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***The role of innovation orientation (IO) in facing
external competition: a systematic review and
explorative study of how small retailers succeed
through IO***

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Summary	
Abstract	5
Introduction	6

SECTION I: LITERATURE REVIEW ON RETAIL INNOVATION

1. Methodology used for the research	11
1.1 Literature review: what it is and how it is carried out	11
1.2 Choosing journals and articles	12
1.3 Research Protocol	12
1.4 Identifying Research Streams	19
2. Theoretical Framework	23
2.1 Innovation – orientation: a general overview of the basic research topic.....	23
2.2 Technology-oriented framework and the strong connection with innovation	24
2.3 The role of strategy orientation of enterprises in an innovation context: what is meant and what may be the prospects for enterprises.....	27
2.4 An important new construct: the sustainability-oriented innovation	31
2.5 The main Retailing mix elements considered in this research.....	33
2.6 The role of customer orientation in innovation.....	37
3. Results	40
3.1 Technology–oriented innovation research	41
3.1 .1 Analysis of Patent as an Index of Growth in Technological Innovation.....	48
3.1.2 The main technological innovations adopted in technology-oriented retail ...	51
3.1.3 How new technological innovation affects retailer and customer behavior: how it changes as a result of in-store technology.....	59
3.2 The role of strategy orientation in retailing innovation	63
3.2.1 Retailers' strategic decision about the timing of innovation adoption	68
3.2.2 The choice between radical vs incremental innovation.....	72

3.2.3 Among the strategies most used by retailers: the omnichannel strategy.....	76
3.3 What the literature says about sustainability-oriented innovation in retail: main findings.....	79
3.3.1 eco-innovation and social sustainability in retailing firms.....	84
3.3.2 The adoption of sustainability through Green Supply Chain.....	86
3.4 Retailing mix innovation.....	87
3.4.1 Second level of retailing mix innovation	93
3.4.2 First level of retailing mix innovation.....	96
3.5 How Innovations in retail Impact the customer: A Customer-oriented research	100
4.1.1 What is consumer behavior in relation to innovation? Intention to use vs resistance.....	107
4.1.2 Experience and engagement of the customer using innovation.....	111

SECTION II: SMALL INDEPENDENT RETAILERS AND THE ROLE OF INNOVATION AS A DRIVER TO REDUCE VULNERABILITY AND INCREASE SECURITY IN AN INCREASINGLY COMPETITIVE MARKET

1. Entrepreneurial Orientation's Impact on Innovation in Small Shops	116
2. A qualitative analysis with Gioia Methodology.....	119
2.1 The procedure used to collect qualitative data.....	120
2.2 The data analysis with the Gioia Method and the use of Nvivo software.....	128
3. Analysis of the results.....	133
3.1 Entrepreneurial orientation in analyzed small retailers.....	134
3.2 The main aggregate dimensions	137
3.2.1 Customer-oriented Innovation in Small Retailers.....	137
3.2.2 Technology Innovation in Small Retailers	143
3.2.3 Strategic Innovation in Small Retailers.....	147

3.2.4	Sustainability Innovation in Small Retailers	152
3.2.5	Retailing mix element innovation in small retailers	155
3.3	Results emerged from Nvivo14.....	159
4	Discussion.....	167
	Conclusions, limitations, and future research.....	171
	References.....	175

Abstract

Small independent retailers are crucial to the Italian economy and must compete with large companies. This thesis examines innovative processes in the retail sector and their impact on competitive advantage and performance, with a focus on Italy. The first objective is to provide an overview of the main innovations adopted in retail and their role in creating sustainable competitive advantage. The literature review identifies five key themes: customer-oriented innovation, strategic innovation orientation, innovation in retail mix elements, technological innovations, and sustainable innovation. The second objective explores the impact of innovation on Entrepreneurial Orientation (EO) and small store safety. Through a multiple case study and interviews with independent retailers in six Italian cities, it analyzes whether innovation can reduce the vulnerability of small retailers to larger competitors. Results show that retailers seek innovations to better compete and satisfy customers, with high levels of EO stimulating sustained strategic and marketing responses.

Gli Small Independent retailers sono cruciali per l'economia italiana e devono competere con le grandi aziende. Questa tesi esamina i processi innovativi nel settore retail e il loro impatto sul vantaggio competitivo e sulle prestazioni, con particolare attenzione all'Italia. Il primo obiettivo è fornire una panoramica delle principali innovazioni adottate nel retail e del loro ruolo nel creare un vantaggio competitivo sostenibile. La revisione della letteratura identifica cinque temi chiave: innovazione orientata al cliente, orientamento strategico all'innovazione, innovazione negli elementi del retail mix, innovazioni tecnologiche e innovazione sostenibile. Il secondo obiettivo esplora l'impatto dell'innovazione sull'Orientamento Imprenditoriale (EO) e sulla sicurezza dei piccoli negozi. Attraverso uno studio di casi multipli e interviste con rivenditori indipendenti in sei città italiane, si analizza se l'innovazione può ridurre la vulnerabilità dei piccoli rivenditori rispetto ai concorrenti più grandi. I risultati mostrano che i rivenditori cercano innovazioni per competere e soddisfare meglio i clienti, con alti livelli di EO che stimolano risposte strategiche e di marketing sostenute.

Introduction

The term “*retail*” refers to a large and developed sector that operates in B2C, relating, therefore, directly to the final consumer. The analyzed sector is characterized by different economic realities both in terms of core business and size; in fact, it includes both small traditional shops, often neighborhood artisan shops, and retailers that are defined as large-scale retail trade. This is visible very well in the Italian context, in which retail has seen the increasingly preponderant emergence of large international retail brands alongside small artisan and traditional stores. This has changed the layout of cities and neighborhoods and consequently led to new consumer behavior.

The retail sector has always played an important role in the economy with the capability of stimulating the growth and development of cities and attracting people to the shopping streets (Caboni, 2020). In recent years, the growing importance of the retail sector in creating job opportunities and economic growth has become increasingly relevant and apparent both nationally and in Europe (Grondat al., 2020). Western Europe counts US \$2.277 billion, with a customer spend of US \$6.590 (Coca-Stefaniak et al., 2010) fact, many scholars in the economic field often look to the performance of the retail sector to be able to highlight a state's level of prosperity. A good measure of the economic importance of the sector is its contribution to GDP (Betancourt, 2005). According to Retail Strategic Report 5.0 2022), without this sector, 13.7% of the Italian GDP could not be generated, also considering upstream and downstream manufacturing and service activities. The report also emphasizes that retailing, if considered as a unique sector, would be the first out of 99 surveyed in terms of added value and investments. Again according to the 2022 report, with almost 10 billion euros invested in the Italian territories, the sector supports 10% of the country's total investments, with a positive trend also in the last year (+3% compared to the previous one).

Despite the growth of large-scale distribution in Italy, the background of our country is still strongly anchored to small and micro-businesses, also operating in the retail sector. Small retailing is widely recognized as a vital economic activity and small firms are characterized by the strong leadership style of entrepreneurs and founders, often a family, that shapes their approach to innovation and the market (Penco et al., 2022). Italy's entrepreneurial fabric is composed of SMEs, representing 99.9% of the country's businesses, and contributing to 66.9% of the value added (European Commission,

2023). According to Cerved data (2023), more than 32% of SMEs in Italy operate in the wholesale and retail trade sectors. Recent academic research has highlighted the significant role that small independent retailing firms play in creating a social function in cities (Ekström and Jönsson, 2022). Furthermore, according to the studies proposed by Clarke and Banga (2010), small shops have a crucial role as they constitute an interaction between subjects. Very often, they are places where a high level of involvement with the consumer is defined, and a better relationship is also created between the retailer and its stakeholders (Robaton, 2018). The relevance of independent small retailers in Italy was also underlined by the research carried out in 2023 by SDA-Bocconi, which highlighted how a percentage of 54 percent of Italians use services offered by the shops in their neighborhood. Moreover, 70% of Italian consumers prefer small shops to their large competitors. Although Ryu and Swinney in 2013 had underlined the importance of treating the neighborhood as a brand and Pantano and Migliarese in 2014 defined this relational aspect between customers and retail as a source of competitive advantage, especially in recent years there has been a phenomenon defined from literature as "retail apocalypse" (Danziger, 2017; Townsend et al., 2017; Helm et al., 2018; Nihalani and Reid, 2018). This refers to the current crisis of small independent retail caused by the growing of bigger dimension competitors such as big malls and e-commerce. It depends both on the globalization phenomenon and the digitalization that have constituted a great source of opportunity and also a threat for this sector; this is why retailers feel the need to search for new strategies oriented toward the creation of a *lasting and defensible competitive advantage* not only over domestic but also international competitors. In a broader perspective, external malls represent a threat not only to city center retail but also to the vitality of the neighborhood.

However, studies of literature emphasize how the retail sector is constantly evolving. The changes that have affected this sector have occurred over time and at different speeds, with the primary objective of adapting to the needs and desires of the final consumer. In recent years, Covid 19 functioned as a stimulus for the adoption and use of innovations more rapidly, accelerating the process by about ten years, all over the sectors. As a result, retail firms started to improve innovative-oriented decisions to remain competitive and profitable (Adapa et al, 2020). In this context, retailers must

implement strategies that would allow them to adapt, innovate, and transform to have sustained competitive advantage (Shankar et al., 2021; Grewal et al., 2021; Kumar et al., 2017). In this vein, the majority of physical retailer firms are addressing their business model with innovative activities and tools to enhance the customer shopping experience (Pantano 2014; Roy et al., 2018). Over the past few years, retail stores have adopted a lot of innovations in day-to-day practice. For instance, many have developed social platforms and online sales channels to improve communication or be able to increase their sales by using e-tailing strategies and implementing a "phygital store"; increasing emphasis is also being placed on attention to both environmental and social sustainability; some are using in-store technologies such as service robots, automated checkouts and radio frequency identification systems (RFIDs). Indeed, the traditional capabilities that retailers could always rely on, seem to be no longer sufficient; alongside experience, location, convenience, and quality, which are always necessary anyway, retailers must evolve along with the changing retail landscape (Paredes et al., 2023). Innovations, that on the one hand demand pull but on the other hand are also technology push, have the main goal of ensuring a new consumer experience to attract the consumer and drive them to be loyal, but also to make the competitive advantage more sustainable in the long term. This is possible by integrating elements such as leisure, convenience, and entertainment into the retail experience (Pantano and Priporas 2016). For this reason, nowadays retail industry is searching for more efficient innovation to advance the consumer experience (interaction with retailers), improve retail management, and stimulate economic performance (Pantano and Priporas 2018). To date, retailers seem to be looking more for continuous and incremental innovations, especially if they are smaller businesses; radical innovations appear to belong to larger retailers. In addition to evident technological innovation, the industry is subject to innovation with a social perspective. Retailers could innovate by understanding the values and desires emerging from society, thus personalizing the experience (Artusi and Bellini, 2020).

However, the choice of the correct innovation to adopt specifically for the business is not easy due to the continuous and rapid innovation development, the acceleration of the change of the consumer's tastes, the technological complexity, and the need for time

and money to be invested in the proper implementation and management of the innovation itself.

For retailers as well as the research literature, the number of innovations is extensive and includes in-store innovation, technology, communication innovation, sustainable searches, procurement, marketing, and services and it seems to impact the various elements of the value chain. For this reason, existing literature within retailing presents such a focus on sub-topics (Runyan and Droge, 2008), without presenting an overview of the innovation to which the retail sector is exposed.

In this vein, the first objective of this thesis is, therefore, to create a general sketch of the innovative processes adopted in the retail sector, trying to understand how this can be a necessary determinant for gaining competitive advantage and creating added value. Given this objective, the first research question is:

RQ1: What are the main innovations that the retail sector is moving toward and how are they adopted? How can these be necessary drivers for competitive advantage and performance?

In this vein, this study aims to underline a new concept of the innovative store, referring both to technological and non-technological innovation-oriented to build a sustainable competitive advantage. Therefore, the first part of this thesis will discuss how the current retail trend focuses on the development of an innovative environment, where technological and non-technological innovation impacts multiple dimensions of the store (Pantano et al., 2017).

In addition, given the importance of small retailers broadly described above, especially in an Italian context, it was deemed necessary to explore innovation more specifically in these.

Previous research explores the role of Entrepreneurial Orientation (EO) in promoting strategy orientation, customer orientation, customer patronage, and sustainability in small retailing. According to Runyan and Droge (2008), these streams may help to understand the source of competitive advantage of small independent retailing firms. Based on this perspective, the second objective of this thesis is to test whether innovation can influence EO. It studies how innovations that are adopted by proximity stores can interact with entrepreneurial factors. In this vein, a second research question is proposed:

RQ2: Can innovation be a factor in increasing the security of small stores in the market and enable the reduction of perceived risk in the face of larger competitors?

Can innovation reduce the vulnerability of Italy's small independent retailers?

To answer these research questions, the paper has two main sections. To answer the first research question, a literature review was conducted to outline the state of the art of research to date. Our examination of the data sheds light on five main research themes: The role of innovation-oriented to the customer (theme 1); the Main strategic orientation adopted for innovation (theme 2); Innovation in retailing mix elements (theme 3); Main technology innovations (theme 4); The role of sustainability-oriented innovation (theme 5). There is a methodology and theoretical framework part that precedes the results and proposals.

Section two aims to answer the second research question. In this vein, a multiple case research study on small independent retailing firms was conducted. Data were collected through semi-structured in-depth interviews targeting small independent retailers in six cities (Milan, Rome, Florence, Venice, Naples, and Genoa). Small independent retailers that are recognized as historic stores in the city were selected. Also for this section, there is a methodology and theoretical framework part that precedes the results and proposals.

SECTION I: LITERATURE REVIEW ON RETAIL INNOVATION

This first section is aimed at finding an answer to *RQ1*. Studies of past literature are then conducted in this part, to identify how different scholars approach the study of innovation in the retail sector. After having briefly defined what is meant by literature review, we proceed to develop the analysis with a first part dedicated to the method of investigating the problem. We continue by defining the theoretical framework of the different approaches that were identified in the previous phase. Based on the literature, a section dedicated to the results is then defined, underlining the main characteristics of the themes that emerged from the study. This part concludes with a personal construction of hypotheses and proposals.

1. Methodology used for the research

1.1 Literature review: what it is and how it is carried out

A literature review is a summary of a subject field that supports the identification of specific research questions (Rowley and Slack, 2004). This analysis method has several primary objectives. First of all, it allows you to review the literature on the specific topic studied; it allows you to critically analyze the information acquired and lays a solid foundation for generating new ideas through your research. A well-conducted literature review allows the advancement of knowledge and gives the possibility of defining development theories (Webster & Watson, 2002). For these reasons, literature review helps authors to have a complete understanding of the theoretical context regarding the topic for which the analysis is being carried out. The author therefore on the one hand immerses himself in past knowledge, on the other he becomes a builder of new knowledge. This type of analysis must be approached with critical and objective thinking; one must be able to discern the convergences and possible divergences found in the literature. The approach that is used in this context is the so-called *systematic literature review*. If you want to give a definition, this can be understood as a "well-planned review to answer specific research questions using a systematic and explicit methodology to identify, select, and critically evaluate results of the studies included in the literature review" (Rother, et al., 2007).

1.2 Choosing journals and articles

To analyze the research question mentioned above, this thesis follows the search protocol for the systematic literature review. In this vein, a bibliometric analysis was conducted to better identify the most relevant articles, authors, and journals on the topic. The objective of the paper is to focus on the importance of innovation in the retail sector as a key factor for success and competitiveness; this is also an attempt to address topics that, based on the author's knowledge, still present a research gap.

1.3 Research Protocol

Following the research method used by David and Han (2004), Newbert (2007), and Macpherson and Holt (2007), to choose the correct articles for the research, the authors adopted an “organized, transparent, and replicable process” (Littell, Corcoran, & Pillai, 2008). The author of this empirical work developed a similar research protocol with the aim of mapping and describing articles (Riviera, 2013).

Following Newbert (2007) and David and Han (2004), the following steps were implemented: (1) Type of publication, useful to delineate the search area; (2) Databases; (3) Choice of keywords; (4) Additional keywords; (5) Nature of the content of publications; (6) Editorial choices; (7) Choice of filters; (8) Verification; (9) Consolidation; (10) Coherence. This protocol is illustrated in *Figure 1*.

Step 1: Type of publication. This passage is focused on finding the highest-ranked papers. The author's goal is to carry out the research by having as a reference basis journal articles that have high levels of reliability and are equally well-known and used by previous literature. In this vein, the parameter used is outlined by the Academic Journal Guide 2021, ABS list. The evaluations provided by the AJG rely on peer assessment, editorial, and expert opinions following an extensive review of numerous publications. These assessments are enriched by statistical data concerning citations. What sets the AJG apart is its distinct approach; unlike other journal evaluations, it doesn't rely solely on a weighted average of journal metrics. Instead, the AJG incorporates metrics into its evaluation process. Journal ratings are a reflection of consultations conducted by subject experts within the Scientific Committee, involving discussions with expert peers and scholarly associations to determine the relative standing of journals in each subject area. The members of the Scientific Committee, in

addition to being experts in their respective fields, are esteemed scholars who often engage in interdisciplinary work, making them well-equipped to assess journals beyond their specific scholarly domain. Based on this approach, the authors identified three key retail journals: the *Journal Of Retailing*, the *International Journal Of Retailing and Distribution Management*, and the *Journal Of Retailing and Consumer Services*. Their ABS is indicated in Table 1.

Table 1.1: Journal ABS ranking

<i>ISSN</i>	<i>FIELD</i>	<i>JOURNAL TITLE</i>	<i>PUBLISHER</i>	<i>AJG2021</i>	<i>AJG2018</i>
1873-3271	MKT	Journal Of Retailing	Elsevier	4	4
1758-6690	MKT	International Journal Of Retailing and Distribution Management	Emerald	2	2
1873-1384	MKT	Journal Of Retailing and Consumer Services	Elsevier	2	2

Source: Academic Journal Guide 2021

To make the analysis more in-depth, it was decided to take into account articles from other journals as well. The three mentioned above appear to be the ones that both quantitatively (number of articles) and qualitatively (based on ABS). Notwithstanding, it was decided to also compare articles from other journals that offer some results on SCOPUS based on the search conducted.

JR, IJRDM, and JRCS are the journals with the highest output and that publish more specifically about the research topic. These were joined by literature reviews among:

Table 1.2: Journal ABS ranking

ISSN	FIELD	JOURNAL TITLE	PUBLISHER	AJG2021	AJG2018
1873-7978	ETHICS-CSR-MAN	Journal of Business Research	Elsevier	3	3
1873-5509	INNOV	Technological Forecasting and Social Change	Elsevier	3	3
1743-9507	SECTOR	Service Industries Journal	Taylor & Francis	2	2
0887-6045	MKT	Journal of Services Marketing	Emerald	2	2
2052-1189	MKT	Journal of Business and Industrial Marketing	Emerald	2	2

Source: *Academic Journal Guide 2021*

Therefore, the articles emerging from the first three journals, being the main ones that emerged from the research, have been analyzed in depth, using the later ones as support and necessary basis for building the research that will be covered in the following chapters.

Step 2: Databases. The research has been limited to one database: Scopus. This database is appropriate because contains a large number of articles, being able to have a quantity of quality and sufficient data available to be able to properly carry out the analysis.

Step 3: Choice of Keywords. In this first step both Boolean operators and wild card “*” were used in the Scopus database. For instance, “retail*” returned documents containing retailer and retailing (cf. Salvador et al., 2020). In particular, the best results emerged from the combination of "innovation" and "retail*" linked by the Boolean operator "AND". After a rapid screening of the content of the articles, it seemed that the used keywords had a generic and open point of view. For this reason, the parameters of the research are capable of embracing different aspects of the topic, thus being able to deal with it on a wide range.

Step 4: Additional Keywords. The authors decided not to use additional keywords in their research.

Step 5: Nature of the content of publications. In the case of this research, no restrictions were imposed;

Step 6: Editorial choices: The research was based on two main editorials: Elsevier and Emerald. These are the editorials in which the authors mostly publish retail topics.

Step 7: Choice of filters. In this phase, the aim is to do an initial skimming of articles by choosing filters that Scopus proposes to make the analysis more accurate and topic-specific. Therefore, six filters were defined: (a) year range; (b) subject area; (c) document type; (d) source title; (e) publication stage; (f) language. The chosen filters are summarized in Table 1.3.

Table 1.3: Filters chosen for skimming articles

FILTERS	CHOICE
Year Range	2005-2024
Subject area	Business, Management, and Accounting; Social Science; Economics, Econometrics, and Finance
Document Type	Article
Source Title	Journal Of Retailing; International Journal Of Retailing and Distribution Management; Journal Of Retailing and Consumer Services
Publication Stage	Final
Language	English

Source: Author's elaboration

The choice of the time frame between 2005 and 2024 stems mainly from the nature of the topic; innovation in general, and more specifically in retail, is constantly evolving. For this reason, it was necessary to focus the research in a relatively narrow time frame

to better focus the study on more recent research consistent with the innovation landscape. The literature review has to be conducted using sources that are as up-to-date as possible (Guidelines for Scientific Writing, 2016). The authors then decided to outline the research using publications exclusively in journals that specifically address the area of research aimed at management, economics, and the social sciences more generally. This choice was made to result in papers that were inherent to the area of research known to the authors and to have better topic specificity. Moreover, as explained above, authors have filtered by journals considering their ABS. Finally, the choice to focus exclusively on completed “final” articles was made to have additional certainty about the reliability of the source to carry out the analysis accurately.

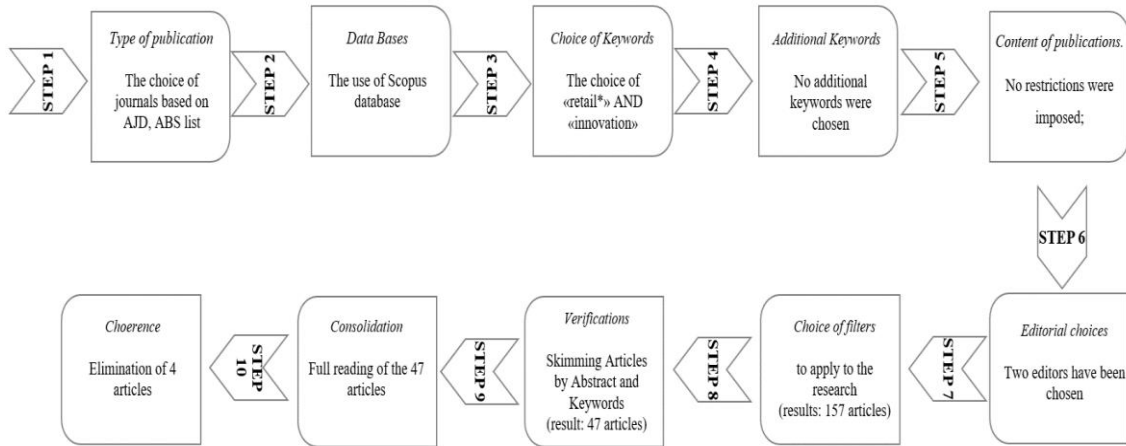
Step 8: Verification. Through the previous steps, 157 articles were thus obtained. Empirical relevance was checked by reading the Keywords and abstract of each of the articles. With this approach, those articles that were deemed less relevant to investigating innovation retail were eliminated from the available sample of articles.

Step 9: Consolidation. Through the previous steps, 47 articles were selected. For all of these, the authors proceeded with the full reading of the papers.

Step 10: Coherence. After the reading, four articles were eliminated. In particular, a first article that was not subsequently included in the search is by Kowalczyz et al., (2023); although this dealt with innovation issues, it was eliminated because the main topic was oriented towards the management of agricultural waste. It was therefore considered irrelevant to the research. A second article that was not used is by Sohn and Ko (2021). The article was discarded as the topic of innovation in retail was not specifically explored. Mainly the characteristics of the consumer are analyzed during the purchasing process. To these, the article by Ketron and Spears (2021) is added. In this the role of the "symbolism of sound" is analyzed and, although this was included in the retail sector, it was not kept relevant for the specific research. Finally, a final article that was not deemed necessary to include in the research was published by Khenfer and Cuny (2020). They show that consumers compensate for a loss of perceived control inherent to service failure by extracting sensory information from brand names. Even in this

case, even though it was the retail sector, the proposed topic was not considered interesting to investigate from an innovation perspective.

Figure 1.1: Steps of the literature review protocol

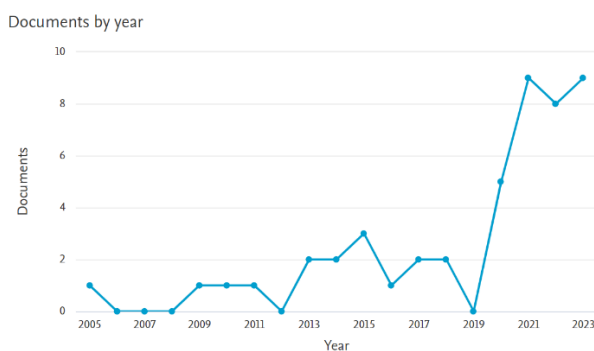


Source: Author's elaboration

The research protocol was designed on February 1st, so data and articles refer up to that specific date. Keeping a journal of the steps used to create the background of the literature review is an essential step, even for future scholars who intend to approach this review (Saiani & Brugnolli, 2010). The search through Scopus, which led to the selection of 47 articles on which to base the literature review, pointed out a relevant growth of articles referring to retail innovation, especially from the year 2021, when the peak of publications was resurrected. This shows how research in this area has particularly increased in recent years. Undoubtedly, one of the factors that has most prompted research to focus on retail innovation has been the COVID-19 pandemic phenomenon. Thus, on the one hand, it has incentivized, almost with a mandatory process, companies to innovate to deal with the emergency; on the other hand, it allowed researchers to expand research on the topic and cover a gap that studies highlighted in previous years regarding innovation in the retail sector and trying to interpret this as a strategic lever for competitive advantage and long-term success of businesses. The evolution of the publication number of the 45 articles chosen can be seen in Graph 1 below. According to SIMA (Società Italiana di Management, 2022)

during the last few years, digital transformation seems to have played an extremely important role in the global economic and social environment, offering firms a key to higher competitiveness. This increased due to the recent COVID-19 pandemic, which influenced the global economy as known. In this vein, most firms of all sizes have been obligated to improve innovations to survive during that period, improving rapid and agile changes (Jabeen et al., 2023). Thus, many aspects have been revolutionized and their impact will be relevant in the coming years and decades (Jabeen et al., 2023). This aligns with the body of literature indicating that periods of difficulty and substantial challenges can serve as catalysts for the emergence of novel avenues for development. (Bertello et al., 2022). Hence, businesses must adjust to and establish the necessary circumstances for survival in the face of challenging periods. While COVID-19 has presented what appear to be "insurmountable challenges" to organizations, many have showcased their ability to innovate during the crisis, laying the groundwork for enhanced resilience in the times ahead. (Fretty, 2020). The fact that the pandemic caused many organizations to operate urgently in the realm of innovation, can be considered as a diver for reshaping business, products, materials, etc. (Lee et al., 2021). To achieve success in a fiercely competitive and unpredictable environment, organizations must cultivate dynamic capabilities rooted in agility, flexibility, resilience, and speed (Aghina, De Smet, Lackey, Lurie, & Muraka, 2018). For all the reasons mentioned above, researchers felt the need to analyze the phenomenon and expand the academic literature on the many innovations that organizations tried to adopt in that period to ensure their survival.

