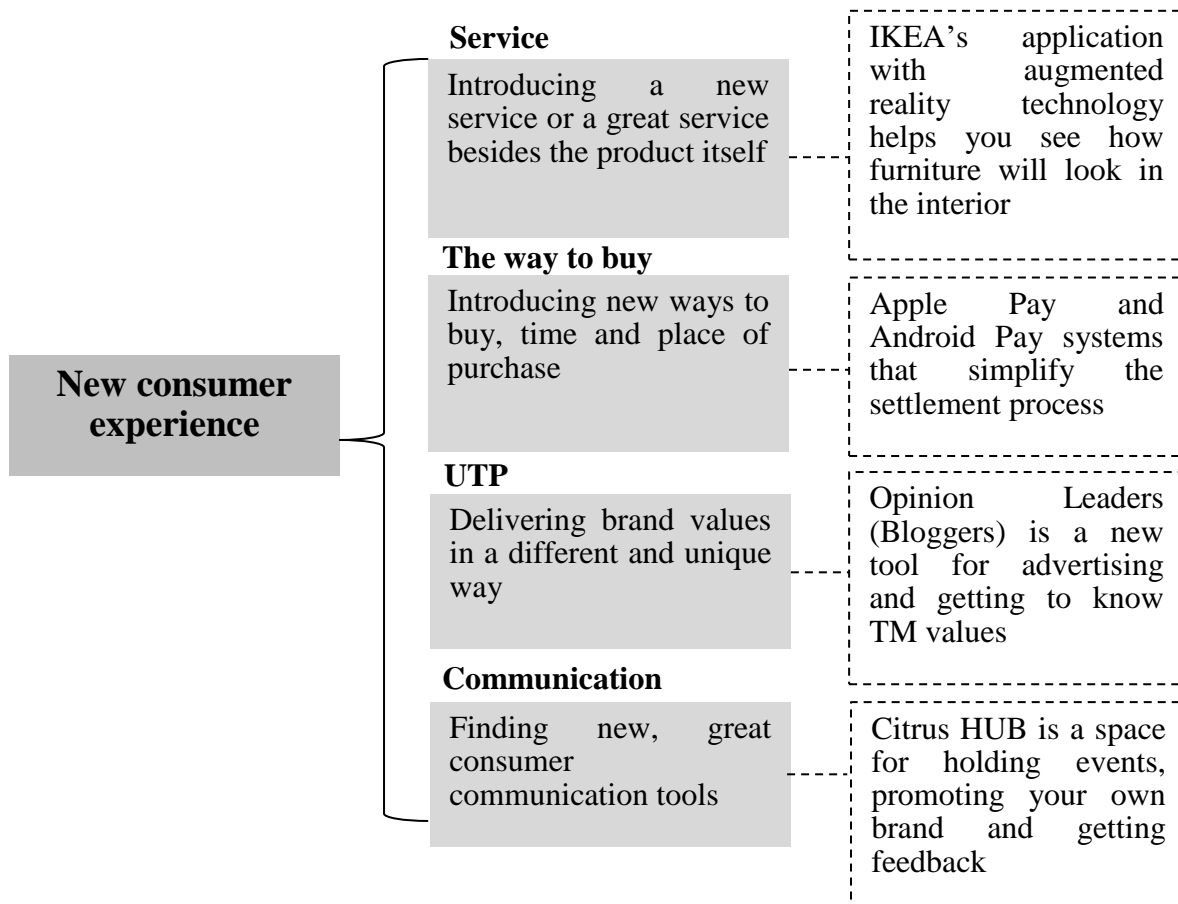
Business Process Innovation (Figure 4) is another important area of innovation for any enterprise and especially those working in retail, as they do not require significant R&D expenses, prototyping, and other pre-implementation researches for new product, its “packaging” and service. In addition, innovation in business models, business approach and business processes, we highlight innovations in business collaborations such as setting up processes and investing resources in expanding external relations firms to expand the scope and range of target consumers.



**Figure 4. Innovations in business processes in retail businesses**

*Source: authors' study*

The consumer experience is a significant benchmark for innovative development of retailers in modern conditions, as we have noted (Figure 5), but this concept is not given enough attention in the scientific literature.



**Figure 5. Retail innovation according to the concept of “consumer experience”**

*Source: authors' study*

So, firstly, let us define what constitutes a consumer experience. Consumer experience is the perception and related feelings/emotions of a customer caused by one-time or cumulative effect on its interaction with the company. Consumer experience is the sum of all customer experiences related to the company over time of their relationship (not only the key shared fields but also the personal perception of the customer is taken into account).

The goal of consumer experience management is to optimize “customer-company” interaction and therefore increase customer loyalty. Consumer experience is not a static unit, its production and storage are constant processes during which the company and the customer interact. The work of the company is to understand where the shared fields are, that is, where the customer has high expectations and emotional involvement and to identify where the company is not meeting those expectations. Consumer experience research is an integral

part of customer relationship management, as well as an important driver of innovation activity<sup>28</sup>.

## **CONCLUSIONS**

Thus, based on our research on approaches to defining the concepts of “innovation” and “innovation in trade” and considering the basic shortcomings of analyzed definitions, we have formed our own vision of the concept of “innovation in retail”. Taking into account the fact that all the activities of the retailer aim to meet the needs of only one object – the ultimate consumer, it is extremely important to focus on the values and effects consumers receive from certain innovations, and this depends on the positive or negative decision of the client to buy the product from a particular retailer.

Considering the consumer orientation of the above definition of innovation in retail, we suggested our own approach to the classification of innovations by object of development. According to the suggested approach, we distinguish four areas of innovation creation: innovation into a new product, in a new business process, in a new service pattern and in the consumer experience. The scientific novelty of this approach is that we highlight the “consumer experience” as a separate area of influence of the retailer in the innovation process. After all, the leading companies of the world pay great attention to the consumer experience allocating huge budgets for the study of customer behavior for the further development of the innovative ones.

The results of the study add to the theory of innovation in the field of retail and can be used to develop a systematic approach to innovation management in enterprises in the field. In the following researches the author will detail the essence and components of consumer experience taking into account the peculiarities of the sphere of retail.

## **SUMMARY**

The study focuses on defining the nature and types of retail innovations based on existing developments and research on innovation and innovation activity, as well as adapting the results of these studies to classify retail innovations. Understanding the classification and particular types of innovation, especially those related to consumer experience is

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<sup>28</sup> Dabija, D.-C., Pop, N. A., & Săniuță, A. (2017). Innovation in Do-It-Yourself Retail: an Empirical Study on Generation X among Professional Craftsmen and Consumers. *Economics & Sociology*, 10(2), 296–311. doi: 10.14254/2071-789x.2017/10-2/22



important as consumer experience is currently one of the most important areas for enhancing retailer innovation. The classification of innovations is correlated with the levels of innovation management at each stage of the value chain in retail. Research findings can form the basis for strategic and operational decisions to innovate at each link in the chain.

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