

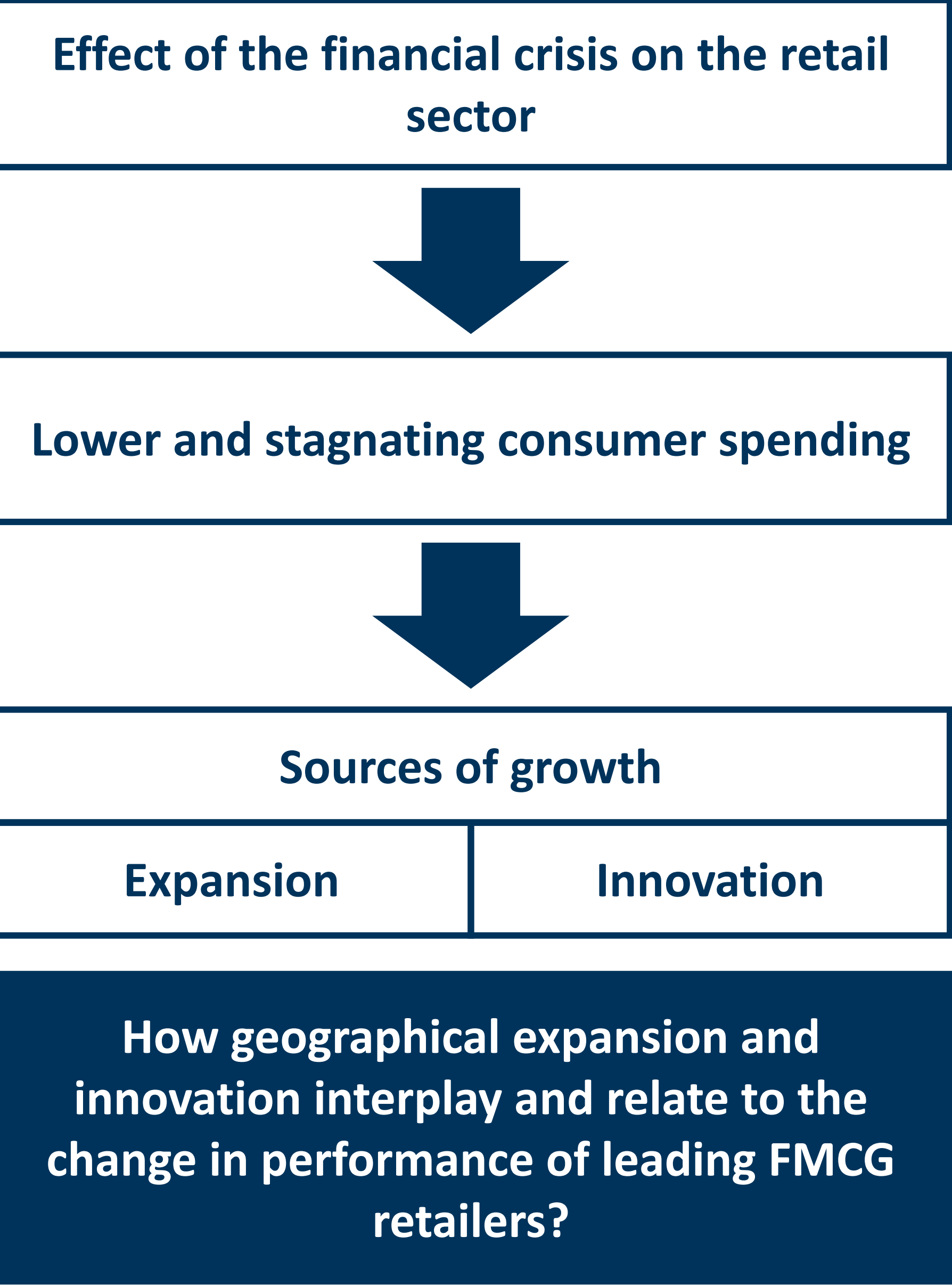
GEOGRAPHICAL EXPANSION AND INNOVATION PATTERNS RELATED TO THE PERFORMANCE OF FMCG RETAILERS

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Research Problem



The Research Gap

GEOGRAPHICAL EXPANSION

strategy whereby a firm expands the value chain (Wiersema & Bowen, 2011) into different geographical locations

RETAIL INNOVATION

commercial exploitation of ideas leading to new or significantly improved outcomes related to the value chain of the retailer

THE INTERACTION OF GEOGRAPHICAL EXPANSION AND RETAIL INNOVATION



- Effect of geographical expansion on innovation
 - Broader market access and higher return on innovations ⇒ reducing the risk of R&D investments ⇒ more incentive to innovate (Hitt et al., 1994; Zahra et al., 2000)
 - Exposed to diverse cultural and economic environments ⇒ more intense competition ⇒ higher organizational learning ⇒ higher innovation performance (Fillipetti et al., 2013)
- Effect of innovation on geographical expansion
 - Higher level of innovation activity ⇒ higher level of competitiveness ⇒ more intensive expansion to new markets (Fillipetti et al., 2013; Siedschlag & Zhang, 2014)