Graph 1.1: number of documents published by year



Source: Scopus analyzes search results

1.4 Identifying Research Streams

One of the main purposes for which a literature review is conducted is to classify selected articles within *categories or streams*. In particular, this was achieved by using the VosViewer software.

The different categories that emerged from the artificial intelligence tool were then verified by the author, identifying a correct match between the article and the category formed. Therefore, after the use of VosViewer author confirmed the created streams by adopting *a post hoc* identification, following Werner (2002) and based on the initial reading.

These streams are rooted in traditional research in the exant management, and retailing literature (Runyan and Droge, 2008).

Before exposing the streams that have been identified, it is deemed necessary to briefly elaborate on what VosViewer is and how it works. The program offers a viewer that allows bibliometric maps to be examined in full detail (Eck and Waltman, 2010). It is a software tool for creating and exploring maps based on network data (Arruda et al., 2022).

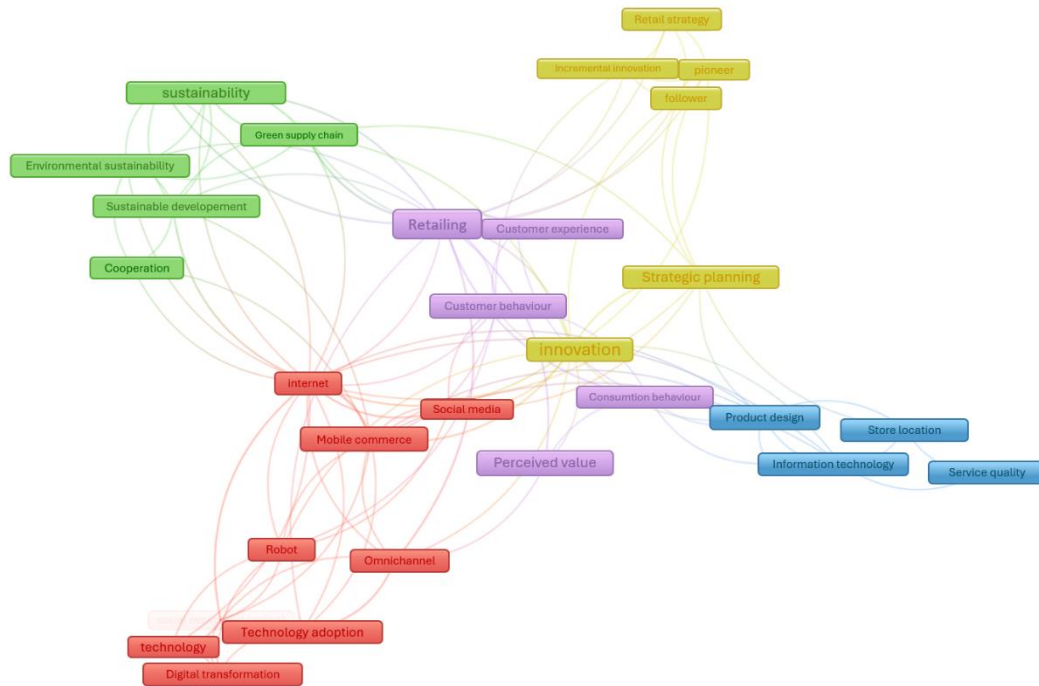
Researchers' use of this program stems from two main factors: first, it enables automated handling of a sometimes very large plurality of data resulting from the complexity of today's data and information. It also allows researchers to create an accurate bibliometric map.

This software can analyze a large number of data and provide specific network data mapping (Bukar et al., 2023). The output that the program proposes consists of a cloud of items linked together and grouped into clusters.

To each cluster, the software assigns a different color. For the scope of the research proposed here, the list of 47 identified articles consistent with the research topic was then exported; their abstracts and keywords were consequently entered within the software.

The bibliometric map generated is structured as follows:

Figure 1.2: Output of VosViewer software



Source: VosViewer Program

From the output that was generated, 28 items can be counted, connected by 143 links, which are in turn grouped into 5 clusters. In this vein, the author constructed the categories most akin to his research. These are then highlighted in Figure 3.

Cluster 1: This is identified by the items recognized by the red color within the map. The output is grouped into items such as internet, social media, mobile commerce, robots, omnichannel, technology, technology adoption, and digital transformation. By the present literature, it was decided to define this category as **technology-oriented innovation research**. This cluster primarily includes the general and growing relevance of digitization through the use of the Internet and, therefore, the concept of digital/technological transformation. Also highlighted in this are the main technological tools that have been implemented in recent years and their prospects.

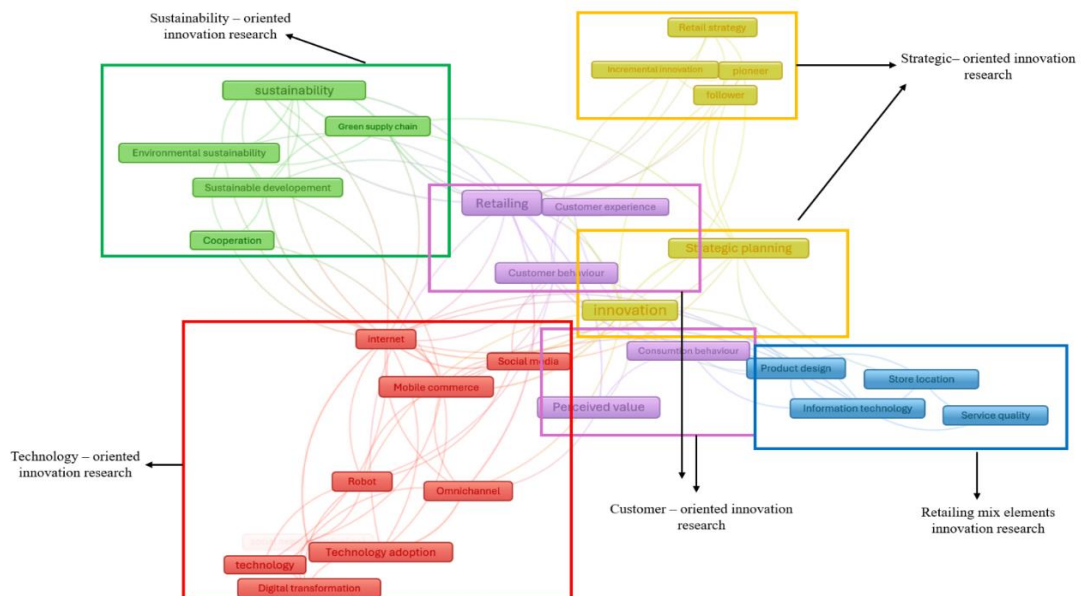
Cluster 2: This is built with items that have a yellow ocher color. The definition of this category depends on retail strategy, incremental innovation, pioneer, follower, and strategic planning. For this reason, it was decided to define this concept as **Strategy-oriented innovation research**. This research deals with the different strategies with which retailers respond to innovation, especially the timing of adoption and its methods.

Cluster 3: The third cluster consists of items recognized by purple. They are items that concern: customer experience, customer behavior, consumption behavior, and perceived value. All these elements are closely connected to the figure of the final consumer. For this reason, the cluster aims to analyze on the one hand the innovations that are adopted by retailers to improve the relationship with the customer and on the other to analyze how the latter relates to the innovation itself. It is therefore defined as ***Customer - oriented innovation research***.

Cluster 4: The fourth is characterized by items that are indicated by the color blue. It includes 4 factors: product design, information technology, and service quality. These appear to be some of the elements of the retail mix. Research has highlighted the role of the innovation of these elements as a critical differentiating factor compared to competitors (Straker et al., 2015). From this point of view, cluster 4 is the so-called ***retailing mix element innovation research***.

Cluster 5: The last remaining cluster is therefore indicated in green. In the thesis, this will henceforth be indicated with ***sustainability-oriented innovation research*** as the output includes items such as sustainability, Green supply chain, environmental sustainability, sustainable development, and cooperation. This cluster includes the theme of sustainability and the innovation sought by retailers. This means both environmentally and socially oriented sustainability (cooperation).

Figure 1.3: Output of VosViewer software, cluster definition



Source: VosViewer Program

The clusters created are all supported to a greater or lesser extent in the literature. These clusters are anchored in traditional research streams in the extant management and retailing literature (Ruyan and Droge, 2008). Strategy-oriented, Customer-oriented, and technology-oriented keywords have been used in the literature increasingly for 20 years now in management journals and retailing journals.

Sustainability-oriented research has had exponential growth, especially in recent years, recording a peak starting seven years ago. Journals regarding retailing and more generally management began to deal with this topic especially starting from 2016. Before then, studies were scarce (Maletic et al., 2016).

The construct relating to the retail mix has also had rapid development, especially starting in the last nine years. Although today it is a construct used in retail and management, the research relating to this began in 2015, the previous year in which the research was present but little developed (Straker et al., 2015).

Once the streams had been defined thanks to the use of the software, as previously mentioned the author sought confirmation of them by reading the selected articles, attributing each of them to the most appropriate and coherent category. Through this step, the identified streams were confirmed, and for each of them, a more or less equal distribution between the articles was identified.

In particular, most of the articles fell within the technology-oriented innovation research stream. This underlines the growing association between innovation and technology (Dubickis et al., 2015) which presents itself today and which also holds promise for the future. Table 1.4 summarises the distribution of articles among the different categories, by Journal¹.

¹JR: Journal Of Retailing; IJRDM: International Journal Of Retailing and Distribution Management; JRCS: Journal Of Retailing and Consumer Services

Table 1.4: Journal publishing articles, by category

JOURNAL	TECHNOLOGY	STRATEGY	CUSTOMER	RETAILING MIX	SUSTAINABILITY	ELIMINATED	TOTAL
JR	3	2	0	1	0	0	6
IJRDM	0	3	2	2	1	1	9
JRCS	9	5	6	5	4	3	32
TOTAL	12	10	8	8	5	4	47

Source: Author's elaboration

These are the articles that were considered to define the contents of the literature review. As mentioned earlier, however, these were analyzed by also taking into consideration other papers, both from the same journals, such as Emerald and Elsevier.

2. Theoretical Framework

2.1 Innovation – orientation: a general overview of the basic research topic

Before beginning the analysis of the theoretical framework related to the clusters that have been identified in this thesis (technology-oriented innovation, strategy-oriented innovation, retailing mix elements innovation, customer-oriented innovation, and sustainable-oriented innovation), it is deemed necessary to first point out what the literature means by *innovation-orientation*. The research analysis is primarily focused on defining innovation in the retail sector, which is why an initial focus is reported on how previous scholars interpret innovation orientation.

Nowadays, although there are a growing number of studies dealing with the topic, a definition that takes the same meaning has not yet been identified. For this reason, the current literature presents a plurality of definitions of innovation orientation. Some scholars, therefore decide not to use the definition of innovation orientation in their studies, while others deal with several definitions simultaneously but do not refer to a specific one.

According to one of the earliest definitions in the literature given by Amabile in 1997, innovation orientation is determined by creativity, enthusiasm of the individuals who make up the organization, and also a certain level of risk-taking to drive the enterprise through an offensive future-oriented strategy.

A year before this study, innovation orientation was defined as the sum of the innovative programs carried out by the company in order to present new services, and new products, and to orient itself to a new market (Manu and Sriram, 1996).

Another definition used in the literature was recognized in 2009 by the scholar Chen who, together with his collaborators, defined innovation orientation as the ability of companies to open up to new ideas thanks to their corporate culture as well as their drive to change. This happens through skills, technologies, resources, and a good administrative system.

Among other definitions, however, this study found it interesting to take into consideration a definition of innovation-orientation according to which this can guide the business to understand the needs of the consumer, develop new products, services, and layouts, and allow the development of processes internal processes that allow them to maintain leadership in the markets in which they want/are inserted (Ergun and Kusku, 2013).

Literature studies focused on innovation orientation suggest a positive relationship between innovation and performance (Jimenez and Valle, 2008). A well-formulated innovation helps firms to investigate customer behavior, to improve their finances, and it also allows forms to understand market needs. Therefore, innovation orientation has a positive impact on the performance of firms. Studies confirm that innovation-oriented companies have a higher level of success thanks to their innovative activities (Zainal, 2022).

2.2 Technology-oriented framework and the strong connection with innovation

Although technological innovation has long been studied, the management of such innovation has been one of the most attractive and researched fields of study in recent years (Nieto, 2004). This orientation is evidenced by the growing number of authors publishing articles related to the topic, as well as an increasing number of Journals that are specifically geared toward the technological innovation theme.

Due to technological advancement, the shortening life cycle of products and services (Masa'deh et al, 2018), and the growth in consumer demand for more in-store experience, enterprises have felt the need to increase their level of technology to be able to maintain (or achieve) high competitive standards (Osman, 2014; Yadav et al., 2016).

For this reason, nowadays there is a general awareness among businesses that innovation can not be possible without the adoption and implementation of new technological trends. Therefore, in many cases, firms seem to have no choice and must always stay abreast of all changes, so they must improve their technological capabilities to maintain a high level of innovation (Khin and Ramayah., 2012). In this vein, the literature has increasingly tended to replace technology (TO) orientation with innovation orientation. Technology orientation brings firms to implement new services and products by coordinating structure, resources, and systems with technology and by using it as a competency (Kateb et al., 2015). Thus, technology orientation allows better services and products brought to market. Previous literature studies have investigated technology orientation for both individuals (e.g., Salavou, 2005; Hakala and Kohtamäki, 2011) and corporate perspectives (e.g., Zhou et al., 2005; Zhou and Li, 2007; Yarahmadi et al., 2015). Studies conducted in 2005 by Aragón-Sánchez and Sanchez Marin emphasized that the creation of successful elements from technological development and the level of innovation were necessary tools for achieving a high competitive advantage. Previous studies highlighted that the development of new ideas and the propensity to implement new technology to develop services and products is more tolerated and appreciated by technology-oriented firms (Hurley and Hult, 1998). Therefore, it can be suggested that, in a technology-oriented firm, creativity and invention have been established as the dominant organizational behaviors and principles that guide its activities and strategies (Li, 2005; Zhou et al., 2005). Firms with high levels of technology orientation can achieve competitive advantage more quickly by being able to offer more services and differentiated experiences than their competitors, succeeding in improving their performance (Rezazadeh et al., 2016). This is in agreement with studies conducted by Gatignon and Xuereb in 1997, followed later by Voss in 2000, firms with high levels of technology orientation are more innovative and develop superior products, services, or experiences than competitors with low levels of technology orientation, achieving superior performance. Those firms that present higher levels of technology orientation can create a favorable technology environment, useful for the implementation of competitive advantage and the development of new services and experiences.

The use of technology within stores enables changes to be made in a more or less obvious way, depending on the level of technology orientation adopted, to the company's business model. Technology-based applications lead businesses to speed up both retailers/employees and consumers to make decisions more quickly and have a greater database of information available. Therefore, not only are new technologies being researched, but they are being adopted and/or imitated in enterprise business models to be competitive and stay abreast of market needs. For this reason, the research assumes that technology orientation not only means creating new technology but also identifying a strategic technology and imitating it to remain competitive (Halac, 2019). Thus, the retail sector has been increasing its investment in technological innovations in recent years. This is also visible in the increase in the number of patents in technologies that this sector is filing. Indeed, retailers have felt the need to present technological innovation processes both to reduce costs and to meet customer needs. We talk about e-commerce, the use of social media, the adoption of robots, of M-commerce, online payments, or contactless. Retailers' technology orientation represents an important investment today to adapt to market needs and consumer desires. Retailers that adopt technological innovation can offer a better experience in the customer journey (from the pre-purchase phase to the post-purchase phase), positioning themselves competitively in a market that is increasingly projected to be technology-driven. In this vein, the technology orientation discussed in this thesis is based on the definition given by Gatignon and Xuereb in 1997, on which many studies in later literature were then focused. In fact, according to the authors, technology orientation refers to the *tendency to utilize and develop new technologies*. Technology orientation is characterized by the degree of commitment to R&D and the acquisition of new technologies (Gatignon and Xuereb, 1997). This orientation can be also defined as the organization's openness to new ideas and new technology adoption (Tsou et al., 2014). For this reason, ***the research analyzes the level of technology orientation in the retail sector by considering the most important technology adoptions*** underlined by literature, such as (a) social media, (b) the use of Robot and RFID systems, (c) the m-commerce and e-commerce and by observing the growth of the number of patents. Assuming the point of view of Gatignon and Xuereb, technology-oriented firms are characterized by the desire and the capability to acquire technological experience using new technologies.

Assuming a Gatignon and Xuereb point of view, technology orientation is the firm technology-based culture to provide competitiveness in making decisions about (a) acquisition of technology; (b) choice of technology; (c) employment of technology into firms (Halac et al., 2019).

The logic on which Gatignon and Xuereb's study is based is focused on the classification of firms with a high level of technology orientation as proactive in acquiring new technologies. Indeed, this positively influences the firm's flexibility, and its intention to change and introduce new products or services (Grinstein, 2008). This is because innovations and technological adoptions are based on the definition of customer value and the long-term success of the firm (Halaka, 2011). Therefore, firms' technology orientation is crucial for their growth potential. Based on this theoretical framework, then, the thesis defines technology innovation from the definition given by Gatignon and Xuereb, which means the tendency to use technologies. For this reason, the research investigates through a literature review, the level of technology adopted by the retail sector by identifying the main technological tools that are implemented. It then seeks to understand whether this orientation directly influences retailers' performance and competitive advantage.

2.3 The role of strategy orientation of enterprises in an innovation context: what is meant and what may be the prospects for enterprises

Again taking up the studies carried out by Gatignon and Xuereb in 1997, strategic orientation can be interpreted as the principle that defines and influences the behaviors and activities of the enterprise that are essential in determining the performance of the firm (Hakala et al., 2011). Recent managerial literature considers strategy orientation as the capability of the firms to bring new circumstances to the organization (Anwar and Hasnu., 2017). In this vein, that orientation drives the analysis of the content of the strategy, the processes by which actions are implemented, and the action taken. For this reason, strategic orientation serves to define an organization's practices and decisions (Deshpande et al., 1993) and establishes how firms relate to market competitors to achieve their goals (Mies et al., 2023). According to Porter (1985), strategy orientation is how firms seek their competitive advantage through the identification of resources and capabilities needed to achieve long-term performance (Anwar and Hasnu, 2017).

Therefore, a successful strategy orientation has a dynamic, sustainable, flexible, and identifiable approach to environmental adaptation (Anwar and Hasnu, 2017), and it is considered a factor of success in a developing market characterized by increasing levels of uncertainty. The literature can count on many studies concerning strategy orientation, therefore, different classifications are proposed. Given the purpose of the research, however, it was decided to approach this type of orientation while keeping in consideration the perspective of Miles and Snow (1978). The choice to approach this viewpoint depends on two main reasons. The first reason is that, although it is not a particularly recent classification, it has been widely used in the past and also applied in current studies in strategy literature. Therefore, it has been generically supported, shared, and deepened by many scholars (Snow and Ham Brick, 1980; Hambrick, 1983, 1984; McDaniel and Kolari, 1987; McKee et., 1989; Shortell and Zajac, 1990; Webster, 1992). According to Majhi et al., (2022) using Miles and Snow strategy orientation is linked to a “strong empirical support and predictive validity” (Mies et al., 2023). It thus turns out to be an approach widely shared by many writers and accepted in management literature. The wide use by literati depends primarily on the clarity and simplicity of the model: it classifies enterprises into four categories, subsequently declining appropriately. This makes it accessible and easy to use. It also allows firms to be ranked according to their response to innovation and can be linked to concrete strategic decisions. The second reason for choosing this perspective stems from its good fit with the analysis of innovations being adopted in the retail sector. Indeed, it allows different types of organizations to be categorized based on the mode and level of strategy adopted. In particular, the analysis focuses on the *strategies of the time to adoption, the level of adoption of innovation, as well as the type of innovation that is generically introduced (first among others digital and eco-innovation) verifying how these strategies can influence the level of performance and competitive advantage for the company*. Miles and Snow defined strategy orientation as the necessary approach that drives firms to obtain competitive advantage through adaptation to a new environment. The environment to which the two scholars refer is now characterized by the rapid advancement of innovation (Mies et al., 2023). This approach, therefore, allows us to *verify a categorization of companies in the retail sector based on their strategic choices regarding the adoption of innovation*. Therefore, this study uses this strategic

orientation framework because It revolves around the firm's orientation and relies on the perceptions, motivations, and desires that come before and steer the processes of formulating and implementing strategy (Penco et al., 2022). The strategy orientation defined displays repetitive, consistent, and discernible conduct concerning the ability of the firm to analyze the context, the extent of their product/market domains, their innovation, and their utilization of technology in resolving entrepreneurial, engineering, and administrative issues (Anwar and Hasnu, 20017). With their research, Miles and Snow identified four different types of business strategies with which the enterprise can relate to the external environment, and in this specific case to innovation: defenders, prospectors, analyzers, and reactors (Miles et al., 2023).

Prospectors indicate firms that tend to anticipate trends, new products, and market opportunities through innovation (DeSarbo et al., 2005). For this reason, they lead changes in their firms with a first-to-market strategy and they obtain success by developing new technologies, products, and markets (DeSarbo et al., 2005) in search of new opportunities to be innovative. According to Walker (2003), Prospectors have a better performance when the level of R&D is high. They usually present solid market research to ensure that R&D can be focused on customers' needs (Hambrick, 1983; McDaniel and Kolari, 1987; Shortell and Zajac, 1990). Studies over the years show that Prospectors must have a broader level of communication since they rely heavily on innovation and development to maintain high competitive standards (DeSarbo et al., 2005). In this vein, Prospectors lead firms to investigate new market opportunities thanks to the improvement of their innovation.

Defenders differ from Prospectors because they are more interested in a limited number of products focusing on process improvements that reduce costs (DeSarbo et al., 2005) rather than developing new products or services. In fact, unlike prospectors, they are not interested in analyzing the market outside their area for new opportunities (McDaniel and Kolari, 1987; Shorell and Zajac, 1990). Their assortment of both products and services is more limited than their competitors. Despite this, they attempt to compensate for this with very high levels of product and service quality, often presenting excellent value for money (DeSarbo et al., 2005; Hambrick, 1983) to achieve their competitive position thanks to the offering of high quality and good prices of the products. Therefore, it is an orientation that characterizes companies seeking cost-cutting,

process-improving innovation, and also greater efficiency in resources by developing greater efficiency in existing operations (Anwar and Hasnu, 2017).

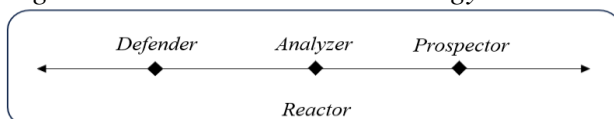
Analyzers are characterized to have both prospector and defender aspects (DeSarbo et al., 2005). They have actions that are unlikely to change over time, but are relatively stable; this presupposes their ability to respond to changes in the environment with steady responses. With the defenders they share a low appetite for risk, trying to concentrate the assortment level in a small number of products, but of high quality. Like defenders, therefore, they seek efficiency to reduce costs and keep them at low levels. On the other hand, however, the analyzer also shares aspects with the prospector. The analyzer searches the market for new product or service opportunities, albeit following a second-to-market strategy, and excels at selling innovative products or services. Therefore, he has a flexible structure to try to seize opportunities that come to him from the market. Therefore, it attaches importance to innovation strategies to remain competitive as the external environment changes (Anwar and Hasnu, 2017).

Prospectors, Defenders, and Analyzers strategy orientations are generally known as part of strategic selection and all three are performing as long as they turn out to be effective (DeSarbo et al., 2005). Studies of literature underline that they tend to outperform Reactors.

Reactors are usually considered to lack a consistent strategy, without a design or a systemic structure. For this reason, firms that present this type of strategy orientation often respond inappropriately to changes and external pressures when they arise (DeSarbo et al., 2005). Their activity is focused on shifting their strategy based on the competitive pressures coming from the external context. Thus, they often seem to be in a disadvantageous position concerning their competitors because they provide a series of corrections to the environment that seem to be incompatible and uncertain.

Given a definition of the different types, the objective of this thesis is to analyze the company's orientations in the retail sector based on its behavior toward the adoption of an innovation.

Figure 2.1: Miles and Snow Strategy Orientation



Source: Author's elaboration

2.4 An important new construct: the sustainability-oriented innovation

In recent years, the topic of sustainability has become increasingly important so much so that even the United Nations has defined sustainable development: as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations). This is why many scholars have begun to deal with it independently of the field. Given the relevance that has been attached to the topic, retail scholars have also felt the need to look into this issue. Many of these authors have concluded that sustainability is nowadays a key component of innovation (Adams et al., 2012). Looking at the conducted studies different terminologies have been used: sustainable innovation eco-innovation, sustainability-driven innovation, environmental innovation, and so on. Most studies dealing with sustainability refer to an analysis conducted by Elkington in 2004: "triple bottom line" (figure 5) According to this theory, companies with sustainability on the three levels (economic, environmental, and social) in their daily routines have an easier time achieving a better position in the market. In particular, economic sustainability is focused on the creation of a long-term economic development of a company, while managing social and cultural aspects. Social sustainability refers to a firm's attention to the welfare of society, it is therefore correlated to the impact of the firm on society (Rodriguez and Ramos, 2018). Finally, environmental sustainability is a firm's capability to preserve natural resources (Tardin et al., 2024).

Figure 2.2: Triple bottom line model



Source: Duttagupta, A., Islam, M., Hosseinabad, E. R., & Zaman, M. A. U. (2021).

However, during the last decade, a lot of definitions have been given by scholars. According to Ambec and Lanoie (2008) sustainability – orientation is the way enterprises can both reduce costs and differentiate to enter new markets (Varadarajan, 2017). Literature also defines sustainability - -orientation as technical and nontechnical innovation (Mariadoss et al., 2011).

While studies on the subject are increasing, many companies, including those in the retail sector, have also begun to give relevance to sustainability (Tardin et al., 2024). The literature has identified as one of the main reasons for this orientation of enterprises to be able to meet the demands and needs of consumers and society. Firms present today both ecological and societal goals, always based on the economic objective (Pellegrini et al., 2018), thus leading to a promising paradigm shift (Tardin et al., 2024). This behavior moves in parallel with the achievement of the SDGs² by 2030, considered the fundamental element for sustainable development at a global level, capable of creating value for the company and for stakeholders (including consumers). Retailers play a key role in this trend, because they function as connectors between production and consumption (Gupta et al., 2023), especially concerning issues such as working conditions, responsible consumption, and especially climate impact. Attempting to achieve these goals allows retailers to increase efficiency in their sustainable supply chains. Furthermore, given the position of connection between production and consumption and the close connection of retailers to society, some studies have aimed to analyze the role of retailers in the dimension of social sustainability. In particular, retailers can impact directly the neighborhood into which they fit. Studies by Robaton, 2018 also suggest a strong and trusting relationship between customers and the external environment in general, seeking collaboration with stakeholders.

The retail sector, which is the guiding thread throughout the paper, has been under a series of demands from the government and consumers to take an increasing orientation toward sustainability. Therefore, it has changed its business practices to introduce innovation toward sustainability. Recent studies demonstrated that firms with high levels of commitment to sustainability and SDG can positively influence customers' store choices because customers increasingly require stores and businesses to intervene

² Sustainable Development Goals.

in social issues (Saura and Molina, 2024). These studies also highlight that sustainability and innovation as two connected elements, as this intersection between the two ensures progress.

This thesis follows the approach presented by Gil Saura and Ruiz Molina, according to which the general concept of sustainability has to be analyzed from the point of view of the action of the company (and therefore retailers) and the customers' perceptions.

