

Retailing with Successful Innovation

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This problem situation was written by Nadia Lissette Covarrubias Sicaire (nadaliss@tec.mx) y Marcia Nelly Villasana Campos (marciavillasana@tec.mx), with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. This document was elaborated from secondary sources.

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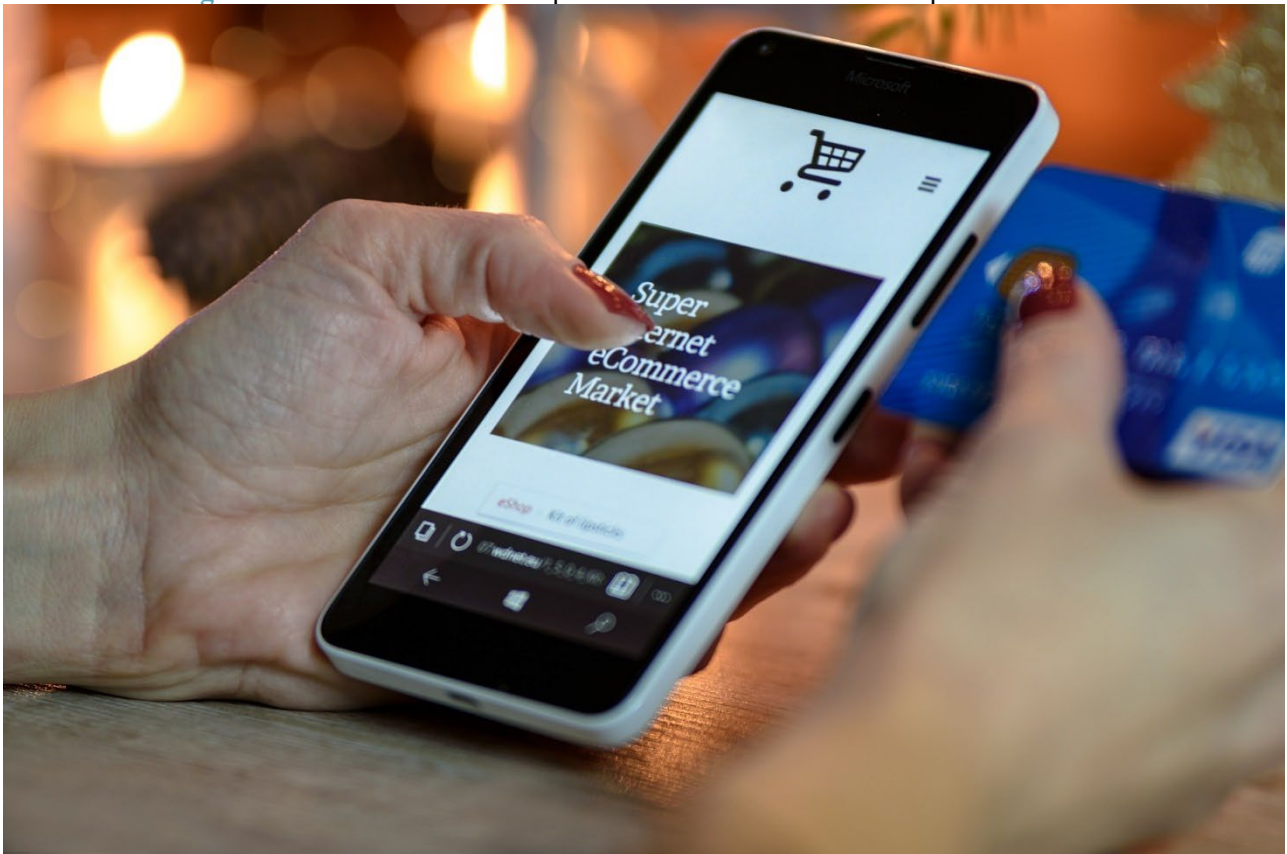
Innovation

Today, according to what Tony Chen shared for Expansion magazine: “We are in a social, business, and technological dynamics that is constantly moving and that is increasingly competitive; therefore, with or without contingency, innovation is always important. Innovating is what drives personal and company growth. Innovating is a necessity; it is not a -nice to have-”. (Chen, 2021).