EFFECT OF GEOGRAPHICAL EXPANSION ON THE RETAILER'S PERFORMANCE

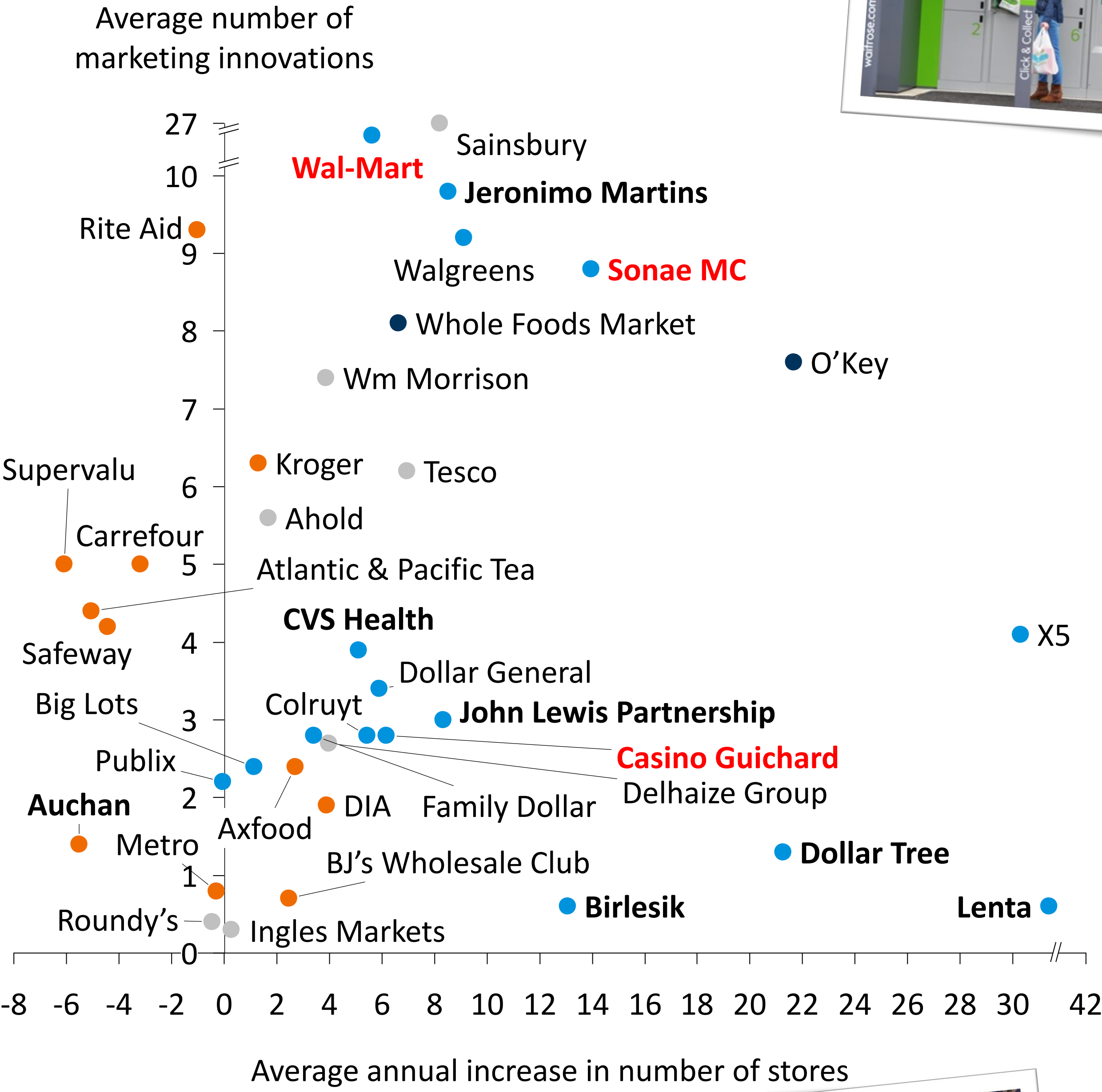
- International geographical expansion
 - Positive effect in case of intraregional expansion (Sohl, 2012; Oh et al., 2015)
 - Inverted U-shaped effect in case of interregional expansion (Burt et al., 2008; Oh et al., 2015)
- Domestic geographical expansion
 - GDP and sales growth rates of the home market (Corstjens & Lal, 2012)

EFFECT OF INNOVATION ON THE RETAILER'S PERFORMANCE

- Innovation has a positive, but transitory effect on performance (Hitt et al., 1994; Siedschlag & Zhang, 2014)
- Marketing innovation has a positive but decreasing effect on performance (Cascio, 2011)

The interaction of expansion and innovation on the retailer's performance was not analyzed in the literature

Main Results



- loser: overperformed during the crisis, but underperformed afterwards
- stable underperformer: underperformed both during and after the crisis
- overperformer: overperformed both during and after the crisis
- winner: underperformed during the crisis, but overperformed afterwards

Methodology and Data

- Performance and expansion data: Bloomberg
- International diversification data: Global Powers of Retailing reports (Deloitte)
- Marketing innovations: corporate websites and annual reports, MarketLine and Business Source Premier databases

Expansion (domestic and/or international) was necessary to perform well both during and after the crisis

Domestic expansion did not require innovation once the business model was working well

Innovation was necessary to transform the business model and improve performance

International diversification required innovation to adapt to local market conditions

Too many innovations may have an adverse effect on profitability due to their cost burdens

Examples of retail innovation

- Launching new mobile app with NFC payment opportunity
- Installing Digital Walls in frequent public areas
- Introducing personalized digital coupons
- Expanding online delivery options (e.g. click & collect)
- New websites for moms in two languages
- Website for consumers to suggest and vote for new products
- New gourmet private label line

- New labelling for frozen products
- Launching climate certified private label products
- Selling solely responsible sourced salmon
- Installing electric car charging stations in stores
- New way of food donations
- Launching credit card with reward
- Creating brand ambassador position
- New store concept

Managerial and Academic Contributions and Future Research

Academic contribution: Better understanding of retail innovations and their effects

Classification of retail innovation outcomes

Managerial contribution: performance consequences and interrelatedness among different strategies (domestic/international expansion, innovation)

Identifying the relationships through econometric modelling