Indeed, nowadays, a consumer's perception of a company is closely dependent on the level of commitment that the company puts into sustainability, which is why the retail sector has a big push toward sustainability (Laroche et al., 2001; Clarinet et al., 2013). This is therefore closely related to the innovation-oriented decisions in sustainability made by the retailer: these are green supply chain, resource relocation, in-store eco-innovation, etc.

In the paper, therefore, sustainability-oriented innovation means what Gil-Saura and Molina proposed: *it is the ability to respond to consumer needs by developing sustainability in its three dimensions* (economic, environmental, and social).

For this reason, the thesis investigates the orientation to sustainability in the retail sector both from the retailers' side, seeing how they are committed to innovating their business towards sustainability, and from the consumer's side, analyzing how this interprets the sustainability recognized in the company's operations and how it affects its purchasing and choice behavior.

2.5 The main Retailing mix elements considered in this research

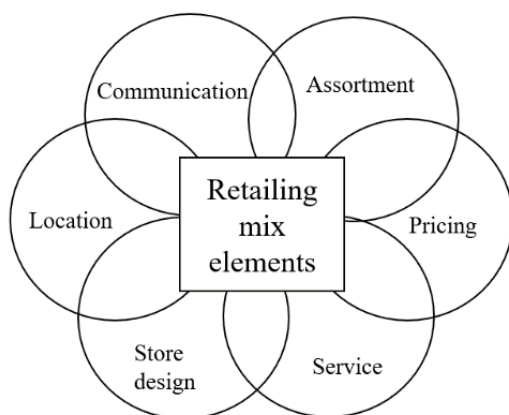
With the growth of retailers, including large retailers, innovation in the elements of the retail mix appears to be very important, because among these could be identified the differentiating element of an enterprise from its competitors (Aparna et al., 2018). For this reason, retailers have to explore different options, combining different elements of the retailing mix (Aparna et al., 2018).

In the retail sector, the retailing mixes elements such as store image, layout, ambiance, and internal communication are fundamental to the success of retailers (Chen et al., 2012). Thus, companies that emphasize their retail mix have better market positioning (Elbeck and Dedoussis, 2010); in fact, the retail mix is generally considered a key to establishing a strong relationship with customers (Blut et al., 2018). It drives retailers to

the acquisition of successful and coherent decisions. According to Levy and Wietz (2009), retailing mix is “a combination of factors used by retailers to satisfy customer needs and influence purchasing decisions” (Nurtanto et al., 2022). Previous studies of retailing mix elements discovered that innovation in levers like location, assortment, pricing, etc. can allow customers to satisfy their needs and influence their buying decisions (Levy et al., 2012). However, different elements of the retailing mix have been proposed by authors over the years. According to Hansen (1990), the retailing mix is composed of nine elements: assortment, product, price, store layout, product, sales financing, sales promotion, customer service; customer complaints management. Other studies defined this as “all the goods and services a store can offer to its consumers and also all the programmed efforts of the managers that adapt the store to the market environment” (Lazer and Kelley, 1961). Omer (2019) defined retail mix as a marketing decision used to influence customers' purchase decisions, and customers themselves will choose a store based on their retailing mix preference (Nurcholifah, 2014).

This thesis considers the dimension of the retailing mix from the perspective of Levy and Weitz recognized in 2009, analyzing the main innovations occurring for retail among these elements. According to scholars, the main elements characterizing the retailing mix consist of location, product assortment, pricing, customer service, store design, and display and communication mix.

Figure 2.3: Retailing mix elements



Source: author's elaboration

Location in our analysis refers to both the physical location of the store and the image that is recognized for the store by its customers. There is no general idea of location that is interpreted as best for retail. This depends on the size of the store, the type of offer, the target customers, and the market positioning of the company. For this reason, making decisions on the positioning of the store must be preceded by an analysis of the territory in which the store wants to be placed, to understand its potential customers and to analyze whether the image to be presented is possible to achieve. Given the many changes that have occurred in retail, the location of stores has become more complex than in the past (Lin et al., 2018). According to Nurtanto et al. (2022), retail location is one of the discriminating factors in consumers' choice of shop. Studies conducted by Levy and Weitz, moreover, defined three main types of location. First of all, they are called “*communities and neighborhoods*” retailers that are located in neighborhoods, often identified as landmarks with a strong image. Very often these are family business SMEs (Ekstrom and Jonsson, 2022). A second type is called the *Central Business District*. These are often located in shopping centers with an outlet-type formula. Finally, a third mode is called *Stand Alone retail*. These are stand-alone shops, not close to other retailers, but still located near offices or shopping centers.

Product assortment refers to the set of products found within the store and they are available to consumers for purchase (Sethuraman et al., 2022) This theme is particularly complex for retailers (Broniarczyk and Hoyer, 2009). Studies demonstrate there is no difference between online and offline assortment sizes (Sethuraman et al., 2022). In fact, the assortment is studied both with reference to its breadth, i.e. referring to the number of products offered, and with reference to its depth, i.e. the ability to respond to a certain number of needs according to the product category presented. With regard to merchandising, many studies analyzing the retail sector identify different levels depending on the sector taken as a reference as well as on the type of size the retailer possesses. Generally, larger retailers have richer merchandising than smaller ones (Saricam et al., 2018). In the present analysis, therefore, this dimension refers on the one hand to the depth and breadth of the offer within the store (be it online or offline) and on the other hand to the level of merchandising, i.e. the set of activities aimed at promoting the brand or the store in general. An attempt is then made to understand,

thanks to the literature review, what specific trends relating to innovation in this area are.

Price refers to the amount of money needed to get a product/service that has a specific value (Suparyanto and Road, 2015). According to Levy and Weitz, there are three main factors that can influence retail choice of price. First of all customer sensitivity to price has to be mentioned. According to general market rules, when the price increases, consumers are willing to pay less. Exceptions occur when the quality of the product/service is perceived as superior, so the willingness to pay increases (Lee et al., 2022). A second element that affects the definition of the price is certainly competitiveness and competition. It is the retailer's task to choose whether to assign a higher or lower price than the market also based on the image they have or would like to give to the store and its relative positioning. Un terzo aspetto riguarda il sales oriented, per cui l'impresa riduce di molto i prezzi per cercare di incrementare il numero di vendite. A third aspect concerns sales-oriented, whereby the company significantly reduces prices to try to increase the number of sales.

Store design and display refers to the physical arrangement of the products within the store. This turns out to be a very important choice for retail because it defines what is called the retail *ambiance* and directly affects purchasing behavior and the customer journey (Rompay et al., 2012). In fact, a properly organized store layout helps to improve the customer journey by generating a pleasant atmosphere (Elberts, 2016). The layout of the store is often used as a way of communication, as with it it is possible to represent and make customers perceive the brand identity. In fact, it is also possible to be recognized by the layout and to affect market position.

Service is today one of the main components of the retailing mix aimed at increasing customer loyalty and generating a strong competitive advantage. Service quality is one of the main determinants of a company's success and therefore requires continuous innovation. Services are meant both those carried out within the store by the designated staff and those carried out online and with technological tools to be able to carry out services even remotely.

Communication mix deals with both the communication that is carried out in-store and the communication carried out online through e-tailing and information technology strategies. In this vein, researchers define it as a series of tools that help retailers create a

strong and lasting relationship with customers, adding value to the communication itself. Still following the approach proposed by Levy and Weitz, the communication mix therefore includes both communications made in-store through (a) advertising, (b) signs, (c) expert personnel, and communications guided by technological means such as (a) social media, (b) use of e-mail, (c) website. Added to these is an important means of communication which is provided by the consumers themselves. In fact, if they are satisfied with the service and the purchase they can have a positive WoM, be it physical (word of mouth) or online (word of mouse).

Given this theoretical framework, the research sets out to verify which are the main elements of the retailing mix that have been subject to innovation in recent years and how they have been innovated in order to achieve greater success and improve business performance.

2.6 The role of customer orientation in innovation

Recent studies define customer orientation as a driver for business profitability, a necessary tool for competitive advantage, and a benchmark for a firm's success (Nwankwo, 1995). This is the result of a better organized, informed, and more demanding customer which has led to increasing competitiveness in the global business environment (Appiah-Adu et al., 1998).

Again according to Appiah-Adu (1998), the concept of customer orientation can be regarded as a derivation of marketing. In fact, marketing has the general objective of capturing the needs and wants of consumers in order to maximize profit. Those who take an interest in customers create greater customer satisfaction and loyalty, increasing sales volume and consequently improving economic performance.

Since the retail sector has been undergoing ever more rapid changes, customer orientation seems to be crucial to improving performance, being able to remain competitive in the market, and meeting the increasingly attentive and specific needs of consumers. This view has been supported by many previous studies, according to which the customer orientation of the company constitutes the crux of the retailers' business (Merlo et al., 2006). This perspective was taken by Megicks and Warnaby (2008),

according to whom UK retailers could perform better if they focused on customer satisfaction. The same thinking was also embraced by the studies of Pelham (2000), in which one of the determining factors for customer orientation was the proximity to the customers themselves within the store.

Also, Brännback (1999) claims that customer orientation is fundamental for the success of the firm. Often customer orientation in retailers is also linked to the concept of the quality of the product or service offered, which improves customers' perception of the store (Tajeddini et al., 2013). Previous researches also underline that a firm with customer orientation has the possibility to capture new markets. For this reason, customer orientation has been adopted when there is market growth (Deshpande et al., 2012).

Over the years, many scholars have a definition of customer orientation. Gatignon and Xuereb (1997) defined it as a “firm ability to identify analyze, understand, and answer user needs”; Narver and Slater (1990) interpreted customer orientation as a part of market orientation and it consisted of “understanding target buyers to be able to create superior value for them continuously”.

This study follows the customer orientation perspective held by Deshpande et al. (1993) who define it as “customers’ interests first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise”. It is important to note that customer orientation should be constructed on a long-term perspective to anticipate the future needs and desires of customers. According to Narver and Slater (1990), Sin (2005), and Wang (2012) the ability of companies to maintain a long-term relationship with customers can lead to long-term success.

One of the main objectives for those adopting a customer orientation is to proactively seek to understand the latent and future needs of consumers as an integral part of value creation (Blocker et al., 2010). In this vein, recent research has divided activities that seek to satisfy the needs of current consumers from those activities that are instead oriented towards the identification and satisfaction of latent needs. These latter activities allow companies to increase the success and performance of the introduction of a newly adopted innovation (Pekovic et al., 2016).

Studies show how an unproductive customer orientation can negatively affect customer loyalty. According to Deshpande's perspective, therefore, customer orientation enables an increase in perceived customer value, but drivers of customer value are always in change, modifying their expectations.

The innovation of customer orientation in retailers has as its main objective to create a better customer experience, creating a more engaging and personalized shopping experience. In fact, many innovations have been made to the customer journey, also thanks to technological tools that enable a better understanding of consumers and allow a quicker insight into their needs. The analysis focuses on the response and behavior of consumers to these innovations. For this reason, this study deals with customer orientation with reference to two dimensions. *In fact, it tries to define how consumers respond to customer-oriented innovations.*

Some research has identified a negative correlation between customer orientation and innovation. In fact, some scholars believe that having a customer orientation can lead to a slowdown in R&D activities. According to Ulwick (2002), listening too specifically to the customer may lead retailers not to make many changes in the store, as they may not be aware of the opportunities of technologies and other innovations that could be adopted.

However, the research is based on the findings of other studies, which instead show an opposite relationship to the one previously indicated: innovation in customer orientation can positively affect company performance (Matsuo, 2006).

This research, therefore, takes the perspective that for retailers to have a customer orientation, means to have a greater focus on innovation as well, as this allows them to be more aware of consumer needs and enables them to collect and use information more quickly and consistently (Griseemann et al., 2013).

This thesis is in line with the work of Deshpande et al., (1993) according to which, when the customer orientation of companies increases, they will be subject to an openness towards both product and service innovations (Matsuo, 2006). In fact, retailers that also innovate in customer orientation are prepared to offer products that are able to respond more quickly and successfully to customer needs.

3. Results

This part of the thesis examines the clusters that individually previously emerged through the use of VosViewer software. Tables were then created for each cluster to collect the papers needed to conduct the literature review, following the methodology proposed by Runyan and Droge (2008). This is paired with a discussion of the state of the art of research regarding the specific cluster.

The studies that were taken into account for the literature review treated innovation in retail from many perspectives. This allowed for a comprehensive interpretation of the phenomenon. However, despite the variety of topics that are covered, almost all of the texts show an increasing propensity for retailers to innovate, regardless of company size. Scholars agree that innovation in retail is now a necessary factor especially to remain competitive. Many stores, in fact, try to adopt innovation processes to make the traditional environment more attractive and appealing.

In addition, it shows how innovation is now often identified by the authors as a key driver for improved performance and being able to ensure longer and more defensible market survival. Innovation is studied following two different perspectives. On the one hand, it is an innovation that can be defined as downstream, so it is projected to the customer and its customer journey, with the main objective of changing the experience, increasing engagement, and conferring more information. In fact, consumers are seeking increasingly innovative and attractive experiences, so much so that retailers are allocating more and more resources to enhance the experience (Kim et al., 2010). On the other, it is an "upstream" type of innovation, so it is oriented to the relationship with market actors that are upstream of retailers. In fact, innovations make it possible to improve consumers' buying behavior and retailers' work (Pantano, 2014). New tools are introduced that make it possible to: respond to market demands, increase market share with new strategies, improve the experience, and have better use of resources already in place (Pantano and Viassone, 2014).

Among academic journals, the literature review analysis shows that those that publish the most articles on innovation in retailing highlight the importance of innovative prospective in the activity of the business, which is indispensable to relate to the market and increase profitability.

3.1 Technology-oriented innovation research

This cluster includes research that deals with innovation from a technological perspective, and it was by far the largest (12 of 47 articles). Going to analyze the papers that fall into this category, it can be seen that most of the authors on the one hand dealt with the growth of technological innovation in the retail context, emphasizing its strong implementation over the past few years; on the other hand, many other scholars oriented their analysis by trying to understand what were the main technological tools used by retailers to increase their competitive advantage and improve performance. However, the use of technology has generated a strong impact on both the customer journey and the employer journey, as new digital tools are not only used in the context of online retailers but are also employed in the in-store environment. The number of technologies available to retailers is growing, and these bring improvement both to the customer experience and to the operations that retailers/employees have to perform on a daily basis (Grewal et al., 2023). One of the main drivers that has accelerated technological innovation in stores has definitely been COVID-19. During the lockdown, in fact, many brick-and-mortar stores had to close the physical store, having to reinvent their business model in order to continue selling; that is why the role of technology was critical (Shankar et al., 2021). The latest technological innovations are defined in the literature as a key component of Industry 4.0 (Park and Yoo, 2022), as they are making the retail environment highly digitized.

Picking up on the theoretical framework, the objective of this phase is to analyze the level of technology-driven innovation in retailers. To achieve this goal, the first part (a) highlights studies by authors who intend to highlight the growth of technological innovation due to the increase of patents in this area. A second part (b) is then devoted to the main technologies that researchers believe are most used in this area: social media, m-commerce and e-commerce, mobile payments, service robots, And other new technologies that are slowly being introduced. Finally, a final part (c) sets out the analyses of those who have interpreted the technological orientation from the perspective of consumers and retailers. The latter authors emphasize the behavior that both actors hold towards a newly introduced technology.

Table 3.1: Analyzed papers for Technology oriented innovation

AUTHORS	FOCUS	METHOD	ANALYSIS	KEY FINDINGS
Grewal et al., (2023)	It is focused on the role of in-store technology	Face-to-face interviews	Literature review	There are different technologies that can be used in-store. These can influence both customers and employees in terms of efficiency and enhancement. Moreover, technology can improve in-store communication.
Dastane et al., (2023)	It examines the CPV of mobile commerce, defining the main values searched by customers. The research highlights how m-commerce can improve customer experience	development on a scientific scale based on available literature	Factor analysis; multicollinearity test; descriptive statistics	M-VAL can be described with three dimensions: Utilitarian, Interaction, and Credibility. These have a positive impact on Customer Engagement.
Park, (2022)	It analyzes the impact of different technological innovations on retail	Literature Review		It analyzes the impact of new technologies in the retail. In this context, the reshaping of traditional retail practices and theories plays an important role.

Park et al., (2021)	It explores if and how interaction in stores between customers or customer-robot service can be different, especially when buying gifts	Survey	One Way ANOVA	The use of technology in retailers relieves the worry of discounted gifts for those who purchase. Customer-saler relationship leads to high levels of pressure on compliance with the "norm of a good gift"; on the other hand service robots do not lead to this type of pressure for customers.
Kwon et al., (2021)	It is focused on favorable and unfavorable retailers' perceptions of the adoption of social media. It also identifies the role of corporate culture in the use of SM.	Online survey	SEM-PLS	SM is mostly used due to external pressures. This derives from the pressure to satisfy customers' demand for the presence of SM, and not necessarily from the perception of greater advantage and greater effectiveness and efficiency.

Shankar et al., (2021)	It creates a focus on how technology is changing retail. It identifies theoretical frameworks with which to understand the role of technology on both the consumer and retailer sides, as well as employees and suppliers.		Literature review	There are many technologies that are changing retail, especially among emerging technologies such as AI, robotics, VR, micro-cloud computing, etc.
De Oliveira et al., (2020)	How social media drive innovation in retail firms	Computer-assisted telephone interview	Descriptive statistics and Regression	Research shows a positive correlation between radical and incremental innovation with social media. Inolttre, there is also a positive correlation between social media use and multichannel. Multichanneling also positively influences incremental and radical innovation.

Pantano et al., (2018)	<p>This study analyzes growing technology trends in retailing by creating a focus on current patents and future perspectives. Develops a TPC (technology predicted curve) for future predictions in retailing that could affect competitiveness</p>		Bibliometric analysis	<p>TCP shows a growing technology push in retail. The number of patents tripled every five years until 2005 it then doubled every two years. It reinforces the idea that the retail sector is strongly influenced by the technology push.</p>
Inman et al., (2017)	<p>This article focuses on present and future technologies that retailers can use. Six types of technology were considered: mobile app, proximity marketing, QueVision, Scan and Go automatic Check-Out, and intelligent shelves.</p>	Survey	One Way ANOVA	<p>Customer-facing technology plays a key role in retailers, including from an economic perspective. Retailers must consider customer attitudes to gauge the potential success of any innovation to be included. Acceptance of new technology depends on its perceived ease of use. Therefore, it is necessary for retailers to assess the potential use of the technology before investing in it.</p>

Pantano et al., (2017)	The study highlights the retail sector's technology push through an analysis of patents for technologies that could be implemented in stores.	Text Mining and Bibliometric Analysis	Regression, cluster analysis, citations network	With this analysis, a growing proposition of innovative solutions to consumers is demonstrated with the supporting backing of patented technological advances. Interest in consumer technology helps retailers make decisions about innovation, benefiting from it.
Pantano et al., (2014)	This paper examines the impact of technology innovation in retail firms on customer and strategy point of view.		Literature review	Customers are willing to use new technology in store as a support of traditional services. The use of these technologies is related to ease of use, utility, and enjoyment, and by the specific features of the technology

Pantano et al., (2014)	It analyzes retailers' attraction to new technologies and define primary characteristics of innovation.	Content Analysis	Qualitative	Retailers are aware of the importance of technology-based innovations in order to make stores more attractive, but there is little preparation of retailers for their practical adoption. Thus, technologies in stores to date do not fully satisfy the customer.
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Source: Author's elaboration

3.1 .1 Analysis of Patent as an Index of Growth in Technological Innovation

Analysis of the patents that have developed in retailer is a relevant index to consider in order to find information related to the level of technological innovation that retailers present. In fact patents, which are legal instruments designed to protect against misappropriation, also allow for a check on the current and projected growth of technology innovation in the sectors. Moreover, they are considered as a tool that indicates technological development (Pantano et al., 2017). Thus, their analysis provides different observation in technology and similar observation in countries. In this vein, a number of scholars use patent analysis to investigate the development and the innovation that the sector under review presents.

Patents are tools that can highlight the characteristics of technology, including from a market perspective, details about the inventor, commercial worth (Pantano et al., 2017). Finally, they are public documents that can be accessed through public database, whereby they contain standard information. According to the analysis performed by Pantano in both 2017 and 2018, the study of patents provides insight into the future impact of the technology and its evolution and attractiveness in the market. This is possible through the study of the Technology Life Circle (TLC). In particular, retailing TLC highlights that the number of patents grew three times as much every five years before 2005, while it doubles every two years thereafter (Pantano et al., 2018). According to Pantano et al., (2018) tracking the evolution of the number of patents helps managers to better identify the technological evolution in the sector. Thus, there is opportunity to create sustainable competitive advantage. Hence, research shows that most patents are oriented toward the technologies needed to enhance the customer experience and improve performance.

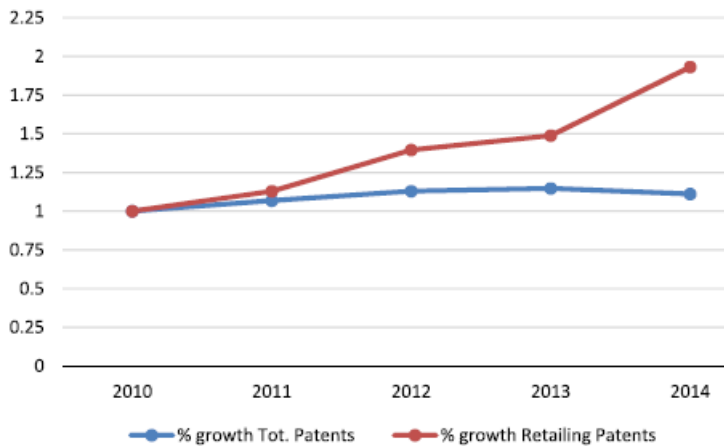
Conducting a patent analysis leads to a number of benefits: (a) enables evaluation of the impact of new technologies on productivity; (b) integrates the economic aspect with technological development; (c) serves for establish technology plans; (d) assesses the competitiveness of the enterprise (Pantano et al., 2018).

To date, patents in retailing are not yet classified in categories from the European Patents Office. Although the study of patents in other sectors is growing, in reality such an analysis in retailing is still underdeveloped, despite the recognition of the opportunities indicated above. From the systematic review that was done, of the 47

articles identified only two refer to the analysis of technological innovation from a patent perspective. What is more, these were covered in the years 2017 and 2018 by the same authors: Pantano et al. Research demonstrates that the number of patents in this field is lower respect to the other sectors showing less retailing attention to patents.

The main motivation for this may result from the fact that the choice of technological innovation in retailers is driven mainly by incremental innovations, which do not require a practically relevant use of patents (Pantano et al., 2018). Hence, the search for technology orientation through patent analysis has been dealt with very little. Nevertheless, the thesis makes use of the study carried out by Pantano (that emerged from the literature review), with which it is still possible to confirm a *propensity for technology-oriented innovation in the world of retailing as well*. In recent years, there has been a rapid growth in retail innovation due to patents, in comparison with the total. A positive trend can be shown. Pantano (2017) created a graph, below in Graph 2, showing the growth in the percentage of patents in retailing compared to the total.

Graph 3.1: Comparison between growth of retailing patents and total patents



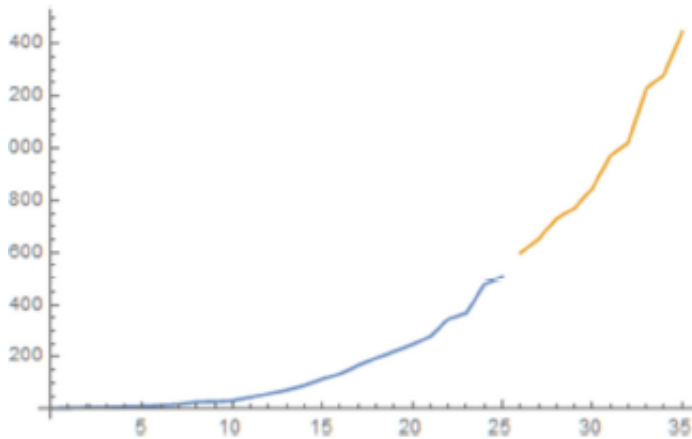
Source: Pantano et al., 2017

According to the study's findings, the percentage of patents in retail has also experienced significant growth, especially since 2011, from which year there has been more than proportional growth. Thus, while some sectors show a decreasing percentage suggesting a lack of interest in innovation, retailing is experiencing a positive trend.

This positive trend has also been recorded in the future perspective (Pantano et al., 2018). TLC, studied from 1995 to 2035 from a prospective perspective, reports a more

than proportional trend. The number of patents from the mid-1990s was very low compared to other sectors, and then reported a steady growth, as can be seen from Graph 3³ proposed by Pantano et al. (2018).

Graph 3.2: Actual number of patents and predicted one



Source: Pantano et al., 2018

This analysis shows an increasing propensity of retailers for technology-oriented innovation, as also evidenced by other scholars who believe positive growth in innovation in this area. According to Pantano et al. (2017), the main technological innovations in retailing concern (a) online commerce with *e-commerce and mobile commerce* and the resulting new payment systems; (b) *in-store technologies*, which enable interaction with the customer and change the customer customer journey. These make it possible to modify in-store service delivery, such as the use of the service robot and RFID; (c) *information search*, through mainly the use of social media, which are used to be able to gather information about the customer and to be able to maintain a higher level of interaction with them.

According to other studies as well, which will be analyzed later and which have emerged from the research conducted, these are the main areas of technology in which

³ Actual number in blue and predictive number in yellow.

the retail enterprise should invest, choosing the tool that is most suitable with respect to the target audience, product and size it has.

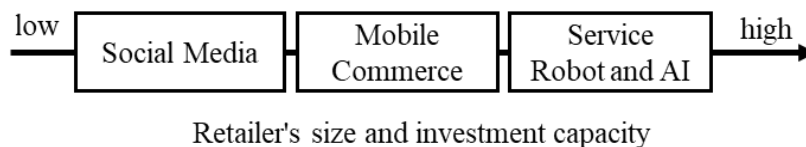
3.1.2 The main technological innovations adopted in technology-oriented retail

Other researchers, instead of focusing their analysis on technological innovation from a patent perspective, have preferred to place attention on current and potential future technologies being adopted in retailing. There are several technological tools that can be used in retailing, both on the customer side and on the retailer side itself. As also suggested by the studies of Pantano et al. (2017), the main technological developments in retailing concern three major aspects: (1) online commerce with *e-commerce and mobile commerce* and the resulting new payment systems; (2) *in-store technologies*; (3) *information search*, through mainly the use of social media (SM).

This classification found concordance with what emerged from the literature review. In fact, previous authors have focused primarily on 3 main elements: m-commerce (as a next step to e-commerce), the use of service robots, RFID or other in-store technologies such as artificial intelligence, and the increasingly relevant use of SM.

The literature shows how these tools are now used by most retailers, as they are not only a key means of remaining competitive in the marketplace, but because they are increasingly demanded by the end consumer. However, the level of adoption of these very much depends on the investment capabilities of the specific retailer and its size. In fact, while technology tools such as social media are now used by the majority of even micro-sized retailers, mobile commerce and especially the use of service robots and artificial intelligence is seen in larger retailers.

Figure 3.1: Technology tools based on retail size and investment capacity



Source: Author's elaboration

Thus, according to the findings of the literature, one of the tools with the highest level of adoption in retailers is **social media**.

One of the main drivers that drove even smaller retailers to SM adoption was the Covid-19 pandemic. The use of this tool by most retailers stems from the ability to stay in contact with their customers, even when physical proximity was not allowed. In addition, SM allows for improved services, deeper knowledge of the market without having too high marketing costs (Kwon et al., 2021).