Since large companies understood that “New forms of consumption and technological changes are the main drivers of the need for innovation. A company that is not capable of innovating not only loses ground in front of the consumer, but it also stops complying with a basic maxim of any business initiative: to generate value in people's lives” (González, 2020), they have opted for and invested in innovation, always seeking success.

Amazon is a company that by 2016 already had a solid position in online sales, was one step ahead of its competitors in terms of innovation in this field and was also supported by its high reputation and prestige as a purchase option (Dans, 2016). In 2016, betting on innovation, it began to offer a new value proposition for its customers, the company launched its online supermarket store in the United Kingdom: Amazon Fresh. with the expectation that said innovation would make Amazon Fresh the first buying option for its customers.

Image. Amazon Fresh would compete with the most successful supermarket chains.



Source. Photo Mix in Pixabay, 2016.

On the subject of innovation, there is a very relevant and decisive factor to guarantee the success of an innovation, which according to Jiménez is “timing” (an external factor): we can have the best team, the best technology, great capital to execute the strategy, but without the right timing in the market, we are going to fail by not getting enough traction” (Jiménez, 2021).

It was precisely this, in addition to a lack of understanding of the customers, that meant that the introduction of Amazon Fresh did not achieve the expected success. According to Moglia (2022), Amazon learned that offering grocery products online does not work in the same way as in other product categories, since for reasons of freshness, many people prefer to buy them directly in a store; whereas for home delivery orders, they trust the one that is fast (since it is the one that can, from their perspective, guarantee the freshness of said products). Therefore, it is necessary to have physical distribution points that allow delivery to be made on the same day.

The year 2020 began, and an unprecedented life change opened the door to purchasing habits that were claimed to represent the change in the retailing industry worldwide; in-store shopping lost customers every day.

Due to the fear of pandemic, of getting infected and dying, people began to make purchases online, triggering an exponential growth in online stores. In only a few weeks, it was said that if a company did not sell online, it had a high chance of shutting down; large companies began to close their business premises and, according to their possibilities, they began online operations in order to be one click away from their clients, new ways of consumption and technological approaches, develop a huge necessity for companies to innovate (Fernández, 2023).

Large global consulting firms, such as McKinsey, reported that 75% of US consumers were trying new ways of shopping in response to economic pressure, store closures, and new priorities (Charm, Tamara et al, 2020).

Faced with this scenario, large retailers opted for innovation, innovations emerged in online sales, zero-contact sales, smart stores, all of them were options that allowed users not only to have a personalized shopping experience, but a safer one as well.

Amazon's Timming

That has made Amazon modify its bet, taking advantage of an investment made in 2017 when they bought the Whole Foods supermarket chain, having had an important learning experience in 2016 with Amazon Fresh online, and benefitting from the "timing" that the pandemic brought, the company chose to make the business models that it already operated coexist. For instance, it offers online sales in the places where Amazon already has physical stores, as well as a commitment to its innovation of Amazon Go, a format in which you do not need to go through a cash register to make the payment for your goods; so, it has relaunched its Amazon Fresh format (Moglia, 2022).

According to Moglia (2022): "Amazon fully understands that online and offline do not live in separate worlds, they live in the same world, they nourish and complement each other; it understands very well that people move between both worlds effortlessly and that beyond electronic or physical commerce there is commerce, which is not just about selling online or in a physical store, it is about selling".

Nobody guarantees that all of this will be a success, but Amazon can afford to try it and if it does not work out, they will have learned a lot and try again until they succeed (Moglia, 2022).

- If innovation in products or services does not guarantee success, how can companies generate value for their customers/users in this post-pandemic stage?
- Given the current context, how can blue oceans be generated?
- What factors (economic, social, environmental) should companies consider to generate value innovation through their products?

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