The use of social media has become very important for retailers, as it allows consumers to interact directly with the company: they can ask for information, learn about new products or services offered, receive technical advice, submit complaints and feedback, considering them as stakeholder (De Oliveira et al., 2020). Moreover, SM improve customers' creative capability and enable co-creation with them. This allows them to be able to offer more advanced customization processes by having and more information; this improves customer experience and satisfaction. This is why the effectiveness of SM is important for management, both for the customer relationship and to monetize its use efficiently.

According to Kwon et al. (2021), the decision to use social media depends on two main factors: *external pressure* and the *company's openness to innovation* stemming from its corporate culture. External pressures are considered a factor that influences retailers to adopt SM, especially if they are small in size. In addition, the decision to use social media is also derived from the positive influence of corporate culture and its openness to innovation.

However, it appears from the literature that the decision to adopt SM in retailing driven by external pressure does not stem from a previous utility/barrier analysis of social media use. Indeed, it tends to be the case that the retailer's perceived usefulness or barriers do not affect the adoption of digital innovation, but often the choice is consequent to the entrepreneur's fear of falling behind their competitors and thus losing competitive advantage. In other words, if the retailer feels external pressure to use social media, it will adopt it regardless of perceived advantages and disadvantages in order to remain competitive with those who have it.

Conversely, if the use of SM derives from a characteristic of the corporate culture in which employees seek new knowledge, information and skills, then the adoption of digital innovation depends on an analysis of usefulness/barriers to the use of SM.

In fact, retailers and employees who are more open-minded also believe that the innovation that is brought into the enterprise has greater utility (Kwon et al., 2021), so perceived utility positively affects the adoption of social media. According to De Oliveira et al., (2020) among the main utilities of social media is being able to get to know the customer in a more in-depth way, being able to know their demand in advance, and being able to interact with them more dynamically even from a distance. In addition, with social media it is also possible to broaden the customer base, being able to extend into a virtual space. The popularity of social media, in fact, comes from the ability to combine a network of information with rapid access and communication. In addition, many retailers use social media with the aim of humanizing the company, making it appear closer to the customer and more akin to his or her needs. Thus, the customer has more knowledge of the enterprise, can ask questions, give feedback, etc., and at the same time the retailer can collect information in real time, gather customer dissatisfaction and take timely action.

Barriers that cause retailers not to adopt SMs or to make more limited use of them include cost, the inability to exercise direct control over them, and the risk of customers openly criticizing the brand or company. These are sometimes compounded by the need for new staff specializing in social management and staying up-to-date on content and new knowledge about SMs.

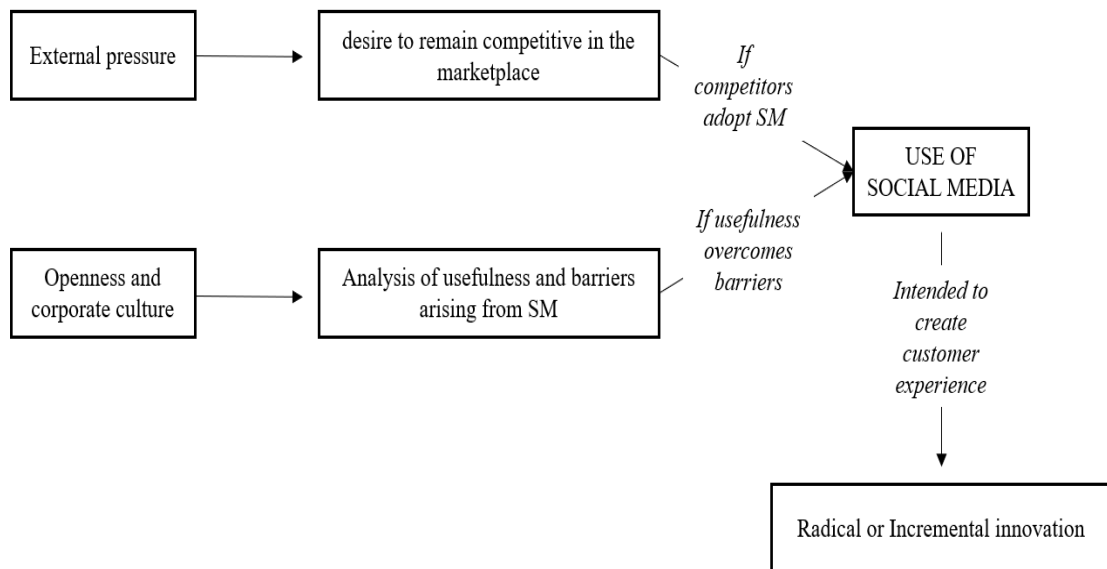
Table 3.2: Usefulness and Barriers of SM

USEFULNESS	BARRIERS
know the customer in a more in-depth way	cost
know the demand in advance	inability to exercise direct control
interact more dynamically	customers openly criticizing the brand or
	company
extend into a virtual space	need for new staff specializing in social
	management
	staying up-to-date on content and new
	knowledge

Source: Author's elaboration

According to literature, if companies decide to use social media, it has a positive impact on both radical and incremental innovations. This seems to have greater relevance when the number of social media used is higher. However, true incremental or radical technological innovation developed through social media becomes concrete and efficient not only if the company develops organizational practices and has adequate business and technological capabilities, but especially if it is able to ensure customer experience (De Oliveira et al., 2020). In this vein, it is the customer experience that is the main moderator in the relationship between social media and innovation. The important role of consumer experience stems mainly from the opportunity consumers have in co-creating with the retailer through the use of social media. In fact, consumers can be involved in the creation stages, generating a direct business-consumer interaction. This is a driver of innovation (incremental or radical) as it allows the retailer to learn more about the market and offer new products or services more quickly.

Figure 3.2: process of the use of social media



Source: Author's elaboration

In addition to the use of social media, another technological innovation that has been shaping retailers in recent years is **mobile commerce**.

The literature defines m-commerce as a mode of shopping that is different from both in-store commerce and e-commerce. Almost all internet users use their phones to access it, and half of them shop online using their smartphones. According to the definition given

by Dastane et al. (2023) mobile commerce is "any transaction including transfer of ownership or rights of any goods or services carried out by using mobile access through mobile devices." Therefore, many authors interpret smartphone commerce as an evolution of e-commerce.

The concept of m-commerce is closely related to the launch of applications on the smartphone store by many retailers, who in addition to creating their own online site, offer m-commerce through the use of their own apps. However, using an app turns out to be complex, especially given how quickly consumer needs change. The risk for retailers is to create an app, and then make large investments, but it turns out not to be attractive to consumers, registering little success and making the investments made worthless. However, the majority of transactions are made with mobile app.

According to Destane et al. (2023), m-commerce has a series of advantages. First, it has the attribute of "ubiquity". In this vein, m-commerce is rapid, in real time, and do not depend on customers' location. Moreover, it is simple and cost effective attainment of customers' goal. Despite in store and e-commerce, creates a match between available services and customer location, being able to offer them timeliness and consistency. In fact, using geolocation technology, the retailer can offer personalized offers, pop-up messages, and proximity shopping notifications. This is a personalization no longer centered on the product, but focused on the location of the individual consumer; it is an innovation referring to the way the company relates to customers, personalizing the offer based on local needs and shopping behavior in that specific geographic area.

Many retailers are developing m-commerce as a consequence of the increasing digitization of the customer. Indeed, since it has become normal for consumers to compare different online platforms, it is necessary for many retailers to have a presence in them. According to the literature, however, the use of m-commerce is less developed in small/micro sized retailers.

For this tool to be effective among consumers, three characteristics must fall into place. Previous studies and identified in the literature review, highlight that factors such as credibility, utilitarian and interaction are indispensable for m-commerce to function effectively and efficiently. These factors, which lead to the use of mobile commerce, affect customer engagement as a consequence.

According to Destane et al., the concept of *utilitarian* must be interpreted by taking into consideration economic aspects, convenience and information. Utilitarian also refers to the ability to have the phone available at all times, consequently being able to engage in purchasing activities at any time and place.

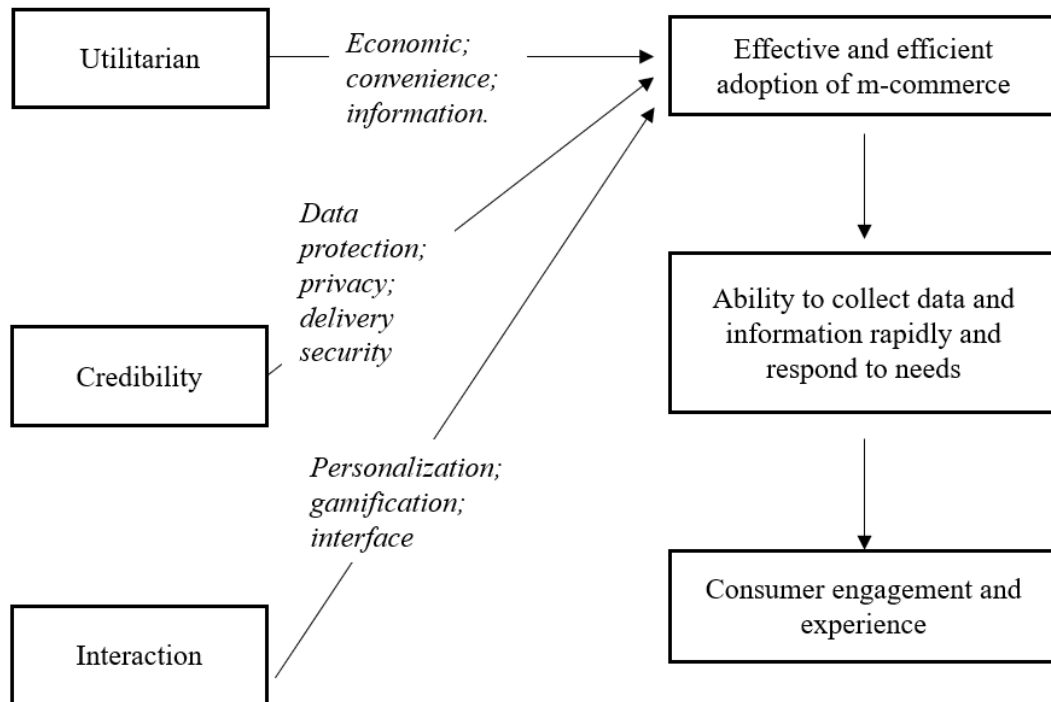
A second dimension considered relevant to the previous literature is *credibility*. By this is meant both social and system credibility; these include issues of privacy and data protection, as well as security related to the delivery of the purchase in the manner and within the timeframe stipulated by the general conditions of purchase. The greater the security perceived by customers, the greater their use of m-commerce.

A final necessary value to be recognized in m-commerce is *interaction*. In fact, it is necessary that app on smartphones can give the possibility to personalize the purchase, are attractive from a visual point of view, can also sometimes present a section dedicated to gamification, but above all, it is necessary that these define a close relationship between customer and enterprise.

Previous studies in the literature, therefore, show that if retailers can have efficient management of m-commerce, it could have a transformative impact from both a managerial and economic perspective for the business. Indeed, m-commerce allows them to collect as much information as possible from their customers in order to be able to understand the needs not only of individuals, but of the totality of them. In this way, it is easier for the business to respond to market needs by introducing radical or incremental product or service innovation, depending on what the information gathered reveals. One can also consider using the data collected from smartphone shopping to personalize targeted purchase offers, with customized discounts, specific recommendations or promotions suited to each individual.

Business adoption of m-commerce has accentuated the growth of online payments. If in fact these were previously present with e-commerce, their relevance has grown since consumers can shop from their smartphones and make quick, fast and secure transactions with it. Online payments, in fact, have seen their scope increase thanks to shopping on the small screen. These are more like incremental innovations, such as payment through apps, or with digital wallets.

Figure 3.3: main elements for an effective and efficient m-commerce



Source: Author's elaboration

A third technological tool that, according to the literature found through this research, is increasing in popularity among retailers, especially larger ones, are the **service robot** and RFID joined by the use of **artificial intelligence** tools. In fact, service robots appear in stores that support the customer in purchasing by comparing prices of different products automatically or offering packaging service. Again, the main purpose of introducing robots is to increase consumer experience and engagement. Service robots are also included to define a customer interaction relationship, which, however, differs from the traditional one in that this interaction is no longer contact (Park et al., 2022). In fact, service robots are to be understood as technologies such as: chatbots, self-service class, autonomous unmanned stores. They also serve to provide information, guide consumers in buying a product through advice, price comparison, as well as help them with payment and packaging.

According to Park et al. (2022), retailers who decide to introduce service robots in the store must be aware of a possible change in consumer buying behavior. This, in fact, by

relating only partially to human salespeople changes their perception and attitude toward the in-store journey. This is because previous studies have confirmed that consumers perceive robots as essentially different from humans, despite the fact that many of them are "humanized." Unlike salespeople, robots are perceived as lacking the ability to feel and think because their activities are accomplished through algorithms that result in less authenticity, and because of this, consumers are less likely to delegate moral decisions to the machine and get advice.

Service robot technology fits into the broader context of artificial intelligence. In fact, in recent years much of the technological innovation comes from the development and adoption of AI. By this is meant machines, algorithms, and programs aimed at increasing the intelligence of a proposed service or solution.

It is possible to divide retailers' technology into three different categories, depending on whether they target the customer, the employee or the suppliers (Shankar et al., 2021). Customer-facing technologies refers to the set of tools aimed at improving consumer engagement: smart mirrors, wearable devices, chatbots, payment technologies. Most of these technologies are adopted in-store and therefore play a key role in changing the customer journey. Employee-oriented technologies facilitate employees to accomplish daily tasks and help them in the customer relationship: scanners, RFID, smart mirrors, instant communication tools, video call services. Finally, technologies aimed at suppliers have as their main objective to improve and accelerate the relationship between the retailer and the people who sell it. These are mainly technologies such as automated inventory monitoring, which enables improved inventory control and gives greater efficiency to the supply chain. Some larger retailers also use blockchain, which can improve retailer-supplier communication.

It is clear, then, that retailing, especially in the wake of the Covid-19 pandemic, is characterized by the growth of technological innovation. Therefore, this change can affect, both positively and negatively, the two main players in this market: customers and retailers themselves. For the very purpose of investigating this, the following part of the thesis aims to investigate how subjects (whether consumers or retailers) relate to the new technology and how it is received.

RFID is radio frequency identification, and with this technology studies refer to the use of electromagnetic waves that enables from a distance the automatic detection of people

or objects. It is a technology that is downstream in the supply chain, so placed in physical stores, that allows giving an additional experience to the customer, enabling them to track the product along its supply chain.

3.1.3 *How new technological innovation affects retailer and customer behavior: how it changes as a result of in-store technology*

Although the adoption of technological innovation appears to be an important factor for companies to maintain a competitive advantage, some retailers have some difficulties in the adoption process.

Much of the technology innovation-oriented literature bases its research on analyzing the adoption process of new technologies on both the retailer and consumer sides. In this vein, it seeks to see how both parties relate with respect to innovation and, consequently, how its effective implementation can change the customer journey and the employer/retailer journey. According to Pantano and Viassone (2014), the use of technology by retailers can be influenced by external factors that may reduce the perceived benefits of innovation. For this reason, the choice of the technological innovation to be introduced is not simple. It, in fact, must meet both the needs of customers and the expectations of retailers for it to be considered efficient and successful (Pantano and Viassone, 2014). To date, however, this balance seems to be only partially achieved: the technologies that customers ask do not seem to be sufficient with those adopted by retailers in stores. This is a situation whereby on the one hand retailers know the importance of technological innovation, but on the other hand retailers' readiness for technology introduction still seems to be limited. For retailers who want to adopt technology, it is necessary to invest in training and spend time to delve deeper into consumer preferences.

In order to analyze the *adoption and use of technology at the point of sale*, research often uses the TAM⁴, according to which the acceptance and use of technology depends on perceptions regarding its usefulness and ease of use (Shankar et al., 2021).

⁴TAM is a model for explaining how users accept and use technology.

Retailers' choice to use innovation can result from several factors (Shankar et al., 2021); first, it is necessary to *remain competitive in the market* with their competitors. If the innovation is used already by other retailers, the perceived risk from its introduction is reduced, as the results of its use are already visible elsewhere. In addition, the use of technology enables the perception of *greater security*, including financial and health security. As a result of Covid-19, many retailers have incentivized the use of automated delivery, with the goal of accelerating delivery processes and reducing contacts. The use of technological innovations allows retailers to have greater data protection and privacy: many use blockchain increasing financial security and transparency. Finally, current *regulations* are requiring the retailer to adopt certain technological innovations, the use of which is therefore not derived directly from the retailers' will. This is especially the case for retailers working in food, where the need to track products along the food supply chain has been a key step in introducing and developing traceability technologies and databases. However, retailer adoption and use of a new technology occurs if the benefits outweigh the costs of implementation (Inman et al., 2017). From a cost-benefit analysis, retailers are able to choose which technology innovations to adopt, when to adopt them, and how much investment to make. In particular, choosing which technology to adopt turns out to be a very challenging decision for retailers. With it comes the elimination of all possible alternatives, sometimes permanently (Shankar et al., 2021), and periods of demand study and employee training are required. This requires large investments of resources. Being that retailers generalment do not possess high budgets to make large investments, the choice of what to introduce and when is critical: it is necessary to introduce technologies that are attractive to the customer, keep the business competitive, and at the same time do not require large investments and are easy to use.

For a technology to be successful, it is not enough for it to be adopted by the enterprise, but it is critical that there be customer intention to use it. Indeed, in most cases it is the adoption of technologies by customers that drives the enterprise to adopt them. According to the findings of the literature, changing customer lifestyles and consumption patterns have influenced retailers' adoption choices of new technologies. In this vein, according to Pantano (2014), consumers are willing to use in-store technologies that juxtapose and support the traditional sales service; thus, it is not a

radical change with total replacement by sales staff, but more like technology available to staff and customers to improve the service offered/received. Consumers expect technologies to improve their shopping experiences by saving them time and providing new services (Pantano and Viassone, 2014). However, they may seem reluctant to use them if the information input is poor.

The literature in this area is in agreement that technology brings changes on consumers' shopping experience and retailers' venire experience. Therefore, Grewal et al. (2023) studied how technology can influence both the customer journey and the employer journey.

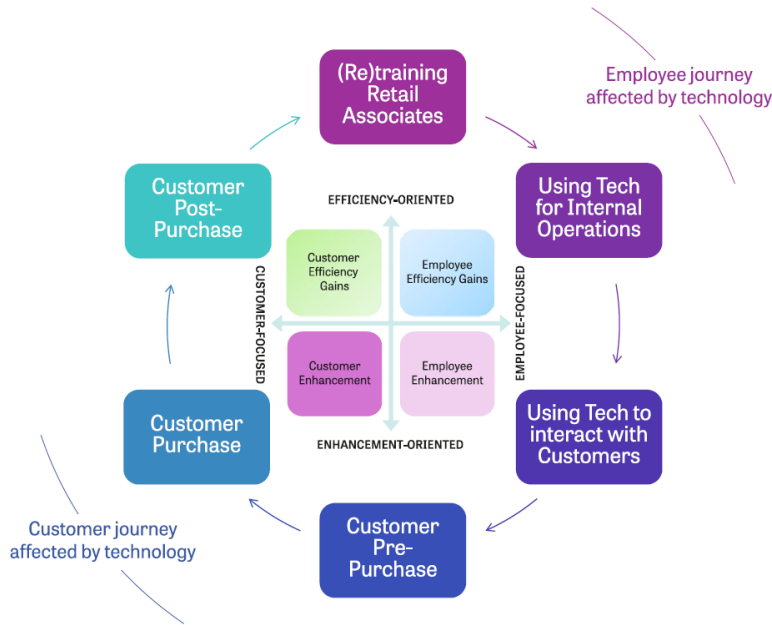
With the use of technology, the **employer journey** innovates. According to Grewal et al. (2023), the employee journey for technology adoption can be summarized in three main phases: training, application of technology for in-store activities, and customer interaction. The training phase turns out to be particularly important because the right understanding of how employees use technology determines its success or failure, as well as its operation and deployment. Technology affects the employer journey in the technology adoption phase, because it allows them to streamline activities, make them easier, faster, and sometimes replace tasks that require more effort with the machine. Finally, it allows you to get closer to the customer, being able to create more interaction with them and improve the experience.

About the **customer journey** too, the intervention of technology has brought some innovation. In fact, customers can now take advantage of technologies, not necessarily in store, with which they can find information about the brand, product, or service quickly and at no cost. Technologies, therefore, have greatly influenced the pre-purchase phase, in which the information asymmetry that was present prior to the use of technology is reduced: alternatives can be understood, more options are known, and there is greater awareness of the advantages and disadvantages related to the purchase. Then there is an area of technology dedicated to the in-store; these are payment methods, service robots, artificial intelligence, and other tools that make it possible to improve the customer's shopping experience, which is helped in purchasing products or services more efficiently. Finally, the use of technologies has also changed the post-purchase phase; consumers can stay in touch with retailers through the use of social media, newsletters, and mobile apps. Especially this last aspect has enabled the spread

of online word of mouth, often called word of mouth, which has also become more rapid and pervasive.

In this vein, Grewal et al. (2023) believes that technological innovation in retailing can have two main directions: efficiency and enhancement, regardless of whether it is focused on the customer or the employee.

Figure 3.4: relationship between technology, customer journey, and employer journey



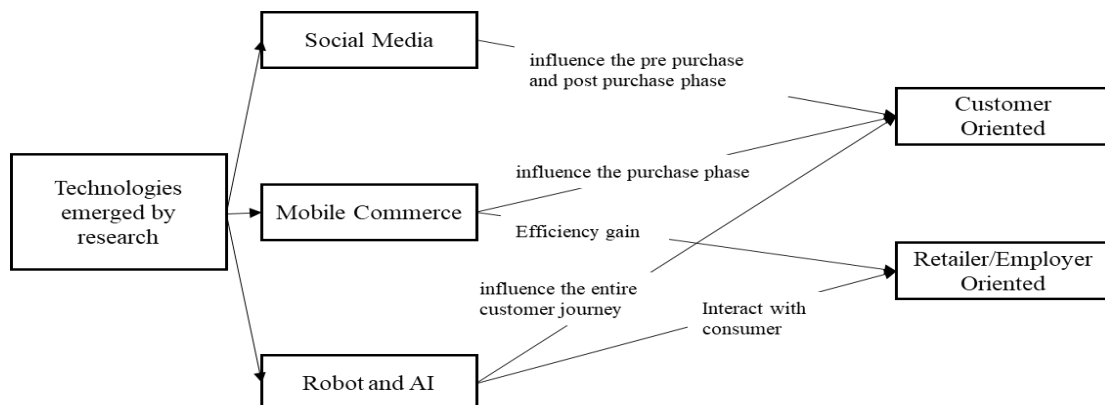
Source: Grewal et al., 2023

The technologies that can be used, though they are either employee- or customer-oriented have an impact on both parties, and the result obtained can affect both efficiency and improvement.

From the available literature, it was found that technology-oriented innovation is critical for retailers. However, for it to be successful, it is not enough that it be adopted within the store, but that it be accepted by customers and understood by retailers/employees, as can be seen in *Figure 10*. The main tools that are being implemented today involve the use of social media, which are able to bring innovation to the customer journey especially in the pre-purchase and post-purchase phases and are thus customer-oriented. In this vein, social media can improve enterprise performance and customer relationship. A second tool is mobile commerce; this is able to bring changes on both

parties: retailers have an improvement in terms of efficiency, while consumers also have the physical store available on mobile, being able to make the purchase at any time and place. Finally, the literature has also found the instrument of robots and artificial intelligence relevant. These affect both the retailer's and the customer's The employer journey, in fact, finds innovation thanks to robots, especially in the customer interaction phase: it facilitates communication, makes the relationship more interactive, and has greater ease in comparing products and prices. The customer journey, on the other hand, is influenced by robots and artificial intelligence in all its phases: these tools make it possible to change the pre-purchase phase as consumers can find much more information and make comparisons between alternatives, during the purchase phase the customer's behavior can be influenced by the technology used, and finally in the post-purchase phase robots and artificial intelligence make it possible to keep the relationship with the customer active, sometimes causing the customer to return to purchase.

Figure 3.5: The customer or retailer orientation of key technologies



Source: Author's elaboration

3.2 The role of strategy orientation in retailing innovation

This cluster includes research that deals with innovation from a strategic perspective, and it is consisting of 10 articles. The main objective of the studies in this cluster is to analyze the main strategic decisions that retailers make in the area of innovation. It is helpful for retailers to adopt a strategic-orientation since innovation management is acquiring importance; it emerged that innovation is one of the main element for the success of a firm (Pantano, 2016). The aim is not to identify which strategy turns out to be better than others or capable of bringing greater performance, but to shed light on the

possible choices that retailers can make. With this in mind, the thesis focuses on what motivates some retailers to pioneer a specific innovation and what characteristics differentiate it from followers. It deals, then, with the right time to innovate, and what type of innovation to bring, whether radical or incremental. Two main strategies emerged from the research that retailing companies seek to adopt: given the close connection to digitization, many companies saw it as relevant to business to adopt a phygital store and multichannel strategies. In this vein, the characteristics of in-store innovation are sought to be embraced alongside the digital and technological innovations that this thesis has already covered. The aim of this part of the results is therefore to verify how the time of innovation introduction, the type of innovation (understood as radical or incremental) and other aspects of strategy relate to Miles and Snow's definition of strategy orientation. In this vein, an attempt is made to verify how retailers categorize themselves into: analyzer, defender, proactive and reactive based on their strategy choices. Thus, it can be inferred that the literature that has emerged from this research is on two main levels. A first plane is characterized by the studies of those who have focused on choices related to when and how to innovate, while other scholars have focused on the main strategies that have been developing in recent years. Competition that affects traditional brick-and-mortar retailer is increasing due to new distribution channels, online and pop up store. This This highlights the need for companies to thoroughly analyze the industry and learn business strategies necessary to properly bring innovation into the store (Paul and Rosenbaum, 2020). According to Paul and Rosenbaum (2020), retailers and researchers can consider a four-dimensional matrix that analyzes problems, challenges, threats and opportunities. In this vein, authors believe that a traditional retailer that adopts strategies to implement innovation in its business must know that because of globalization more challenges are faced. Moreover, they must have the ability to face competitors with a higher level of digitization, but above all, retailers must have an innovation orientation with which it is possible to create a unique business model. Literature agrees that the choice of competitive strategy is one of the main decision that firms have to make. For this reason, authors confirm that strategic orientation in retailing is critical for the success (Grimmer et al., 2018). Moreover, a great strategic plan is helpful to firms to better integrate available resources and predict their development. Thus, firms become more

efficient and effective. Having a strategic approach allows you to find solutions and make innovative choices, not only from a technology perspective, but that improve retailer performance (Hristov et al., 2015). Reflecting Miles and Snow's approach regarding this orientation, firms that present themselves as seekers, analyzers and defender advocate viable strategies, provided they are successfully implemented. These three typologies of approach help retailers to generate a higher performance. Previous research that has been included in the literature review has made explicit how different types of strategy orientation relate to innovation. Specifically, *prospectors* are those who have a very high level of risk, so they are likely to adopt innovation very quickly. *Defenders* are those who tend not to change their market much, so they have innovation adoption associated with a lower level of risk-taking. Finally, *analyzers* are in an intermediate position between the previous two types: they defend their position though they are open to innovation (Grimmer et al., 2018). In particular, the literature points out that having a prospector orientation means for retailers to mediate the relationship between relational, web-based informational, and physical resources. Conversely, defenders and analyzers can manage relational, physical, organizational-human resources and informational. In particular, performance of retailers directly depends on informational resources, such as computerized sales, customer information system, inventory information system, and the capability to maintain information up-to-date with what is occurring in the market. However, the use of web based informational resources, such as social media, depend on the age of the firm: the younger the enterprises are the more they use among their strategies those based on web-based informational resource. According to Hristov and Reynolds (2015), there are three main strategic innovations that retailers can adopt to implement performance. A first strategic innovation is the customer-oriented innovation. It is a type of innovation that is considered strategic because it is externally visible and easily accepted; it has a major impact on store positioning, growth and differentiation. A second type of strategic innovation is support management oriented, in which supply chain innovation is included. Although these are less visible innovations to many, they have strategic relevance to downstream activities. Finally, a third strategic innovation is organization-related. Articles used in this cluster are thed highlighted.

Table 3.3: Analyzed papers for strategy oriented innovation

AUTHORS	FOCUS	METHOD	ANALYSIS	KEY FINDINGS
Paredes et al., (2023)	It analyzes the strategic innovation management in the retail sector, focusing on how firms can organize themselves to implement innovation	Observation Case Study	Qualitative	Ambidexterity can be both defined as structural and contestual. The first leads to a strategic and radical innovation. The second one, instead, is more correlated to incremental and operative innovations.
Jena and Meena, (2022)	It is focused on omnichannel selling for retailers and it also analyzes social and environmental efforts in omnichannel SC	Observation based	Mathematical model	Results show that omnichannel drives to better performance when related to CO model (cooperation). Retailers present higher levels of profitability when they adopt a RS and VN models. TSBO does not impact of SW (social Welfare).
Pantano et al., (2022)	It encourages luxury retailers to adopt technological innovations to implement their strategy. Is is focused on when and what type of strategy to adopt.	Fato to Face interviews	Qualitative	If innovation is done correctly and viewed from a strategic point of view, it improves the consumer experience. Luxury retailers with respect to technological innovations can be: Facilitators, Enablers, Explorers and Initiators. It is important for retailers to choose how and when to innovate.

Paul et al., (2019)	It gives an overview of recent developments in retailing		Literature Review	It is possible to create a four dimensional matrix based on problems, challenges, threats and opportunities (PCTO) useful to understand the emerging practices in retailing, classifying them as: traditional physical stores and new generation oriented channels.
Grimmer et al., (2018)	This research identifies resources that predict the resources of small distribution companies.	Survey	Descriptive statistics	Small retailers have four different strategic orientations: prospector, defender, analyzer, reactor to which are associated different ways of responding and seeking innovation, testing how the perspective the company holds can influence the relationship between corporate resources and performance.
Pantano (2016)	The analysis explores retailers' choice in the timing of innovation implementation, thus becoming a follower or pioneer. Costs and benefits were declined for each.	Observation Case Study	Qualitative	Retailers with little inclination to innovate run the risk of absorbing innovations that are not successful. Innovators/promoters act on the technology push, while imitators on the demand-side push.

Hristov et al., (2015)	The aim of the article is to analyze innovation characteristics in retailing firms. It also describes how retailers perceive innovation as a driver for effectiveness.	Survey	Qualitative	Restare aware of the importance of innovation, although this is perceived differently depending on the relevant industry. The different types of innovations are highlighted: customer/offer oriented, product innovation and other aspects of the retailing mix, as well as supply chain and organization-related innovation.
Pantano et al., (2013)	It is focused on the importance of risk management in retail firms due to the introduction of innovation.	Observation Case Study	Qualitative	The Risk Interdependences matrix is used to analyze risk. This defines risks arising from the adoption of innovations by distinguishing between incremental or radical risks. Risks with higher ratings have greater impact on others and can be defined as radical. Each innovation introduced in the store leads the retailer to be subjected to both types of risk. Special attention should be paid to radical risks and their interdependencies.

Reinartz et al., (1011)	It is focused on giving information about innovation characteristics in the retail sector that help firms to have higher performances. It is developed considering different strategies to adopt in different markets (mature, emerging, less developed)	Explorative method	Qualitative	Starting with the identification of three environmental factors (consumer-based, industry-based, and law- and regulation-based), challenges and opportunities in each market (mature, emerging, underdeveloped) are identified. It emerges how it is necessary to turn challenges into opportunities to power a high level of competitiveness, especially for retailers who tend to work in globalized settings.
Pentina et al., (2009)	It examines the role of complementary resources pre-existing in assessing the impact of online channel adoption strategies on the performance results of incumbent retailers.	Observation Cases Study	Regression	Experience, size, competitiveness, catalog expertise all influence the order of online entry. Early adoption of innovation negatively affects the economic outcomes of small retailers, while the data are reversed for larger retailers. Smaller retailers can hardly afford large investments in multichannel infrastructure and must rely on external suppliers. They get better results if they introduce innovation later.

3.2.1 Retailers' strategic decision about the timing of innovation adoption

Innovation management is acquiring importance also for retailers because it emerged that innovation is one of the main elements for the success of a firm. Most of the retailers adopted strategic innovations such as self-service technologies, warehouse control devices, eco-stores etc. (Hristov and Reynolds, 2015) with the aim to provide new shopping experience. However, the ability to innovate is different among firms both in terms of number and nature of innovation.

Hence, the strategic decision that retailers have to make is not whether but when to adopt an innovation (Pentina et al., 2009), with the aim of achieving and sustain a competitive advantage. Retailers that operate in the same sector can be equally successful despite having adopted the innovation at different times. Managerial literature has always distinguished between pioneer (first mover) and follower (imitator).

Although they have camped relevance, there are still some retailers who still do not adopt any innovation (Pantano, 2016). The difference between a pioneer and a follower highlights the degree to which an innovation is new or new to the market (Pantano et al., 2022).

Acting as pioneer or as follower brings a number of advantages and disadvantages for retailers to consider, and literature refers to this choice as the “innovator’s dilemma”. The time of entrance in a market has been generally considered a strategic decision that brings competitive advantage to retailers, who can decide whether to introduce a product or process innovation to the market or they can choose to wait and enter these innovations as an imitative form (Pentina et al., 2009).

Those who first introduce an innovation have as their challenge the exploration of needs and the implementation of it; conversely, those who are imitators have as their goal the exploitation of the innovation and enhances customer demand (Pantano, 2016).

Hence, different strategies have emerged in the current scenario. Retailers can decide whether to make investments in new products, new technologies, new layouts, new

markets and thus become the first movers, or to wait and adopt a technology or more generally an innovation as an imitator.

The choice retailers have to make regards if whether adopting innovation earlier confers advantages to brick- and- mortar stores, or whether being a follower can guide them to implement a better strategy (Pentina et al., 2009).

Thus, when a retailer wants to adopt an innovation, it must conduct an analysis of the advantages and disadvantages of whether it decides to introduce it as a pioneer or a follower.

Being a pioneer undoubtedly has a reputation and image advantage. Presenting oneself as an early adopter of innovation allows the retailer to assume a better position in the market and to be able to attract new customers, as well as retain the already loyal ones (Pantano, 2016). Lots of consumers can be attracted by the idea of making new in-store experiences; for this reason, they prefer retailers that are able to offer it (Pantano et al., 2014). Therefore, innovating as pioneer in retailing also means being the first providing a new customer experience in store. The capability of innovation needs to be improved by retailers in order to obtain new systems more quickly than competitors (Pantano et al., 2013).

By adopting a new technology, the company is also able to hold a more lasting competitive advantage, especially if it constitutes barriers to entry that are costly or complex to overcome competitors (Pentina et al., 2009). Patents play a pivotal role in this context because discourage the entrance of followers and other potential competitors (Pantano, 2016).

Also from an economic point of view, pioneers can have advantages: they can be subjected to experience and scale effects and they have also better relationships with the actors of the supply chain (Pentina et al., 2009). All of these aspects can be analyzed as barriers for followers' entrance in the market. Benefits can also be found in the ability to be able to more strategically modify consumer behavior: the retailer can reduce information asymmetry with the customer, and his/her perceived risk.

Being a follower, however, also brings benefits to the retailer. First, being a follower means being able to access the final technology immediately, without necessarily doing trial and error periods to make the innovation efficient and effective. In fact, the trial

phase has already been accomplished by the pioneer, so the follower can have cost reductions in this regard (Pantano, 2016).

Despite the strengths of being a pioneer or a follower, both market entries with innovation have disadvantages. In fact, pioneers are moving into an unexplored market, of which they do not have full awareness of the risks and threats that may be there; moreover, it is difficult to know ex-ante how the reaction of consumers may be, notwithstanding previous trial.

Moreover, if it is an innovation carried out on the Internet, it is very easy for followers to have an easier time imitating and can thus quickly overcome barriers to entry and adopt the innovation as well (Pentina et al., 2009).

The introduction as a pioneer of an innovation typically is associated with an incremental innovation, so the retailer also has the risk from changing its business practices, which would come more slowly if they were entered as followers (Pantano, 2016). Moreover, innovating in a service market has an additional critical component given the intangibility of the service. They are also the first to be likely to encounter any problems of obsolescence or customer choices not to use the innovation.

Being a follower also has some weaknesses. First, sometimes followers in retailing are evaluated more negatively by customers than first movers, and often their success stems from the inability of the pioneer to maintain innovation. In addition, innovations that have reached followers tend to be adopted by many retailers, so the competitive advantage gained is reduced and less defensible.

The literature agrees that it is better for large retailers to follow a follower strategy if there are few competitors; on the other hand, if the market has very high competitiveness, it is preferable to be a pioneer of innovation.

Thus, according to Pantano (2016) being a retailing pioneer is strategic if one wants to emphasize the customer experience with new products; retailing followers use the information of consumers' use of innovation from the experience of pioneers and adapt it to their own strategy. The advantages and disadvantages are summarized in Table 3.2.

Table 3.4: Advantages and disadvantages of being a pioneer or follower

	PIONEER	FOLLOWER
ADVANTAGES	Better image and reputation; Better position in the market; Provide new customer experience; experience and scale effects; better relations with supply chain actors;	Immediate access to final technology; cost reductions; Avoiding the mistakes made by the pioneers and not doing the trial phase;
DISADVANTAGES	Moving into an unexplored market; more risks; the reaction of customers is unknown; risk from changing its business practices; critical component given the intangibility of the service;	More negative evaluation from customers; higher competition; competitive advantage gained is reduced and less defensible; their success stems from the inability of the pioneer to maintain innovation;

Source: Author's elaboration

According to Pentina et al. (2009), being a pioneer and follower for innovations introduced online has different characteristics. In fact, pioneer innovations can be easily imitated by me - too competitors, as they are more easily observed and imitated. For this reason, innovating online as a pioneer means creating out-of-the-box e-commerce solutions.

The literature shows a general advantage for retailers to be the first movers in adopting online shopping, because delayed adoption would mean losing multichannel customers to competitors already working in this area. Entering the online market later, in fact, generally leads to fewer sales, a less developed market, greater difficulty in product customization, and an inability to open up even abroad (Pentina et al., 2009). However, it is necessary to point out a difference between large retailers and small retailers.

Large retailers have positive influence on net income and long term market share with an early adoption of online sales channels. In this vein, having higher levels of capital and human resources helps large retailers to experiment new technologies. Larger retailers are able to create barriers to entry that make it more difficult for small retailers

to adopt innovation, as they create online shopping standards that are sometimes complex for smaller retailers to achieve.

Conversely, if *small retailers* adopt online innovation as pioneers, the risk of creating a negative impact on net income performance is very high due to limited resources capable of absorbing potential initial losses (Pentina et al., 2009). In fact, scholars believe that small retailers would perform better if they adopt online innovation as followers. This is especially evident when it comes to incumbent and traditional retailers, where the net income is higher if online innovation is adopted late, mainly because they have loyal customers using it. Therefore, for them, it makes sense to adopt innovation late, when it is more efficient and there are standardized solutions. On the other hand, for new stores, which cannot count on loyal customers, they can benefit from entering as a first mover in online innovation, especially using mobile commerce, where they can gain a significant market share.

3.2.2 The choice between radical vs incremental innovation

Many scholars have defined what is meant by incremental and radical innovation. According to Pantano et al. 2013, radical innovations are new technologies of functions never previously used and emerging from business research and development, whereas incremental innovation is considered as an improvement of existing technologies and processes that allows firms to reduce costs and improve efficiency.

The nature of the retailing sector leads retailers to different ways to innovate. In this vein, it is important for retailers to balance the innovation exploration with the existing resources and capabilities of their operations. This refers to the concept of “*Organizational Ambidexterity*” (Paredes et al., 2023), that is the balance between exploration and exploitation.

According to literature, exploration of the market is typical of retailer with the intention to discover, to take risks and to search, whereas exploitation is referred to retailers who analyze, increment and choice innovation. Literature has attributed to the mode of

innovation, whether radical or incremental, two different concepts of retail ambidexterity.

Paredes et al. (2023) define radical innovation as arising from the retailer's ability to have structural ambidexterity, as it is typical of retailers that provide a clear separation between exploration and exploitations in different units, where employees are given specific roles. Therefore, a great deal of coordination between different skills and resources is required. In this case, retailers have sufficient resources to implement a long-time market research, with a higher level of risk and uncertainty. Conversely, the author argues that the retailer adopting incremental innovation should focus predominantly on contextual ambidexterity, in which there is no clear separation between exploration and exploitations units, but there is a single business-unit context. In this case, there are retailers focused at the same time and level both to exploration and exploitation.

In this vein, retailers in search of radical innovation need structural ambidexterity, whereas retailers in search of incremental innovation need contextual ambidexterity.

From the literature review that was developed for this thesis, it was found that for scholars there appear to be close connections between the mode of adoption (incremental or radical) and the timing of endowment (pioneer or follower) of an innovation. According to Pantano et al. (2022), this relationship leads to a four-quadrant matrix into which falls: initiator, enabler, facilitator, and explorer.

Initiators are those who present themselves as pioneers and seek radical innovations. They mainly develop radical innovations aimed at improving retailers' operations. As pioneers and radical innovators, they have a very high level of risk, and they must have the resources to increase employees' use of technology even in the pungent term. However, they are the ones who can enjoy the first mover benefits, such as a better image and reputation, for a more defensible and lasting competitive advantage, to offer a new customer experience and to beat competitors to the punch.

For retailers, therefore, this strategy turns out to be very compact and is typical of large retailers who have the capital and resources to carry it out and to cover any negative effects.

Explorers are retailers that adopt radical innovations but are not new to the market. It is typical for large retailers or even small retailers who, however, have a higher risk appetite. This is especially the case if retailers are new to the market (Pentina et al., 2009). Before adopting an innovation, explorers wait to see what the pioneers of the innovation have achieved.

In spite of this, the risk they undergo is still high, as it is a technology that can change the business model a lot and also there is a risk that the innovation will not be accepted by employees. Retailers who want to adopt this strategy, therefore, must have the skills and resources to do so and to cope with the possible failure of the adopted innovation. Indeed, innovation in the retailer explorer may not have the same impact as it did for the retailer initiator (Pantano et al., 2022).

Those who want to develop this strategy, therefore, must beware of imitative factors, which may have a negative repercussion on customer behavior

Enablers are retailers who are early adopters of incremental innovation. They perceive innovation, especially technological innovation, as not strictly necessary for the business and therefore tend to have limited use of it.

Their main innovations are customer-oriented. However, they are always researching new technologies in the market and so they are pioneers, but they are mainly interested in innovations that can bring incremental improvement to the business model, without changing it.

Facilitators are the retailers who follow innovations that are already in the market, but at the same time do not disrupt the company's business model. In this vein, they seek incremental innovations. This is a typical strategy of retailers who want to do product innovation rather than process innovation.

They often consider innovations in retailing unnecessary, because nn they believe that technology is key to the success of their business and is not necessary for them to attract new customers. They are conservative retailers, so they adopt innovation are if it is functional and can support the business.

Table 3.5: the combination of time and mode to innovate

	PIONEER	FOLLOWER
RADICAL	INITIATORS radical innovations aimed at improving retailers' operations; enjoy the first mover benefits; high level of risks; typical of large retailers;	EXPLORERS large retailers or even small retailers with risk appetite; risk is high; less impact respect initiators innovation;
INCREMENTAL	ENABLERS technological innovation are not strictly necessary; customer-oriented innovation; incremental improvement to BM;	FACILITATORS Oriented to product innovation; technological innovation is not strictly necessary; conservative attitude; adopt innovations only if functional;

Source: Author's elaboration

Hence, the strategy that is adopted by the retailer is derived from its risk appetite. The main innovations are technological, and the great progress that has occurred in recent years underscores the rapidity of possible obsolescence of new technologies, so the perceived risk for retailers is high.

According to literature, the TLC (technological life-cycle) is composed by five stages: introduction, growth, maturity, decline and phase-out. However, especially if radical innovation is adopted, retailers may run the risk that there is a false start phase, thus moving directly to die-out (Pantano et al., 2013).

Retailers' perceived risk depends on a number of factors such as: perceived ease of use and perceived usefulness, compounded by perceived enjoyment and social pressures. Hence, the success of an innovation does not just rely on customers' intentions, that can be influenced by a substitute innovation.

Moreover, given the innovative scope that has been developing in recent years, it has become even more complicated for retailers to identify the technology that is most successful to introduce in store and to improve the traditional retailing process.

The risks that Pantano et al. (2013) identify are of three main dimensions: physical, technical and market, which influence on product obsolescence.

Just as innovations are radical or incremental, risks can also have this classification. If, in fact, the innovations are about technical improvements, the risk perceived by the retailer is incremental. As these risks are radical, it is necessary for retailers to pay special attention. Conversely, if the innovation is about a major system improvement, the risk retailers undergo is incremental. More specifically, radical innovations can be affected by both radical and incremental risks, affecting technology in different manners (Pantano et al., 2013).

In fact, when an innovation enters the store, it is likely to be subject to the two types of risk, which, for this reason, are not necessarily mutually exclusive. Indeed, certain risks carry greater significance due to their frequency of manifestation and their consequential effect on the system as well as their repercussions on other individual risks.

3.2.3 Among the strategies most used by retailers: the omnichannel strategy

Even before covid 19, some retailers began to complement the physical shop with online shopping. With the pandemic, this has been necessary for retailers to try to keep their business going, despite periods of physical distance and closure (Gibson et al., 2022). In this vein, the pandemic asked retailers to move faster; consumers started to buy online with delivery systems, buy online and pick up in store and imagine drone delivery. It is from this union of digital and physical that many scholars speak of an "omnichannel" strategy, topic that has received a lot of attention in recent years (Jena and Meena, 2022). Omnichannel can be defined as a harmonized management of the different channels that can be used to get in touch with the customer, and this enables optimization of the customer experience and enterprise performance (Gibson et al., 2022). For this reason, the boundary between digital and physical has diminished (Madsen, 2021). Omnichannel strategy is implemented by retailers mostly thanks to the use of *different social media platforms* (De Oliverira et al., 2020). For this reason, the channel used by retailers has to be suited to the target audience.

In this vein, The goal is to ensure that customers have a unified experience between the real world and the digital world, changing their buying process, which no longer begins in store, but can start from each person's mobile. In addition, with the exponentially

growing use of the Internet, retailers are increasing online sales channels to sell their products more directly. According to Jena and Meena (2022), online channels give businesses the opportunity to increase their sales volumes, which is why its use is growing incrementally in different retail sectors. Hence, having a multichannel strategy allows more needs to be met than a single channel. In this vein, having a good omnichannel strategy enables you to improve profits (Davoudi et al., 2023), in fact, if not well managed, the omnichannel strategy can lead to negative results for the enterprise (Gibson et al., 2022). Thus, having digital capabilities is fundamental. With the use of omnichannel strategy, retailers can take on more competitiveness in online as well, increasing the list of competitors, but also improving efficiency and performance, as well as meeting the needs of customers who can take advantage of the channel they feel is most akin to their needs (Artusi and Bellini, 2020). In fact, during the purchase process customers are able to choose the preferred channel from which to buy.

Today, omnichannel is spreading among retailers and has also become a form of communication-related to production and promotion. Therefore, it has become a strategy for building close customer relationships (Madsen, 2021). In this vein, omnichannel strategy makes it possible to maintain the relationship with the retailer's current customers, but more importantly to attract new customers and increase market share.

In fact, having such a strategy allows the customer to increase their experiences during the buying process and incentivize a return to the store, whether physical or digital: *omnichannel experience improves customer satisfaction*. (Gibson et al., 2022). In this vein, omnichannel strategy is adopted by retailers with a customer - centric approach. In particular, the use of social media multichannel strategy helps retailers to expand their audience.

One of the main benefits customers have from retailers' use of omnichannel is the ability to try it out in a physical store and buy later online. This is known as TSBO retailing: try in store and buy online. It is a consequential omnichannel strategy that invites customers to visit products in the store, and then buy them online. On the one hand, it aims to leverage the benefits of the in-store relationship between retailer and

customer, and on the other hand, it exploits the operational and cost advantages of buying online.

According to Jena and Meena (2022), TSBO helps retailers to increase demand and to decrease products return costs. According to literature, TSBO retailing reach positive economic and environmental performance.

Conversely to TSBO, retailers have also developed BOPS: buy online and pick up in-store. According to the literature, this is also seen as a consequence of the omnichannel strategy. In this way, consumers reduce delivery costs and waiting time for shipping. Again, satisfaction increases (Jena and Meena, 2022) and retailers also offer this service. Unlike TSBO, this strategy allows customers to reduce the cost of traveling to visit the physical store. In addition, BOPS reduces online sales and increases in-store sales.

The main common element is the fact that BOPS and TSBO incentivate customer to buy the product online. Though both are derived from the adoption of omnichannel strategy, therefore, there are some differences that the literature examines between TSBO and BOPS. The table below discusses the main differences.

Table 3.6: differences between TSBO and BOPS

	TSBO	BOPS
Way to purchase	the customer first goes to the store to physically try/see the product and then buys online.	the customer buys online without necessarily having visited the store, where they later pick up the product
Customer experience	The experience takes place mainly in-store	The experience takes place mainly online
Costs and time for customer	The customer has to bear shipping costs and wait for the arrival of the product according to the delivery time	The customer has no shipping cost and does not have to wait for delivery; in-store time is also shorter

Communication for promotion	Communication is predominantly in-store; this is where retailers display promotions or give advice	Communication takes place mostly online, especially if the customer has applications on the smartphone. Promotions are also communicated here
Interaction with salespeople	More contact is made with salespeople, who are also responsible for guiding the customer to purchase through advice	There is less contact with sales staff, also because the purchase has already been made
customer loyalty	Loyalty comes mainly from the time spent in the store and the relationship created with salespeople	Loyalty comes mainly from convenience and efficiency in in-store pickup

Source: Author's elaboration

3.3 What the literature says about sustainability-oriented innovation in retail: main findings

The topic of sustainability has become very relevant in recent years. Being a fairly recent topic, the literature review that was done resulted in the identification of 5 articles out of the total regarding sustainability issues. As of 2015 United Nations adopted SDGs (sustainable development goals) and retailers have been among the first to move in this direction, in order to create shared value for stakeholders. Among the goals they seem to want to achieve are mainly human health and well-being, good economic and working conditions, responsible production and consumption, and, undoubtedly, actions regarding climate change (Gupta et al., 2023). In this vein, sustainability for retailers is a key issue, both from an economic, social and environmental perspective. Indeed, taking such actions for retailers means creating long-term value for customers and allows them to integrate efficiency with social and environmental goals. Indeed, retailing today is facing many challenges, including internationalization, digitalization, greater competitiveness, and sustainability is among them. In general, the literature gives a definition of sustainability, understanding it as a development that allows meeting present needs without compromising the ability to satisfy these in the future (Gil-Saura et al., 2023).

Retailers seek sustainable innovation its two main planes: on the one hand they seek supply chain innovation, so much so that many researchers today speak of green supply chain (GSC) in retailing, from which new business models are created that lead to a positive impact on society and the environment (Davoudi et al., 2023; Gupta et al., 2023). On the other, they seek to develop eco-innovation through products or services downstream in the supply chain that are more environmentally and socially conscious, and this influence customer satisfaction. In fact, sustainable practices help retailers to attract customers to a business. For this reason, retailers are looking for innovation both upstream and downstream (Gil-Saura et al., 2023). In this vein, CSR drives firms to a better image, and positioning, and can improve customer satisfaction. In particular, having a GSC allows for minimizing negative effects on the environment, and green products, in order for them to be bought by customers, must be competitively priced and easily usable (Davoudi et al., 2023). According to the literature, green products can be: recyclable (especially if it is paper), not tested on animals, and that do not harm the environment. This is important because consumers are placing more and more attention during the purchasing process and are beginning to be willing to pay a greater price differential if they resonate with quality and sustainability concerns. The term sustainability is used not only to refer to companies' interest in environmental issues, but also to refer to the retailer's initiative to manage a support for society and its interests (Elg and Welinder, 2022). From this perspective, sustainability also plays an important role in enhancing a retailer's image, reputation, positioning, as well as creating a strong competitive advantage. For this reason, customer loyalty grows, while the risks of negative publicity decreases. Therefore, it is important for retailers to analyze how customers perceive sustainability and how this can influence their intention to purchase and their journey.

Table 3.7: Analyzed papers for sustainability oriented innovation

AUTHORS	FOCUS	METHOD	ANALYSIS	KEY FINDINGS
Gil- Saura et al. (2023)	How sustainability-oriented innovation in commerce is perceived by the consumer	survey; face-to-face interviews	PLS regression	SOCI has a positive impact on customer satisfaction and store equity; store equity impacts positively on customer satisfaction; customer satisfaction generated by SOCI is positively mediated by store equity.
		Problem-based		
Davoudi et al., (2023)	It examines a two-tier GSCM, and how this minimizes environmental impacts and maximizes resource efficiency		Mathematical model	Profit increases the greater the use of a GSC; the profit of the supply chain increases as the selling price decreases

<p>Alyahya et al., (2023)</p>	<p>It analyzes the impacts of the eco-innovation strategy of retailers on customers' behaviors. It also investigates the relevance of the psychological contract between customers and retailers, finding out how this can influence eco-innovations</p>	<p>E-mail survey</p>	<p>Descriptive statistics; multicollinearity test; normality tests</p>	<p>Reactive eco-innovation in retailers is positively correlated to customer boycotts; Proactive eco-innovation has a negative impact on boycotts. Moreover, the violation of the psychological contract influences this relationship. Idealism has a negative impact on boycotts.</p>
<p>Elg and Welinder, (2022)</p>	<p>This article investigates sustainability in retail based on three points of view: overall management of the company, development of an attractive product range, and management of daily activities in the store.</p>	<p>Case Study</p>	<p>Qualitative</p>	<p>Company, product, and store perspectives are sometimes complementary, but in some cases prioritize different aspects regarding sustainability. These oppositions can be overcome by: developing sustainability-related goals,</p>

Gupta et al., (2023)	This article proposes new models of sustainable efficiency assessment and resource reallocation applicable to retailers' value chain	Case Study	Mathematical model	Performance measures have been defined to measure the sustainable efficiency of stores. A suitable model is also identified to improve the aggregate sustainable efficiency of the retail chain
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Source: Author's elaboration

3.3.1 eco-innovation and social sustainability in retailing firms

In addition to economic sustainability, the literature in recent years has focused on environmental sustainability and social sustainability. While one of the goals of business is to try to produce more at a lower cost, for some years now many retailers have had the goal of resource efficiency, waste reduction, reduced emissions, and less environmental pollution (Davoudi et al., 2023). On the other hand, also customers are looking for products with low levels of environmental risks. Retailers, thanks to their positioning on the market can generate high influence on customers' behaviours (Gil-Saura et al., 2023).

Regarding environmental issues, companies operating in retail have for some time developed eco-innovations, i.e., innovations that enable them to protect the environment while increasing the attractiveness of the business to stakeholders. In fact, the concept of eco-innovation allows them on the one hand to bring more perceived value to the customer and on the other hand to reduce environmental pollution. When properly integrated into enterprises, eco-innovation is one of the tools for moving from a linear economy to a circular economy. However, for these goals to be achieved, it is not only necessary to adopt such innovations, but to understand what is the timing and mode of adoption so that they can be welcomed and perceived positively by customers. In fact, customers place particular importance on the reasons why retailers adopt sustainable innovations; the more spontaneously retailers implement them, the greater the customer satisfaction (Gil-Saura et al., 2023). For this reason, eco-innovation is a process able to create new business models, improve competitiveness and strategies to maintain a competitive advantage on market.

In this vein, co-innovation refers to the creation or implementation of new tools necessary to reduce the environmental impact of human activities and it is referred to different innovation types. Literature refers to this concept also with terms as: green innovation, environmental innovation and sustainable innovation, interchangeably. Depending on how enterprises adopt eco-innovations, customer satisfaction and perception change. According to Alyahya et al. (2023), eco-innovations can be divided into two different categories, depending on how and when they are implemented by the company. In fact, retailers' response in sustainability can be declined mainly in two modes: reactive and proactive.

The literature, in agreement with the points made by Alyahya et al. (2023), states that most eco-innovations that are adopted in different sectors to date are reactive. ***“Reactive eco-innovation”*** are used to indicate sustainable innovations oriented toward environmental protection that are taken as a consequence of factors arising from the external environment, such as institutional and governmental pressures and demand from the demand side. These are companies whose interest in environmental protection through the development of sustainable tools and strategies is not pursued. Often, in fact, they are innovators who are made choices independently of how the company evaluates itself, its mission or vision: these are not planned choices. Eco-innovations are included because of social and governmental pressures that are imposed on businesses (Alyahya et al. 2023). Having a reactive eco-innovation approach can actually generate negative effects to retailers who use it. This is in line with the "reactive strategic orientation" mentioned in the theoretical framework. In fact, adopting sustainability-oriented innovation does not directly result in greater customer satisfaction. What generates it is the purpose and the reason for making such a decision. If retailers adopt an eco-innovation as a result of external pressure, customers tend to interpret this negatively, holding a boycott behavior (Alyahya et al. 2023). In fact, customers perceive the company as not loyal, not buying the product or limiting themselves to a single purchase without having a re-purchase phase. In this vein, many consumers believe that adopting eco-innovation in a reactive way is not dependent on social responsibility initiatives.

Conversely, ***“proactive eco-innovation”*** is typical of those who adopt tools and strategies geared toward developing environmental sustainability, regardless of institutional pressures, especially in developed countries. In this case, retailers adopt this strategy because they have compliance toward social responsibility. According to Alyahya et al. (2023), they are typical of retailers who seek to reduce negative impact in their production and consumption by customers. To achieve this goal, retailers adopt various technologies, such as pollution reduction techniques, or new technologies. In this case, retailers are perceived as more reliable, caring, so the adoption of eco-innovation is interpreted positively and increases customer satisfaction.

In contrast, scientific research related to social sustainability in retail is still underdeveloped. In the literature review conducted, in fact, among the selected articles,

not one was found that dealt specifically with this topic. However, this constitutes a topic that is treated comprehensively among the various sustainable-oriented articles. The literature that relates to this topic mainly analyzes it with consideration of the impact that retailers can have on city centers and the neighborhood. From the analysis, it emerges that the relationship with the society and community in which the retailers are established is a determining factor for their image and reputation. According to Elg and Welinder, (2022), physical stores need to put more emphasis on "soft values".

3.3.2 The adoption of sustainability through Green Supply Chain

In an effort to be more sustainable, retailers often adopt GSC: green supply chain, not only aimed at protecting the environment, but also to have a more transparent supply chain with greater visibility of the process. Adopting these strategies, in fact, leads to greater purchase awareness for customers, who, if they positively perceive the path taken by the retailer, have higher purchase and repurchase intentions. The goal of GSC is to balance the reduction of environmental impact with the efficient use of resources (Davoudi et al., 2023). In fact, having a green supply chain means operating on two main fronts: downstream, so in contact with the customer, and upstream, and thus seeking a reallocation of resources to ensure greater efficiency.

In ***downstream green supply chain operations***, one of the elements that most influences the customer relationship is the price of the product (Davoudi et al., 2023). Typically, retailers offering green products have higher prices, and the more the price rises, the more critical this becomes. However, if consumers recognize the focus on sustainability through the use of green labels, they are willing to pay a greater price differential and thus retailers' profit increases.

Regarding ***the upstream elements of the green supply chain***, reallocation of resources in a more efficient and sustainable manner plays a key role. In fact, with the adoption of sustainable practices, companies need to review their organization and resource reallocation in order to ultimately remain competitive in the market and generate new profits. One of the solutions that the literature proposes for retailers is RRM, or resource reallocation management, which allows them to seek sustainability and improve efficiency. Resource reallocation helps retailers to measure the sustainable efficiency and to define new strategies to develop in future (Gupta et al., 2023). In this vein, a good

RRM in stores help retailers to grow and promise strategies able to reach SDGs. Hence, the use of waste material, store with greater energy savings, improve efficiency della supply chain improving life quality and innovative solutions (Elg and Welinder, 2022).

3.4 Retailing mix innovation

This section is devoted to findings from the literature review regarding innovations that retailers can make in-store and online. This is an issue that has been addressed especially in recent years, and among the 47 articles analyzed, it is made explicit in 8 of them. For this reason, it is a topic that is quite important for retailers and their maintenance of competitive advantage.

With the changing of retail landscape, retailers need to improve and modify the internal capabilities they have relied on in the last decades (Paredes et al., 2023). Location physical store, store design, product assortment, service quality, pricing, communication both internal and external still play a pivotal role in maintaining a competitive advantage, however, it is necessary for retailers to innovate in these aspects as well, with the goal of better understanding customers' needs and being able to have them more satisfied. Thus, the elements of the retailing mix do not have to be changed, but it is necessary for companies to make improvements to these to meet customer needs. In this vein, retailers have to figure out how to mantein customers and how to attract the new ones and the innovation of retailing mix element plays a crucial role to reach this goal. In fact, price, service quality, product assortment, store design and image and so on influence the hedonic and utilitarian shopping experience⁵ (Gibson et al., 2022). According to literature, hedonic shopping experience is related to store image, service quality and price, whereas utilitarian shopping experience is related to assortment, price and store image. According to Gibson et al. (2022), elements of the retailing mix are psychological drivers that influence the customer in choosing whether to return to buy in the store, so it is important for retailers to innovate according to customer needs.

⁵ Hedonic shopping experience literature refers to the customer experience resulting from the purchase of products intended for personal pleasure and enjoyment. By Utilitarian Shopping Experience, scholars mean the customer experience resulting from the purchase of necessities, which are needed to satisfy practical or functional needs.

These, in fact, allow them to control and influence in-store behavior, and sometimes to predict customer behavior. Consider, for example, the layout of the scallals or the design of the store. However, the retailing mix must not only be innovated for in-store elements, but also for information technology and e-tailing that affect communication. Indeed, with the rise of digital and online channels, mobile apps, m-commerce, and smart phones have grown, the e-tailing paradigm has changed, and e-tailig has seen exponential growth in the last years. E-tailing provides a customer interaction that is interpreted as an opportunity to increase customer experience and satisfaction. Therefore, not only in the store, but also online importance must be given to design, to layout and other aesthetic aspects as well as in-store (think colors, animations, music etc) that positively influence the (Mondal and Chakarabarti, 2021). Hence, the capability to understand customers' sensemaking of display and layout in-store and online can be identified the beginning point for innovation in the retailing mix (Madsen et al., 2021). The reason is that the display is part of the interface between retail and consumers, thus having a good layout is a way to maintain competitive advantage.

While previously the focus on innovation was looked at only from the perspective of efficiency and cost reduction, these are now complemented by innovations in the retailing mix resulting from technological drives and social perspectives, which have undoubtedly boosted the development of the retailing mix. In fact, the retailing mix today also aims to adapt to sociocultural trends, again in order to increase its attractiveness to loyal and potential customers. This is possible because of the increased attention given to the values and needs emerging from society (Artusi and Bellini, 2020).

According to the literature, elements that have most influenced the development of the retiling mix include the demand for greater product/service customization (Mondal et Chakarabarti, 2021), the development of omnichannelality that changes the customer journey (Gibson et al., 2022), and certainly the growth of in-store technologies (Paredes et al., 2023).

In the following table there is the description of each article used for this phase of results, followed by the analysis of the main innovation regarding some of the retailing mix elements.

Table 3.8: Analyzed papers for retailing mix element innovation

AUTHORS	FOCUS	METHOD	ANALYSIS	KEY FINDINGS
Gibson et al., (2022)	It examines how often choices of retailing mix and implementation of new innovative functions, like multichannel, can influence customer satisfaction	Survey	Descriptive statistic	Results delineate how store image, price, service quality, omichannel and edonistics have a direct and positive effect on customers satisfaction. Moreover, hedonic value is stronger on customer satisfaction than utilitarian value.
Lee et al., (2022)	It focuses on the subjective evaluation of the product's visual aesthetics (VA) and tests how this affects customers' willingness to pay. It then investigates the role of perceived product quality and perceived enjoyment.	Online survey	descriptive statistics	More than technology, it is product design that attracts consumers. the VA is positively related to consumers' willingness to pay as well as product quality and perceived enjoyment. There is a positive impact of VA on WTP when INV is low, conversely there is a negative impact of VA on WTP when INV is high.

Mondal et al., (2021)	<p>The goal is to explore retailers' brand experience from an e-tailing perspective. It is true that the consumer experience derives from both online and offline stimulus factors</p>	ISM and MICMAC	Qualitative	<p>This study finds the interrelationship between 20 factors that influence consumer brand experience through e-tailing. These factors have also been defined as independent, mediating or dependent variables.</p>
Madsen (2020)	<p>It provides interesting insights for future design and layout for retailers by understanding the sense-making process.</p>	Face to Face interviews	Qualitative	<p>It presents sense-making processes of displays in digitalized retailers; highlights the connection points between physical and digital displays, highlighting new terminologies.</p>
Artusi et al., (2021)	<p>It explores how company can manage two different meanings offered through their retail services and products sold.</p>	Observation Case Study	Qualitative	<p>Innovating the service meaning leads to the differentiation of a retail offering a product no longer perceived different from competitors by customers.</p>

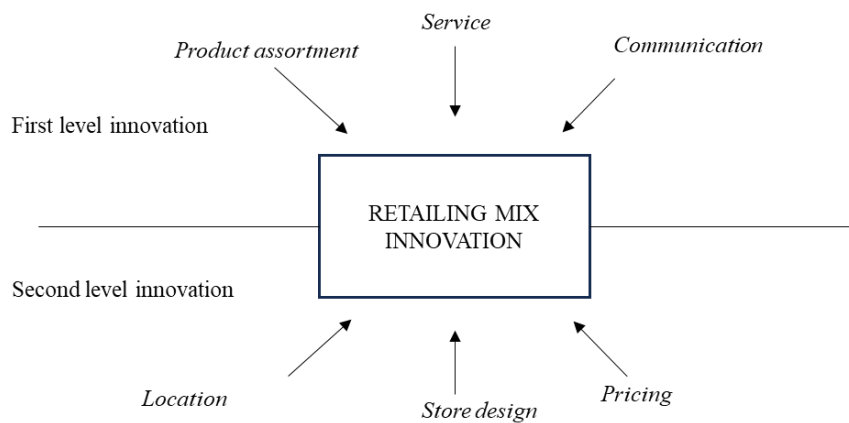
Straker et al., (2015)	It is focused on the inclusion of design thinking in stores for the future management of digital channels.	Literature Review	New design-driven management of digital channels is proposed. It is indicated how the role of digital channel design is critical in increasing the customer's emotional attachment to the store, based on experience programming. For this, a deep understanding of customers is required.
Boichuk et al., (2013)	It analyzes the role of employees in stimulating innovations in retail firms.	Survey	retailers have a controllable means to solve a problem that is otherwise uncontrollable. An employee that may reduce extra efforts can be influenced to deposit voice into the organizational system if support is provided by supervisors.

Jamal (2005)	It is focused on the analysis of retailing mix innovations and decisions that help small retailers in competitiveness.	Face-to-face interviews; Observations; Focus groups	Qualitative	Ethnic retailers are innovative and competent because they perfectly understand consumers' desires and dictate their store in terms of price, assortment, and communication. Tools and retail techniques have been adapted to meet the specific needs of customers, regardless of ethnicity. These, in turn, enhance their competence, innovation and networking.
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Source: Author's elaboration

The literature review found that not for all elements of the retailing mix does the study of innovation appear to be particularly developed to date. In fact, although in general the authors discuss innovation in all the elements that make-up the retailing mix, some have received more in-depth study. The latter are referred to in this thesis as first-level retailing mix innovation, while the others second-level retailing mix innovation. First-level innovations also turn out to be the ones to which retailers give the most attention today.

Figure 3.5: First and second retailing mix elements



Source: Author's elaboration

3.4.1 Second level of retailing mix innovation

Among the innovations affecting the retailing mix, one first concerns **location and store design**. These two elements of retailing mix are among the main determinants of a company's store image and consecutively its positioning. Indeed, consumers are attracted to a store that is strategically located and well laid out inside, facilitating the customer's buying process. In fact, many retailers have decided to innovate their stores, making them more modern and attractive, as a result of increased competitiveness. In fact, according to Gibson et al. (2022), the firm today must emphasize its great-looking location in order not to lose competitive advantage given the rise of competitors.

It is important that the store environment can provide new experiences for the customer, especially through the use of new technology. Using technology in the store such as virtual mirrors, augmented reality and immersive technologies turns out to be very attractive for consumers especially for large stores, while for smaller retailers the

innovation of the ambience through technologies, despite being more limited, involves the use of less complex tools, such as the possibility of mobile payments or contactless. So today ambience should no longer just mean light, colors, atmosphere but today it is about congruence between customer touchpoints.

According to the literature that has been found for this topic, today location and store design must take into consideration three main elements: social, design and ambience, which are able to influence store patronage. All these elements positively affect store image, and increase customer loyalty (Gibson et al., 2022).

Innovation in layout, display, and thus also in ambience is important for the utilitarian shopping experience, but is many times more relevant for the Hedonic shopping experience.

Having a good product display, both online and offline, today determines a competitive advantage, especially for increased sales volume. That is why retailers must also have innovation in their store displays so that it can be more attractive. Sales personnel play a key role in the display of products because they allow details to be highlighted, which are interpreted by consumers as important elements that can influence their decision-making process (Madsen et al., 2021).

Innovation is inherent in the very concept of display, which must be interpreted by retailers as an extension of the product so that it can be appreciated and understood by customers. In this vein, Straker et al. (2015), defined the role of store design as a differentiator for business innovation. Store layout, in fact, is now defined as an opportunity for future developments. Having a good design, in fact, means *creating a connection, sometimes even an emotional one, between people and the product*.

The innovation in layout is thus underlined by creating a store design that is customer-oriented, so that product details can be made to show, and create greater customer engagement, and this is possible by the conjunction of multiple customer touchpoints within the store. Thus, the innovation lies in creating a design that is not only aimed at efficient product layout, but that allows for a greater person-product connection through the use of in-store technologies such as service robots and smart shelves or even interactive technologies for the customer inside the store.

Another innovation that may be required of retailers in order to maintain a competitive advantage concerns **pricing**. Innovation in this area comes mainly from the use of

personalized promotions or prices, through the use of loyalty card (Inman and Nikolova, 2017). This type of innovation mainly concerns larger retailers, who also have the economic capabilities, to be able to use datamining of their loyalty cards. The goal of pricing innovation is mainly to be able to propose personalized offers to loyal clients, so as to increase the intention to stay. This innovation can be further developed with the introduction of proximity marketing, which is no longer just used to attract customers to enter the store but can also be used internally within the store to send real-time offers to the customer. Using the location of the customer that is recorded inside the store through the loyalty card, it is possible to send targeted promotions to them, relative to the department of the store where the customer is located. Retailers also use in-store coupon dispensers. These are machines that are placed next to the product and issue coupons to loyal customers with loyalty cards to get a discount and promotion on the product.

Since the level of studies done on the innovation of these elements of the retailing mix appears to be still limited based on the articles that have been selected, this thesis refers to these as second-level innovation. This term, therefore, does not reverberate to less relevant innovations, but to innovations that from the literature review adopted appear to be less covered by the scholars to date.

Table 3.9: Second-level retailing mix innovation

Location and store design	Studies of this topic are still limited. Innovation relates to a great-looking location. Retailers can adopt virtual mirrors, augmented reality, immersive technology. It is referred not only to colors, lights in store, but also to the congruence between customer touchpoints. Salespeople have a key role in store display.
Pricing	Studies of this topic seems to be limited. Innovation in pricing refers to personalized promotion mainly for loyal customers. Is it possible to use proximity marketing also inside the store, sending promotion in real time. Some retailers are starting to use in store coupon dispenser card.

Source: Authors' elaboration

3.4.2 First level of retailing mix innovation

Since layout, store design and pricing innovation are still poorly researched, in the retailing mix the main elements that are undergoing the most important changes and therefore are most studied in recent years are: product assortment, service and communication.

In fact, from the findings of the literature, these three elements have a very strong relationship with new technologies, digitization and attention to sustainability, which is why the innovation that is recognized by scholars appears to be greater than in the other categories.

In particular, **product assortment innovation** appears to be treated among the authors. In fact, this is one of the main elements that influence customers' purchase and re-purchase decisions. This is why it is important for retailers to have continuous assortment innovation, so that it can always be up-to-date with consumer wants and needs. Assortment innovation does not mean changing one's offering but being able to adapt the product to what the customer demands (Gibson et al., 2022). In addition to the increased emphasis on aesthetics, product assortment innovation is sought for two main purposes: customization (Artusi and Bellini, 2020) and sustainability (Gil-Saura et al., 2023) and at the base to achieve these goals, the main element is technological and digital advancement.

According to Artusi and Bellini, having an assortment that drives customers to customize products is a source of competitive advantage and differentiation for the company. Literature also suggests that personalized products is obtained from retailers' aptitude for technological innovation (Pantano et al., 2022). With the use of in-store technologies, in fact, customers can interact with them and create a unique and original product, which can at the same time also enhance his or her overall shopping experience. In this vein, a customer collaboration and co-creation to the development of products leads to a higher satisfaction and a better perception of the retail (Gil-Saura et al., 2023). Using the data collected, it is also possible to provide a more personalized assortment, with the ability to meet consumer needs. This also makes it possible to develop more agile assortments that can satisfy the customer more quickly.

Product assortment innovations are also strongly linked to the issue of sustainability. Retailers are beginning to offer products that pay more attention to environmental issues

in particular. Indeed, consumers are more likely to buy products that generate a positive social impact and cause fewer environmental risks (Gil – Saura et al., 2023). According to the literature, the trend that is occurring is to associate the product with issues of sustainable responsibility by taking a storytelling perspective. It is not only necessary for companies to include sustainability in their products, but it is also appropriate for it to be told through the product (Elg and Welinder, 2022). This aim is reached by retailers thanks to the use of labels. According to Davoudi et al. (2023) as the use of green labels increases, the demand for the product increases and consequently so does the profit.

Especially in recent years, there has been a tendency for customers to look for regional products; the perception of these products in the retailer's assortment is interpreted very positively, whether the retailer is large or smaller, and this has a direct effect on customer loyalty. Adding new products to the assortment is also important to the retailer's success. Having an up-to-date and innovative assortment, offering different products and different brands is an element of competitive advantage for retailers that helps to increase profit. In this vein, innovation in an assortment for literature means selling executive new products (Gibson et al., 2022), and giving the customer many product alternatives. To get to this result, retailers have the opportunity to leverage the information that is defined by the analysis of data that is collected from customers (Lee et al., 2022). This in fact, to puts to understand the behavior that is held by the customer during the buying and pre-purchase process, trying to collect as much information as possible to have more awareness of the buying subject.

Innovating the assortment, then, means being able to offer new products that are differentiated from competitors quickly. This is possible mainly because of the information retailers are able to take about customers and the data analysis that follows. Another element of the retailing mix that scholars focus on is **service** innovation. This comes mainly from technological tools that enable more specific and higher quality service delivery. The quality of service and the ability of sales staff have always been crucial. In fact, service quality affects customer satisfaction and re-purchase intention. Having continuous improvement in service quality is therefore necessary (Madsen et al., 2021). Service innovation enables improvements in the quality and efficiency of the purchasing process, which is why it is typically interpreted as incremental innovation (Artusi and Bellini, 2020). The main technological innovations that change service

quality include: smart shelves, QueVision, Scan and Go, self scanning and in- store CRM (Inman and Nikolova, 2017).

Smart shelves increase service quality because they help avoid out-of-stock situations. By monitoring through weight-sensing sensors on the shelves, it is possible to alert staff in real time when the last product has been taken out.

Another tool used for the purpose of improving service quality is QueVision. This allows customers to reduce the waiting time at the time of payment. This is a technology that is still little used, but for which there is a positive future outlook. According to research, the waiting time would decrease from 4 minutes to 30 seconds. According to studies conducted by Inman and Nikolova (2017), the increase in customer satisfaction is about 42%. The system allows more checkouts to open when the estimated wait time for each customer ala checkout phase exceeds a certain threshold.

Some retailers are also beginning to use self scanning for the checkout phase. Customers independently can scan their products without needing staff. The consumer is guided through each step by digital panels that help explain the checkout process. Today there is a supervisor who monitors all stages.

The checkout phase has also undergone changes due to the innovation of Scan and Go. This is a technology whereby the customer can scan products directly from the cart via the retailer's app on their phone. This adoption further accelerates the checkout phase, without consumers needing to wait their turn for the checjput phase. Everything is controlled and managed from the customer's personal smartphone.

Finally, Inman and Nikolova (2017) also identified an in-store CRM. This is a technology that can recognize not only onlime customers, but also in-store customers through facial recognition or via smartphones. The goal is to try to bring the online customer experience to the store as well. According to Boichuk and Menguc (2013), improving the quality of services offered, however, would not be possible without the attention that retailers must give to any employees. Indeed, it is necessary for them to have adequate preparation and training on the new innovative tools that are being incorporated within the organization and on any changes that are also taking place on online platforms. In addition, it is also appropriate to consider the "voice of the

employees," making sure that they can express their ideas, which might present themselves as useful to bring to the company's business model.

A final element of the retailing mix that the study conducted is in-depth on is **communication innovation**. By it is means both online and in-store communication.

In terms of communication carried out online, the main innovation falls under e-tailing, partly as a result of the fact that many retailers have launched their own apps or online shopping sites. The new way of e-tailing through virtual reality and artificial intelligence allows retailers to be able to create very immersive customer experiences. Some retailers, especially in apparel, accessories, and home furnishings for example give the option of having people try the product on or in their homes. In fact, virtual demonstrations in a space that cannot be real help the company improves its brand experience (Mondal and Chakarabarti et al., 2021).

Adopting e-tailing strategies allows retailers to be able to take their brand to a higher market share by being able to reach more possible consumers. In addition, having an online sales channel fosters communication, even indirect communication, with one's customers: the online purchasing process, in fact, allows retailers to take in more information of the customer journey and to have an in-depth insight into the characteristics of customers, thus being able to tailor the offer presented to them, being able to make more targeted communications or propose specific promotions for the product that turns out to be most purchased by each consumer.

The tool that enables exponential growth of this mode of communication, in addition to social media, is the app on the phone, which is easy to use and design. Although the most developed and largest retailers have an app now that can offer multichannel communication, smaller entities still have limited app development (Inman and Nikolova, 2017). Today, customers demand that through apps they can scan products, receive information, coupons and promotions, and download a map of the store to get a better idea of how it is structured and how products can be found more quickly. In terms of in-store communication, this has also undergone innovations, especially with the use of in-store marketing and displays. Technologies are beginning to be used that enable marketing directly in the store. This involves using a smart shopping cart, or geolocation of the customer by sending specific advertisements to them based on the

department they are in. Displays can also be placed at multiple points in the shop to make the shopping process more interactive and communicate new products, and upcoming and present offers differently. In fact, touchscreen displays can give information or can promote products or services. Studies concerning innovation in communication, product assortment, and service have been among the most covered by the literature review conducted. For this reason, they are referred to in this thesis as first level retailing mix innovation.

Table 3.10: First-level retailing mix innovation

Product assortment	Innovations in this topic refers to having an up-to-date assortment level by being able to collect more customer information and data. In addition to aesthetics, innovation is also sought in increased customization and sustainability. More attention is given to regional products.
Service	The primary goal for which innovation is done is to have an improvement in quality. This is possible through the adoption of technological tools such as: QueVision, Scan ang Go, self scanning, smart shelves and in store CRM.
Communication	It is both intended to be a communication innovation carried out externally through the use of the Internet. E-tailing plays a key role and has grown a lot with the adoption of apps. By communication, it also refers to in-store communication through smart carts, touchscreen displays, geo-location, which allow immediate communications to be sent to the customer regarding products and offers.

Source: Author's elaboration

3.5 How Innovations in retail Impact the customer: A Customer-oriented research

The research papers that dealt directly with the relationship between innovations and consumers are in total 8 articles out of the total 47. However, although these deal directly with the topic, it appears from the analysis of the other articles that the customer theme is present, albeit indirectly and in less depth. Thus, the relationship between customers and innovation is dealt with a great deal and appears to be a fundamental and

central theme of the analysis. This stems mainly from the fact that retailing is the point of contact between production and the end customer, so many of the innovations made in the business are dedicated to greater customer satisfaction and that is why the theme is relevant.

It is well known that customer experience plays a key role in competitive advantage. With the emergence of digital, however, the way of customer experience and customer engagement has changed and has seen the introduction of digital, technological as well as tools that can better address customer needs, as related to the issue of sustainability (Banik, 2021). In this vein, to better respond to the consumer, retailers must pay attention to consumer behavior, being able to see how they react to the introduction of an innovation, both online and in the store. This is because the outcome and success of the innovation adopted depends not only on what is adopted and when but also on how consumers respond (Chen et al., 2022). In fact, Chen et al. (2022) addressed the issue of customer resistance to innovation. According to the authors, this stems from the perception of risk: the higher the perceived risk, the lower the diffusion of innovation. A customer's positive interpretation of an innovation depends on social factors (the impact the innovation has on society, the level of collective acceptance...), economic factors (the cost-benefit analysis) and physical factors.

Behavior analysis is crucial for retailers because the main goal is to create long-term relationships with the customer, which cannot be achieved if the customer does not remain satisfied. In fact, innovation must be geared toward growing the attachment and positive feeling that a person has toward the product, service, and even brands, both for hedonic and utilitarian products (Kim et al., 2009).

Thus, three main themes emerge from the analysis of the articles, which will be discussed next. A first theme is related to the customer experience. In these articles, the authors want to emphasize how the experience changes during the buying process whether it is online or in-store; they emphasize the stages of the customer journey that are most changed by innovation. A second theme, however, is related to how customers respond to change due to innovation. The authors then investigate the behaviors that determine acceptance or resistance to innovation. Finally, a third theme concerns the change in the level of engagement that innovations can bring to the customer. The table below shows the main characteristics of the papers that fall into this cluster.

Table: 3.11: Analyzed papers for customer oriented innovation

AUTHORS	FOCUS	METHOD	ANALYSIS	KEY FINDINGS
Urbunavicius (2023)	It contributes to the knowledge of the relative impact on customers' willingness to disclose personal data for purchases made by online retailers	representative survey	Factor analysis	Trust in retailers has a positive impact on customers' willingness to disclose personal data; privacy regulations positively influence trust in the retailer; Higher values of relative power of a customer grows trust in retailer and positively impacts on willingness to disclose personal data.
Chen et al., (2022)	It is focused on how customers react to innovation, analyzing five different barriers. In particular, they are based on customers characteristics (Technology anxiety, personal innovativeness, informativeness and WoM influence.	Online survey	Descriptive statistic	Results show a strong correlation between barriers, customers characteristics and intention to use. Customers used to traditional shopping have less intention to use app. Moreover, the low perception of the organization from customers can negatively influence the intention to use. People with technology anxiety and poor acceptance of new technologies are less willing to use the app.

Banik (2021)	It addresses the effects of 5 dimensions of engagement on the customer in a phygital retailing context.	self-administered survey	SEM-PLS	All dimensions directly and positively influence customer engagement. Furthermore, these dimensions have a greater effect with highly innovative customers. Innovativeness functions as a boundary in the relationship between consumption values and purchase intention.
Bray et al., (2020)	It aims to find out the customer profile how is more inclined to use retail subscriptions. Reasons and barriers to subscription are assessed.	Online survey	Both qualitative and quantitative	It shows how quickly retailers adopt subscription services. Consumers are often unaware of the range of products and services available. Younger consumers are more likely to adopt subscriptions. The results also show a direct connection with family income.

Kaur et al., (2020)	It is focused on barriers and customer resistance to the introduction of a new technology, especially in MPSs.	Observation Case Study	Descriptive statistic	Barriers can be divided in two macrogroups: Functional and Psychological. These can be divided in other five types of barriers. Everyone can impact on Use intention and Intentions to recommend. In particular value barriers are negatively associated with use intention, risk barriers have negative interactions with intention to use, traditional barriers don't have negative influence on intention to use. Image barriers have negative impact on intention to use and intention to recommend.
Farah et al., (2019)	It analyzes the incremental effect on long-term sales of retailers' technological innovations.	Survey	Descriptive Statistics and Factor Analysis	Affective experience through online shopping solutions increases customers' purchase impulsivity. Technology-driven emotional experience of e-retailers fuels online WOM. WOM driven by online shopping solutions stimulates shoppers to interact with online shopping solutions.

Kim et al., (2008)	The article explores the relationships between consumer innovativeness, shopping enjoyment, attitudes, beliefs and patronage intentions toward retail.	Online survey	Descriptive statistics	Consumer innovation and consumer delight in shopping influence hedonistic retail beliefs, especially in pop-up stores, and attitudes toward pop-up retail, which in turn influence patronage intentions
Goodman et al., (2015)	It analyzes the specific reasons that drive consumers to buy from small retailers.	Survey	Qualitative	Consumers' choice of store depends on the store's proposed offerings. Especially for small retailers, therefore, it is crucial to focus on the design of their offerings. These can think of their offering replicating that of the larger ones, but with a smaller format.

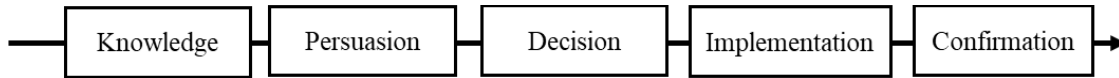
Source: Author's elaboration

4.1.1 What is consumer behavior in relation to innovation? Intention to use vs resistance

Innovation is customers' perception of something new (Chen et al., 2022). In this vein, with innovation processes affecting stores and online, consumer behavior also changes. In fact, the introduction of innovation may be perceived and interpreted differently among consumers, depending on their physical and psychological characteristics. For example, in the world of phygital retail, customers can view the product both physically and with digital panels and see detailed information as well as compare the product with others (Banik, 2021). Consumers can respond in different ways to innovation: they can have an intention to use or a resistance to innovation. One of the most important determinants of the use of innovation is the treatment of data. Indeed, often using an innovation means for customers to exchange personal data and information that can then be used by retailers. In fact, although some customers understand the benefits of giving their data, this often conflicts with the issue of privacy. For this reason, a primary driver for customers to adopt an innovation, especially for those who require leaving personal data, is trust in the store (Urbonavicius, 2023). The greater the trust, the greater the intention of customers to leave personal data, which contributes to an innovative experience dictated by a greater possibility of personalization. According to Urbonavicius (2023), trust is the intermediary between relative power and willingness to leave personal data. Farah et al., (2020) demonstrate that customer behaviour depends on customers' affective state. In this vein, Kaur et al. (2020) argued that the adoption of innovation increases with lower levels of uncertainty. In addition to store trust, Bray et al (2021) identified 5 characteristics of the innovation that influence ***consumers to use the innovation***. In addition to talking about the TAM model theory, according to which the adoption of a technology comes mainly from ease of use and perceived usefulness, researchers in the field of the topic regarding customer adoption of innovations also talk about DIT: diffusion of innovation theory. According to this theory, consumer adoption of an innovation follows a path with a series of stages: knowledge, in which individuals are brought into contact with the innovation; persuasion, in which each person evaluates the innovation in terms of opportunities and obstacles; decision, this is the core phase, in which individuals decide whether to adopt or reject the technology; implementation, which occurs when individuals begin to use the innovation if it has been accepted in the

previous phase; and finally there is the confirmation phase, in which after an initial trial phase, individuals decide whether to keep it or remove it from use.

Figure 3.6: Stages for customer innovation adoption according to DIT



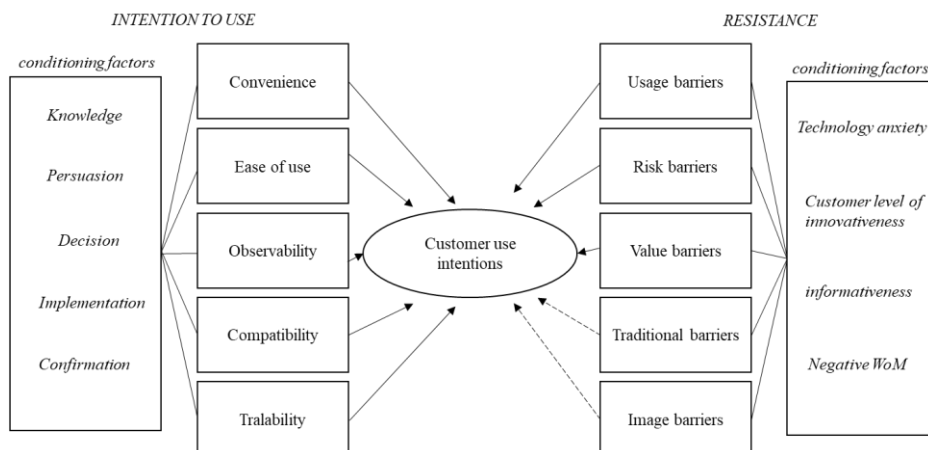
Source: Authors' elaboration

For this reason, retailers with the aim to determine the adoption of innovation have to consider five main characteristics (Bray et al., 2021; Farah and Ramadan 2020), that are: (1) *convenience*, due to the relative advantage that is generated through the use of the technology over other offerings in the market. This not only refers to a convenience derived from value for money, but is also seen in terms of time saved and greater efficiency gained during the purchasing process; (2) *ease of use*, the greater the complexity in the use of the innovation the more difficult it is for it to be adopted by many and quickly; (3) *observability*, understood as how much the adoption of the innovation generates a positive/negative impact on the user and how this use is interpreted by the outside world; and (4) *compatibility*, that is, how much the use of the innovation is akin to the needs, values, criteria, and beliefs of the individual and also the compatibility with tools in use; (5) *trialability*, by this we refer to the opportunity to try out the innovative product or service before the customer's decision to use it is finally made. It is important that the product/service that retailers want to develop has all of these features in order for it to be adopted quickly by early adopters. In this vein, having consumers adopt this innovation quickly through feature recognition is critical to the success of the innovation itself, because they can exert great influence on the use of the innovation for other consumers (Bray et al., 2021). This is in accordance with Kaur et al (2020) that believe that having a negative word of mouth drives to the delay or even permanent stalling of the innovation diffusion process. However, another response to innovation could be *innovation resistance*. In this vein, there are also situations in which consumers choose not to adopt innovation, presenting resistance. This choice stems from habits and risks that consumers perceive (Chen et al., 2022), feeling threatened by adopting the innovation in order to be able to maintain their satisfaction and also due to the possible lack of conformity of the innovation to values and beliefs. According to the literature, barriers for customer adoption of innovation can be divided

into two parts: functional or psychological. Chen et al. (2022) and Kaur et al. (2020) believe that functional barriers can be divided into three main categories. They define (a) usage barriers as those arising from the incompatibility that the consumer perceives between the innovation and the tools/processes already in use or with past experience. According to Chen et al. (2022) these directly affect consumer usage intentions. These may consist of the efforts required for training, or even a change in experience and habits (Chen et al., 2022). For this reason, the literature identifies how usage barriers can generate obstacles in mobile shopping or more generally in online shopping, as well as also for all services performed by smartphones. In this vein, the level of usage barrier drives the successful transformation on the innovation into a mainstream one (Kaur et al., 2020). A second barrier that the literature recognizes as a driver to innovation resistance is called (b) value barrier. In fact, consumers tend not to adopt an innovation proposed by retail when it is perceived to be of less value than what is already offered in the market. This also comes in the form of an incorrect balance between the necessary costs to be borne by the customer and the benefits that the customer is able to receive. If the cost to be incurred is greater than the perceived benefit, then this constitutes a barrier to adoption for the customer. According to Kaur et al. (2020) this barrier, as well as the usage barrier, directly affects usage intention. A final functional barrier is called the (c) risk barrier. This barrier stems from the fact that with the potential adoption of the innovation also comes a set of risks that the customer perceives. These are economic, functional, social and physical risks. Kaur et al. (2020) consider that high levels of uncertainty and perceived risk are matched by low levels of adoption. In other words, higher risk barriers translate into negative user behaviors, such as resistance (Kaur et al., 2020). Again, the barrier directly affects the intention to use. From the literature, therefore, it appears that all functional barriers have a direct, negative impact on intention to use: as the perceived level of barriers increases, the level of consumer adoption decreases. Kaur et al. (2020) define functional barrier as active resistance. Psychological barriers, on the other hand, are only two. The first concerns (d) traditional barriers. Scholars have argued that societal traditions and personal customs hold significant sway, and any divergence from them often triggers robust consumer backlash, manifesting in negative word-of-mouth, adverse publicity, and boycotts (Kaur et al., 2020). In this vein, traditional barriers seem to be high. According to the authors,

however, this psychological barrier indirectly affects usage intentions. A final barrier to the adoption and use of innovation is (e) image barrier, which is part of the psychological barriers. Every innovation, in fact, is associated with a country or a production factory (Chen et al., 2022). Its image affects the intention to use. Image barriers pertain to an unfavorable perception of the innovation, stemming from either its perceived complexity in usage or its origin (Kaur et al., 2020). Again image barrier affects only indirectly to the intention of use. Kaur et al. (2020) define psychological barrier as passive resistance. It is clear from the literature that all these barriers have a negative impact (direct or indirect) on usage intentions, which becomes more pronounced as consumer negative feelings increase. In fact, many scholars believe that consumer adoption of innovation may encounter barriers (Chen et al., 2022; Kaur et al., 2020) that result in resistance to adoption. According to Chen et al. (2022), the barriers described here stem from four main factors: technology anxiety and innovation propensity and informativeness and word-of-mouth influence. Chen et al. (2022) call Technology anxiety an emotional reaction resulting from the use of new technologies. In this vein, while novel technologies undoubtedly offer convenience, they may concurrently instigate apprehension among specific consumers, consequently impacting their readiness to embrace these advancements. For this reason, technology anxiety can be defined as a driver for the barriers to innovation adoption. This is also compounded by the low level of information the consumer possesses regarding innovation, as well as a negative WoM that disincentivizes at least from a psychological standpoint the potential user.

Figure 3.7: what influences customer use intention and resistance



Source: Author's elaboration

The literature, therefore, shows how customer behavior in the face of innovation is actually a very complex phenomenon to analyze, as it takes into account both personal preferences and also external factors. From this also comes the choice of "where to shop." In fact, although brand loyalty turns out to be of greater relevance than store loyalty (Goodman and Remaud, 2015), the characteristics that the customer perceives in it are crucial for shopper patronage.

4.1.2 Experience and engagement of the customer using innovation

A necessary prerequisite for positive customer engagement and experience with innovation to be generated is for the subject to exhibit high levels of innovativeness. According to Banik (2021), customer innovativeness is referred to four main elements. First, consumers must desire to try new products and have limited risk aversion. This makes it possible to recognize a category of consumers who are more open to change, with whom it also turns out to be possible to innovate and experiment. Conversely, if the level of openness to novelty is low, it is more complex for retailers to adopt innovations that can then be successful. The innovative customer is also the one who makes innovative, risk-taking decisions; he or she is the one who is always looking for new information and is willing to try new products or services, even if they are still scarcely used by other consumers. It is evident, therefore, that at an increase in customer innovativeness the greater the involvement that can engage customer to form both a digital and a physical retail experience (Banik, 2021). According to Farah et al. (2020), customer innovativeness can be analyzed also as a personal trait of individuals that are in search of unique and new experiences.

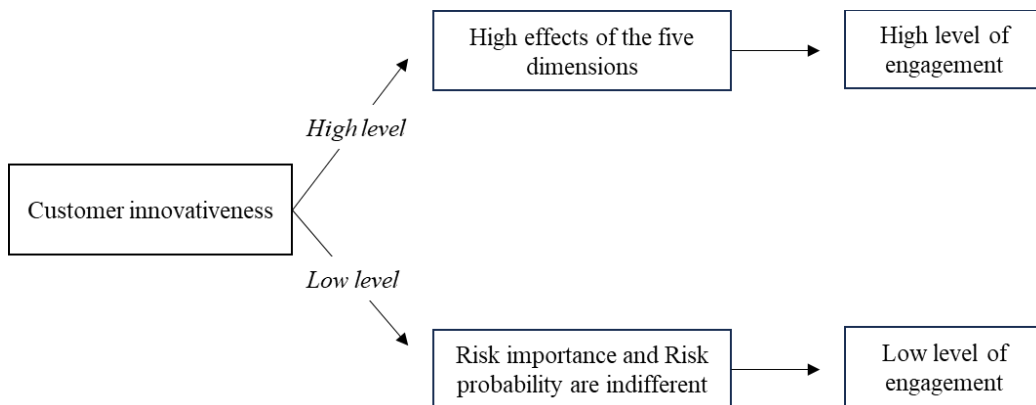
This is also in line with Kim et al. 's (2010) statement that customer innovativeness does not only necessarily mean greater openness to new products or services, but also to new experiences. Therefore, a consumer with high levels of innovativeness does not necessarily buy and use an innovation first, but may also want to seek out a new experience. In fact, customers with high levels of innovation expect both utilitarian and hedonic value, whereas low-innovative customers expect only utilitarian value (Banik 2021). Recognizing these nuances allows marketers to tailor their strategies accordingly,

catering to the diverse needs and preferences of different consumer segments. In this context, emotional engagement can be seen as a driver for customer behaviour among innovations. The literature has identified five dimensions of customer innovativeness that affect engagement and thus possibly shopper patronage. These are risk importance, risk probability, interest, sign, and pleasure.

According to Banik (2021) interest of customer innovativeness is the first factor that most strongly affects engagement. The effects of these dimensions are high if the customer has high levels of innovativeness, compared to those who have a lower level of innovation so these factors affect less on the level of engagement and experience that is sought. In addition, according to the authors' analysis, risk importance and probability are found to be insignificant in engagement for those with low levels of innovativeness.

This stems from the fact that those with low levels of innovativeness often believe that adopting an innovative product/service/experience could have effects that were not anticipated. This explains why customers with higher levels of innovativeness have higher levels of engagement with the novelty than those with low levels of innovation who cosecutively have low levels of engagement.

Figure 3.8: the relationship between customer innovativeness and engagement



Source: Author's elaboration

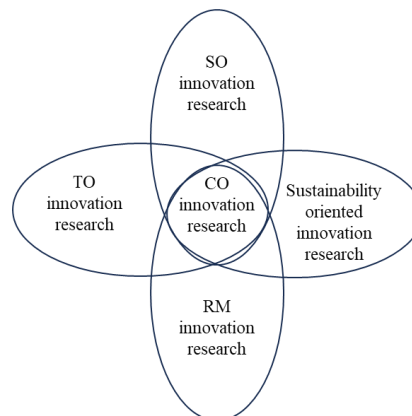
The goal of retailers must be to create a long-term relationship with customers (Kim et al., 2010). This is achieved not only by adopting innovation within their business model, but by ensuring that these are perceived positively by the customer and therefore can be

a source of competitive advantage. As consumer preferences continue to evolve, retailers must remain agile and adaptive, continually innovating to meet the changing needs and expectations of their target audience.

This last cluster appears, therefore, to be the central cluster of the analysis. The retail innovation research, in fact, discusses the topic from different perspectives: the technologies used, the increasing focus on sustainability, innovation in the retailing mix, the strategies used, and the direct impact on the consumer. However, in each of them it was possible to identify customer orientation as central. Indeed, innovation, in order for it to be adopted, must find the approval and use of the end consumer.

These are innovations whose primary objective is to get closer to the needs of the consumer to be able to better respond to their needs and create a high level of customer satisfaction that is not an end in itself but also is able to generate a long-term relationship. Relationships among clusters can be seen in Figure 3.9. In fact, most of the innovations and strategies that emerged from the research appear to be oriented to the customer. Thus, CO innovation research is now considered a central point of the general analysis of retailing innovation. Think of omnichannel strategies, the development of e-commerce, social media, robots, the introduction of more sustainable production and products, and innovation in assortment, communication and services. These result to be all innovations that retailers are trying to implement to try to have greater customer satisfaction.

Figure 3.9: Relationship among clusters the centrality of CO innovation research



Source: Author's elaboration

SECTION II: SMALL INDEPENDENT RETAILERS AND THE ROLE OF INNOVATION AS A DRIVER TO REDUCE VULNERABILITY AND INCREASE SECURITY IN AN INCREASINGLY COMPETITIVE MARKET

Following the first part of the research, which emphasized how innovation is now necessary for retailers in order to keep their offerings consistent with the needs of the market, this second part of the thesis has as its main objective to analyze how innovation is one of the currently most relevant factors for small stores in order to be able to reduce the risk arising from high competitive levels, especially compared to larger retailers. Indeed, recalling the research question posed for this second section, it asks:

Can innovation be a factor in increasing the security of small stores in the market and enable the reduction of perceived risk in the face of larger competitors? Can innovation reduce the vulnerability of Italy's small independent retailers?

In this vein, this research aims to investigate in depth the challenges and opportunities that innovation can bring to small retail stores, focusing mainly on analyzing entrepreneurs' perceived relationship between innovation and reducing the risk and vulnerability to which they might be subjected. The goal of the research, then, is focused on understanding how the innovation of small independent stores can bring them greater security in the market, being able to maintain a stronger position and compete less risky with larger competitors.

In fact, although Italian SMEs play a crucial role in the fabric of the national economy, data show how the closure of local businesses, as highlighted by the Confcommercio census (2022), threatens the social cohesion of cities, as neighborhood shops, gathering places, detract from citizens' sense of degradation and security. This current crisis of small retailers, stemming from external competition (such as large malls and e-commerce), poses a real risk to the social cohesion of cities. Between 2012 and 2022, Italy lost 103,770 shops, 15.7% of the total, and in the first nine months of this year, shutters closed another 14,889 times. On the other hand, small independent retailing firms have several strengths. For example, recent research (American Express - SDA Bocconi, 2023) has found that in Italy, Italians frequently shop at local stores and 54% use services created by local shops in their neighborhood. Eight out of ten consumers

state they will continue to shop in their neighborhood and 70% will prefer small stores to large chains. Additionally, 79% believe that shopping close to home is more enjoyable and 77% that doing so can help the local economy. Sixty-eight percent of respondents said they were proud of their neighborhood, especially the available services. To try to maintain security in the market on the one hand and reduce vulnerability and risks from increased competitors on the other, according to the findings of the literature review conducted in the previous section, innovation appears to be a key driver.

In this vein, *the empirical research explores the role of entrepreneurial orientation (EO) of small retailers in promoting the different types of innovation:* technology orientation (TO), strategic orientation (SO), customer orientation (CO), but also retailing mix element innovation (RM) and sustainability, especially in terms of valorization of the neighborhood with the aims to reduce market risks and vulnerability and to increase security with respect to the level of competitiveness with other competitors in the industry, especially larger ones. This is in accordance with Barata-Salgueiro (2021) that considered also that the presence of diffuse small independent retailing firms in cities is a weapon to challenge desertification and insecurity and to valorize the community identity (Runyan et al. 2007). Authors consider that these research streams, (Runyan, R. C., & Droge, C., 2008) may help to understand the source of of small independent retailing firms.

Therefore, the second part of the thesis focuses on *how entrepreneurial orientation can promote the different types of innovation orientation, with the aim of reducing perceived risk, decreasing vulnerability, and increasing security in the market.* To answer these research questions, authors present a multiple case research study on small independent retailing firms interviewed in six different cities: Milano, Firenze, Roma, Napoli, Venezia e Genova. The interviewees are, in almost all, business owners, which was selected by choosing historic stores with great reputations in the city in which they are located. This second part of the thesis also offers important contributions to the existing literature. A first contribution concerns the small retailing innovation literature, providing a rich context for the study of the application of strategic tools for customer value creation and long-term survival. Added to this is a contribution in the literature regarding strengths, which result in greater security, and weaknesses, resulting from

greater perceived risk and vulnerability of small shops. In addition to the theoretical implications, this study provides some managerial implications to accomplish the studies on small independent retailing firms.

1. Entrepreneurial Orientation's Impact on Innovation in Small Shops

An important dimension for small firms is related to the entrepreneurial orientation (EO). In recent years EO has been studied from several authors; for this reason, literature defines entrepreneurial orientation (EO) in different ways. Scholars positively associate entrepreneurial orientation with firm – level performance (Huang and Wang, 2011) From the time of its definition, for EO it is meant the entrepreneur’s attitude to search market opportunities through continuous innovation, adopting a proactive posture, and taking risks in the pursuit of new opportunities (Lumpkin & Dess, 1996; Covin & Slevin, 1989). Entrepreneurial orientation for small shops is very important, because it enables them to gain more knowledge and turn it into a competitive advantage (Tajeddini et al., 2013). Stevenson et al. (1989) define entrepreneurial orientation as a process of pooling available resources and identifying new opportunities to adopt. Despite there are different interpretations of EO, the authors agree in associating to it with three main dimensions: innovativeness, proactiveness and risk taking, a definition proposed by Lumpkin & Dess in 1996. These authors defined innovativeness, bringing it back to the trend of a firm “to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (p. 142). Therefore, the connection between EO and IO appears to emerge from the literature as very strong.

Instead, the literature with the concept of proactivity refers to the entrepreneur's attempt to shape the environment to his own advantage. The risk-taking dimension of EO refers to “the degree to which managers are willing to make large and risky resource commitments–i.e., those which have a reasonable chance of costly failures” (Miller & Friesen, 1978; p. 923).

The emergent entrepreneurial dimensions within small-scale retail enterprises have become a focal point in contemporary academic discourse. In a study by Luiz dos Santos and Vieira Marinho (2018), the investigation delves into the interplay between entrepreneurial orientation among supermarket retailers and their market orientation,

affirming a positive correlation between the two. According to Griffith et al. (2006), the presence of entrepreneurial orientation within the retail sector significantly enhances the development of knowledge reservoirs geared towards gaining competitive advantages. Tajeddini et al. (2013) note a scarcity of scholarly endeavors addressing the entrepreneurial orientation of small-scale retailers in extant literature reviews. However, Grewal and Levy (2007) endorse this perspective, suggesting that fostering entrepreneurial orientation correlates with heightened competitiveness within retailing.

Given the importance of EO for small businesses, and the contingency of IO underlined from the previous literature review, this thesis aims to analyze the presence of innovation orientation among small retailers and tries to explore the direct or indirect adoption of customer oriented innovation, strategy oriented innovation, sustainability oriented innovation and retailing mix, already partly studied in previous literature.

Penco et al. (2024) confirm the literature focused on small consumer services and retailing entrepreneur: not only the focus on the retailing mix levers, but for the survival is important to invest in competitive strategy orientation SO, focused on customer orientation CO, that are connected with the customer patronage and sustainability in terms of valorization of neighborhood. Moreover Penco et al., (2024) focused on the role of EO in shaping the strategic posture and the other levers of the small retailing firms. Having these results as a basis, therefore, this thesis investigates what role IO may play in relation to the other factors that the literature considers to be derivative of EO.

A first variable analyzed concerns *strategy oriented innovation*. Resuming the theoretical framework also covered in the first part of the thesis. Recent managerial literature conceptualizes strategic orientation as the capacity of firms to adapt to new circumstances (Anwar and Hasnu, 2017). Consequently, this orientation directs the examination of strategy content, implementation processes, and resulting actions. Strategic orientation, therefore, delineates organizational practices and decisions (Deshpande et al., 1993), determining how firms engage with market competitors to achieve their objectives (Mies et al., 2023). Miles and Snow identified four distinct business strategy types for how enterprises engage with the external environment, particularly innovation: prospectors, defenders, analyzers, and reactors (Miles et al.,

2023). Prospectors are proactive in anticipating trends and opportunities through innovation, leading changes in their firms with a first-to-market strategy (DeSarbo et al., 2005). Defenders, in contrast, focus on a limited range of products, emphasizing process improvements to reduce costs rather than developing new products (DeSarbo et al., 2005). Analyzers exhibit characteristics of both prospectors and defenders, with stable actions yet responsive to environmental changes, seeking efficiency and innovation to remain competitive (Anwar and Hasnu, 2017). These three orientations generally fall under strategic selection and tend to outperform reactors, which lack consistent strategies, respond inadequately to external pressures and changes (DeSarbo et al., 2005).

Another type of innovation that we want to study the impact that EO has is of it is customer-oriented innovation. This study adopts Deshpande et al.'s (1993) perspective on customer orientation, emphasizing prioritizing customers' interests while considering other stakeholders to ensure long-term profitability. Maintaining long-term relationships with customers is seen as crucial for sustained success (Narver and Slater, 1990; Sin, 2005; Wang, 2012). Recent research categorizes customer-oriented activities into those targeting current needs and those aimed at latent needs, with the latter contributing to the successful adoption of new innovations (Pekovic et al., 2016). While some suggest a negative correlation between customer orientation and innovation, fearing excessive focus on customer needs may stifle innovation (Ulwick, 2002), others argue that innovation in customer orientation can enhance company performance (Matsuo, 2006). According to the studies conducted by Penco et al. (2024) to have an effective competitive advantage in the long run, it is necessary for small stores to seek long-term customer orientation.

The other two variables are *sustainability innovation* and *retailing mix element innovation*. For small retailers, understanding the motives behind local consumer behavior is crucial (Runyan and Droge, 2008). Levy and Weitz's (2009) literature review indicates a focus on six main retailing mix element. This intersects with sustainability and social responsibility themes in small retailing. While environmental sustainability literature on small retailing is limited, acknowledging green practices, small shops are recognized for meeting social, sustainability, and ethical needs (Ekstrom

and Jonsson, 2022; Megicks, 2007). Small shops contribute positively to their neighborhoods, fostering strong relationships with customers and stakeholders (Robaton, 2018). They remain significant in neighborhoods, especially when providing societal functions (McDonald and Swinney, 2019). The correlation between patronage and small retailers' investment in their communities is robust.

The goal is then, to see how EO relates to these different types of IO, being able to analyze whether companies with high levels of innovation orientation have a better chance of being able to reduce vulnerability and perceived risks in the market and increase security than large competitors.

To understand how small shop relate to the types of IO was carried out the qualitative analysis, defined through the application of the GIOIA methodology, suitably explained below.

2. A qualitative analysis with Gioia Methodology

The in-depth study aims to investigate small independent retailers' dynamics and emerging strategies by analyzing companies' strategic orientations and the current and potential role played by the focus on innovation in building major security in the competitive market. The goal is to see how innovation relates to other useful factors in order to be able to maintain a secure position in the market and reduce the vulnerability dictated by an increasingly highly competitive level. Therefore, to test the hypotheses presented in the previous paragraph, a multiple case study approach was adopted, using the methodologies of Cunningham (1997), Eisenhardt & Graebner (2007), Eisenhardt (1989), Pratt (2009), and Yin (1994). Data were collected through an interview protocol developed from the literature. Following the approach of exploratory research, the choice of cases was not grounded in a statistically representative sample. Instead, cases were selected based on their ability to provide meaningful insights into innovation and the interactions with the final consumer. The decision to take this approach stems from two main factors: first, the size of the companies, which, being SMEs, appear to be easier to contact and are also more likely to be able to speak directly with the owner; second, this approach was also chosen on the basis of the type of research to be conducted, allowing the role of innovation retailing and its relationship to other factors to be emphasized. Qualitative research proves valuable in crafting a conceptual framework and pinpointing critical factors alongside other pivotal variables.

Eisenhardt's (1989) methodology, particularly, hinges on theoretical constructs drawn from existing literature. The aim of this study is to enrich and expand current literature veins through concrete case analyses (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Thus, Eisenhardt's (1989) approach emerges as the most suitable, allowing for the amalgamation of disparate constructs and forging connections among them (Gehman et al., 2018). Once data were collected, they were analyzed using the Gioia methodology, proposed by Dennis Gioia et al. in 2013.

2.1 The procedure used to collect qualitative data

Step 1: Item selection

Data collection was mainly carried out by conducting a semi-structured in-depth interview. The semi-structured questionnaire consisted of 26 open-ended questions, structured into seven sections: (a) data about the company/association (e.g., business description, mode of service use, how much of the revenue is accounted for by the online channel) and entrepreneurial characteristics; (b) customer and market needs and characteristics; (c) consumer trends and their impact on the company's business; (d) business model and retailing mix levers; (e) focus on innovation orientation (IO) and on other factors on entrepreneurial orientation.

Step 2: Case Selection

We conducted semi-structured interviews with the owners or managers of seventeen companies active in different areas, including clothing and accessories, restaurants, home and furniture, and entertainment, among various sectors and professionals. The decision to gather data within these specific sectors stems from their significance within the Italian economy. Italy's economic landscape is notably defined by the prevalence of small-scale retail operations deeply rooted in their local communities. These sectors exhibit a dichotomous structure, with a limited number of large companies coexisting alongside a plethora of micro, small, and medium-sized enterprises, often operated at the familial or entrepreneurial level (Banterle et al., 2016). Respondents were chosen on the basis of small historic stores or well-known stores in six Italian cities: Milano, Roma, Firenze, Venezia, Napoli e Genova. Selected in accordance with the exploratory research approach, cases weren't chosen based on a statistically representative sample.

Instead, the focus was on cases providing substantial insights into digitization and the dynamics of the relationship with the end consumer. The companies were chosen based on specific criteria: all situated in six Italian cities, classified as SMEs based on turnover and employee count, and recognized as small, reputable, and benchmark retailers in their respective localities (Penco et al., 2024). Moreover, except for one case, all analyzed cases were family-owned businesses, with entrepreneurs assuming leadership roles.

Step 3: Data collection

Appointments with interviewees were made by telephone, accessing the list of best small shops in cities presented by SDA Bocconi. Interviews took place from March to April 2023, with the exception in the city of Genoa where, as it was added later among the cities taken under analysis, data were collected with interviews in April 2024. It was preferred to conduct the interviews in person in the different shops, as it allowed the interviewers to get a firsthand knowledge of the environment and make direct contact with the interviewee; if physical access was not possible, the interview was conducted online via video call using platforms such as Skype and Teams. Each interview lasted approximately 60 minutes and was conducted by eliminating any problem of subjectivity. Interviewers fostered an atmosphere of open expression, encouraging managers to speak freely without coercion for responses even if they couldn't recall specific details. Initially, questions were posed in a broad, open-ended fashion to prompt interviewees to share insights. Subsequently, more targeted inquiries were introduced to delve deeper into areas pertinent to the study, refining the discussion. At the end of each interview realization, a verbatim transcript of the questions and answers was made. Brief profiles of the interviewees and main characteristics are summarized in the following table.

Table 2.1: merchants key elements

<i>No./interview code</i>	<i>Company Type</i>	<i>Interview period</i>	<i>Interview duration</i>	<i>Interviewees role</i>	<i>Firm size (no. Of employees)</i>	<i>City</i>	<i>core business</i>
<i>H01</i>	<i>Patisserie</i>	<i>23/03/2023</i>	<i>01:18:05</i>	<i>Family member</i>	<i>Over 80</i>	<i>Roma</i>	<i>It is a traditional pastry with high product quality and attention. In-store sales with strong growth from online</i>
<i>H02</i>	<i>Bookstore</i>	<i>23/03/2023</i>	<i>00:47:59</i>	<i>Business owner</i>	<i>2</i>	<i>Roma</i>	<i>Sale of books with the ability to place orders and delivery service performed by both the company and couriers. The product offered is experiencing a period of criticality, but the store is thinking about models for supplementary offerings</i>
<i>H03</i>	<i>Clothing</i>	<i>03/04/2023</i>	<i>01:20:17</i>	<i>Business owner</i>	<i>1</i>	<i>Roma</i>	<i>Creation of artifacts, T-shirts, mugs, and gadgets. The production process draws on Roman and Italian suppliers to whom they refer the developed graphic idea. Some products have a creative process even on the form, in other cases the graphic idea is printed on already existing goods, going to customize them.</i>

H04	Coffee shop	30/03/2023	01:18:38	Management assistant	70	Venezia	<i>Consummations from the table or at the counter of cafeteria products, in St. Mark's Square in Venice, the heart of the city. Along with the consumable products, they also offer a corner to buy their products, which can also be found on their e-commerce site.</i>
H05	Design	30/03/2023	00:48:16	Business owner	2	Venezia	<i>creation of artifacts, in glass, jewelry, and sculptures. He is a grown entrepreneur, thanks to the family history in this business. The production process draws on artisans, and local artists to whom they refer the developed idea.</i>
H06	Jewelry	30/03/2023	01:13:43	Business owner	1	Venezia	<i>Their proposed offerings consist of artifacts made entirely from paper, most of the production coming from Japan, as cotton paper that is easy to handle but also much more durable. They have product customization services.</i>

H07	Accessories	22/03/2023	01:13:57	Business owner	2	Napoli	<i>production and sale of umbrellas (and sticks). The offering model is mainly shop-based, although online purchases are growing. The product is designed as per tradition: product innovation comes from studying the past.</i>
H08	Optician	06/04/2023	00:48:16	Business owner	2	Napoli	<i>creation of glasses entirely by hand. The production process draws on exclusively Italian suppliers with high-quality products. It uses several suppliers so that the product cannot be subject to copying.</i>
H09	Pizzeria	22/03/2023	01:03:34	Business owner	23	Napoli	<i>traditional pizzeria, predominantly in-store, with some use of delivery service (although this is not recommended by the respondent). They offer both on-site consumption and street food. The product offered is recognized as traditional and of high quality: with experience over the years they have found a balance point, so now they hardly change the basis of their production</i>

<i>H10</i>	<i>Jewelry</i>	<i>12/04/2023</i>	<i>01:10:59</i>	<i>Business owner</i>	<i>2</i>	<i>Milano</i>	<i>costume jewelry store, both in-store, with a growing propensity to use online also through influencers figures. The product offered is recognized to be of high quality and original.</i>
<i>H11</i>	<i>Hardware</i>	<i>12/04/2023</i>	<i>00:46:08</i>	<i>Business owner</i>	<i>4</i>	<i>Milano</i>	<i>Historic paint shop in the city of Milan. Offers hardware, DIY, and paint products. The offering model is exclusively shop based and they have an online site exclusively as a storefront.</i>
<i>H12</i>	<i>Clothing</i>	<i>07/04/2023</i>	<i>00:38:40</i>	<i>Business owner</i>	<i>2</i>	<i>Milano</i>	<i>Women's and men's clothing store, exclusively in-store, with shipping services in relation to the relationship context generated with the customer. The product offered is recognized for its quality. The proposed offer is very innovative, they always try to present novelties in store.</i>

<i>H13</i>	<i>Patisserie</i>	<i>21/04/2023</i>	<i>01:19:52</i>	<i>Business owner</i>	<i>1</i>	<i>Milano</i>	<i>Innovative pastry shop in one of Milan's most popular neighborhoods. They offer traditional pastries alongside innovative products. The company is always always a search for product innovation, also to meet the customer's needs and tastes.</i>
<i>H14</i>	<i>Restaurant</i>	<i>07/03/2023</i>	<i>00:57:54</i>	<i>Business owner</i>	<i>17</i>	<i>Firenze</i>	<i>The restaurant presents a catering business, based on seafood dishes. They offer dinner and holiday service exclusively, bringing large plates that are served to multiple diners, taking this concept from African culture, where the owner has had the opportunity to gain experience. They accept reservations.</i>
<i>H15</i>	<i>Restaurant</i>	<i>11/04/2023</i>	<i>01:14:56</i>	<i>Business owner</i>	<i>5</i>	<i>Firenze</i>	<i>The proposed offer consists of restaurant services and seafood retail. In fact, next to the catering service is a delicatessen from which customers can buy the products on the menu. They have carried out delivery activities, especially during the pandemic period.</i>

<i>H16</i>	<i>Bakery</i>	<i>11/04/2024</i>	<i>00:37:23</i>	<i>Business owner</i>	<i>21</i>	<i>Genova</i>	<i>It is a historical Bakery that offers traditional ligurian food, predominantly in store with a few delivery. The product offered is high quality. It is considered a landmark for the neighborhood.</i>
<i>H17</i>	<i>Clothing</i>	<i>10/04/2024</i>	<i>01:01:54</i>	<i>Business owner</i>	<i>14</i>	<i>Genova</i>	<i>It is a traditional shop for men, but it has an other store also for women. Innovation is extremely important. The core products are ties and shirts. Their products are mostly handmade. They also sell their own perfume.</i>

Source: Author's elaboration

The large number of questions and the open-ended wording of the questions made it possible to collect a very large amount of data and information needed to code quantitative elements (Turchetti, 2020).

For example, innovation was analyzed through a series of questions: (a) Do you consider innovation to be important in reducing your vulnerability as a small vendor to international competition? (b) Do you consider yourself an innovative enterprise? (c) What innovations have you incorporated into the store that you feel were a good choice for your business? (d) Do you have future scenarios for innovation? (e) Do you believe that innovation and tradition have to be contrasting elements?

To try to better understand each respondent's business, however, before starting with questions related to innovation, as well as EO and customer relations, general questions were asked regarding the company's offerings, sotira, related services and relationship with in neighborhood, thus being able to highlight the sustainability, especially social, adopted by each.

Step 4: Data analysis

Utilizing an open-coding procedure, the data gathered from the interviews underwent analysis. This method involves coding labels, words, and concepts, facilitating the study of intricate phenomena and the formulation of theories derived from the interviews (Ghezzi & Cavallo, 2020). The methodology used for the analysis was proposed by Dannis Gioia in 2010, and for this it is named the Gioia method (GM). The interviews conducted are used as a primary data source (Mangani and Gioia, 2023), and the data structure precisely follows the coding protocol.

2.2 The data analysis with the Gioia Method and the use of Nvivo software

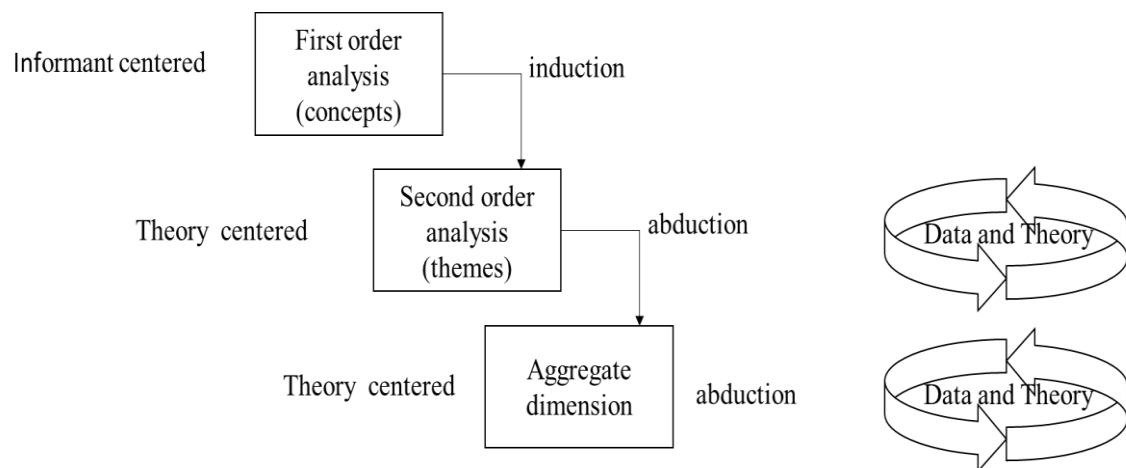
The Gioia methodology aims to create a "working theory" that is context-specific and transferable. However, it is not a statistically generalizable methodology. The basic building block for the methodology is to possess interview transcripts. From these, a (1) *first order analysis* is defined, which is often constituted by creating among the interviewees' transcripts sentences that allow for the creation of a first order of concepts. Specifically, this phase aims to identify relevant codes in the data without combining themes into border categories (Williams and Shepherd, 2017).

According to Gioia et al. (1994), parts of the transcription can be assigned to nodes that emerge during the process of coding. In this way, is it possible to identify possible solutions or general actions indicated in the text. This process entails an iterative approach, wherein the researcher consistently navigates between the text and the emerging nodes, engaging in repeated reading and re-reading while encoding and re-encoding the data as many times as necessary to effectively capture the desired domain. Once the nodes were found, NVivo qualitative software was used in order to classify the data.

From this first phase, it is then possible to move on to (2) *second order approach*, in which the concepts identified in the previous phase are grouped into more extended and more abstract concepts, finding a link with the theory that emerged during the literature review phase. In developing these themes, the researcher shifts from purely inductive research to abductive inquiry (Williams and Shepherd, 2017). As the researcher arranges first-order codes into second-order themes, they embark on recognizing recurring categories and connections, thereby reinforcing their understanding of the conceptual framework underlying the content or structural elements within the data.

Finally, a third stage (3) combines the second order categories and data-driven first order themes into overarching concepts defining an aggregate dimension (Magnani and Gioia, 2023).

Figure 2.1: The three stages of Gioia Methodology



Source: Magnani and Gioia, 2023

Nvivo software was used to carry out this process and have a more objective and thorough result. This, in fact, is software that is particularly used by researchers because

it enables them to assist the scholar in analyzing qualitative data by defining their organization and interpretation. NVivo can be considered as a methodological resource as it can adapt to multiple qualitative analysis strategies: biographies, case studies, Grounded Theory, ethnography, narrative analysis, discourse analysis, life stories, participant observation, and other qualitative research tools (Lippolis, 2017). In fact, once the document is uploaded this software proceeds to coding by assigning labels or codes to identify one or more themes.

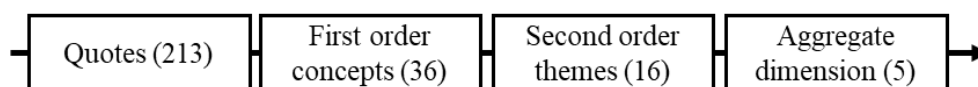
The choice to use this software depends on a number of advantages that can be recognized. First, it makes it faster to manage the amount of data collected; it allows for a systematization of documents; it helps in theory definition; and it facilitates the development of schemas.

Once the transcription phase of the interviews was completed, they were transferred within the Nvivo software to the archiving directory.

Concepts belonging to the first order were found by going directly to phrases said by the respondents that could be united into a single concept. In fact, they had characteristics in common or dealt with related topics among themselves.

Adopting the Gioia methodology, after transcribing and analyzing the interviews, we proceeded with successive reading steps through which it was possible to define: 36 first-order concepts, 14 second-order themes and 5 aggregate dimensions. The 36 first-order concepts were then paired with 213 quotes directly taken from the retailers' transcription, useful on the one hand to give consistency and explanation of the concepts found and on the other hand to be able to have an analysis of the results as faithful and consistent as possible with the information found within the interviews conducted.

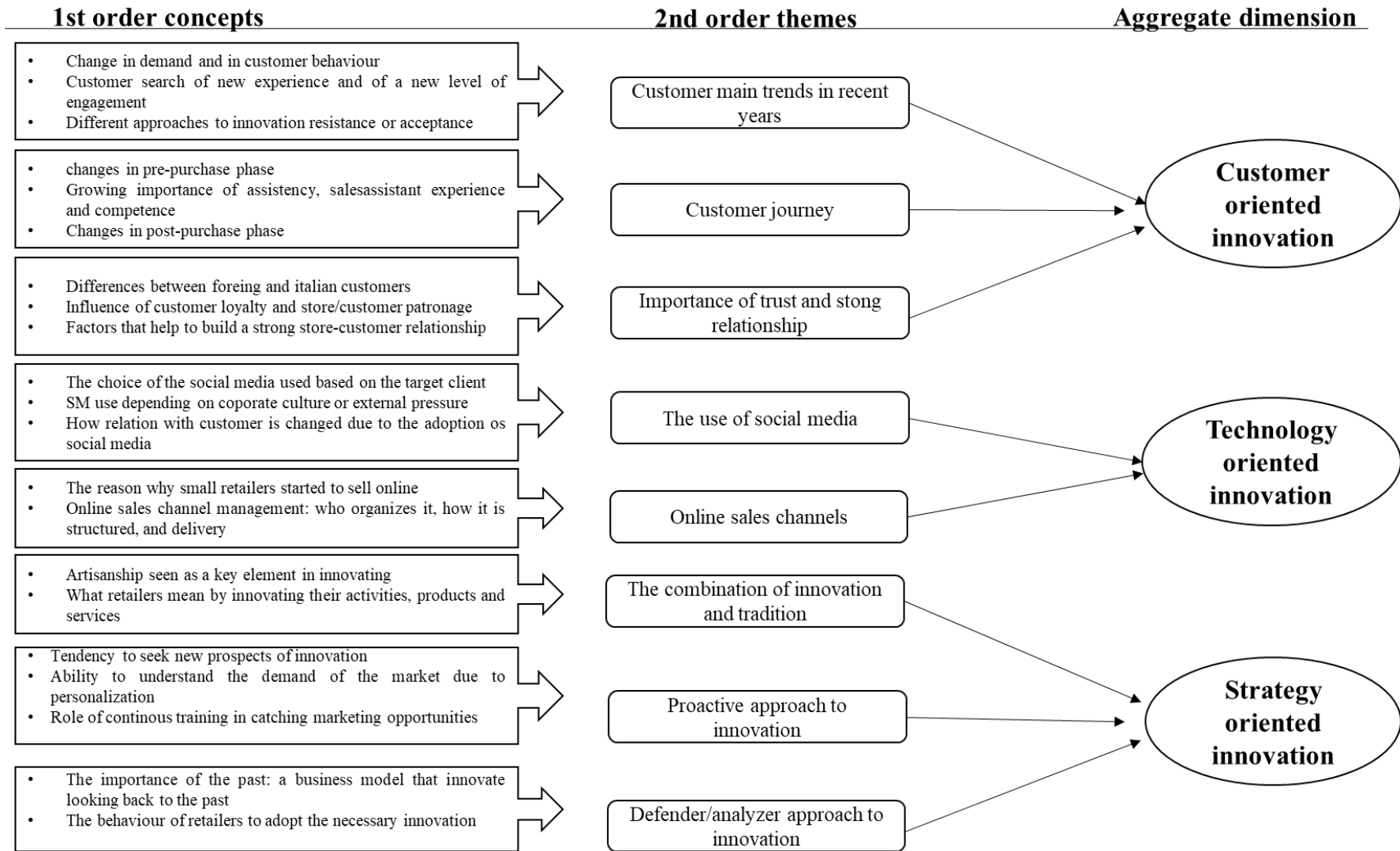
Figure 2.2: number of quotes, concepts, themes, and dimensions

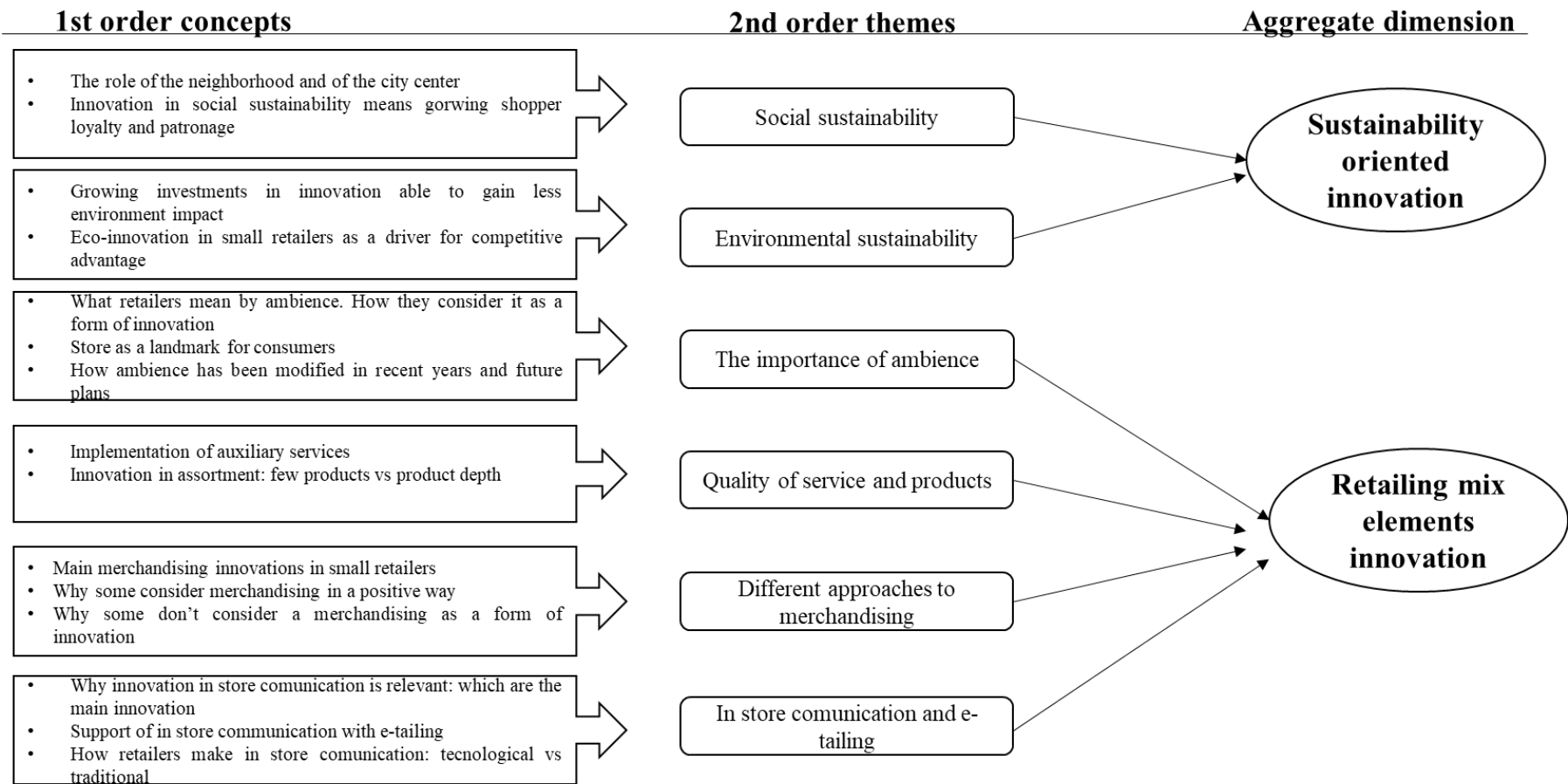


Source: author's elaboration

The figure below represents what was found.

Figure 2.3: 1st order concepts, 2nd order themes and aggregate dimension





Source: Author's elaboration

3. Analysis of the results

At this stage, the main objective is to check how the retailers surveyed relate to the different aggregate dimensions: CO innovation, TO innovation, SO innovation, Sustainability innovation and Retailing mix element innovation according to the level of EO (entrepreneurial orientation) that each of them presents. In this vein, this process will allow to objectively inviduate the relationships between the different dimensions, demonstrating how comes innovation influences small stores in order to gain and maintain a sustained competitive advantage and reduce their vulnerability to large competitors. Each aggregate dimension identified through the Gioia methodology will then be studied through the analysis of each concept and each theme related to it, bringing empirical value to the theory that emerged through phrases and quotations that emerged from the interviews and were subsequently taxed.

First, however, it is necessary to give an overall picture regarding the business model of the companies interviewed, so that we have a clear ee more concise definition of the context to which this thesis refers and from which it draws.

The businesses under examination consist predominantly of modest, locally-owned retail establishments and family businesses, with the notable exception being the Venezia café. According to all individuals interviewed, the paramount determinant of success lies in the quality of both product offerings and service provision, as these aspects serve to cultivate and sustain customer loyalty and trust. The interplay among product quality, customer contentment, and shopper loyalty within the realm of small retailers has been a subject of enduring discourse within scholarly circles (Cuesta-Valino et al., 2022). The relationship between quality and shopper loyalty has a deep study in literature, that shows quality as a strong determinant of shop loyalty (Lee & Allen, C. 1999; Sivadas and Baker-Prewitt, 2000 or Yoo et al., 2000). Moreover, a growing propensity toward innovation also emerges in most of the retailers interviewed, although the evidence differs depending on the nature of the business and even the entrepreneur. This also underscores what emerged from the literature review conducted in the previous section; in fact, according to Pantano (2016), it is no longer enough for retailers to ask whether to innovate, now considered indispensable, as much as when to innovate. This also emerged for the small retailers analyzed, for the majority of whom

innovation is essential, while remaining faithful to traditions and aware of their past history.

In fact, despite the tradition is considered a focal point, many small retailers are trying to develop an increasingly innovative business model, especially those who have opened their business in more recent years:

"...So, we started out as a seafood delicatessen, but in the end, we turned into a restaurant that, however, when you enter the restaurant, keeps the gastronomy intact..."

(H15 - Restaurant, Firenze).

However, innovation can be searched also by old small retailers but with a proactive approach:

"...Innovating means being able to come up with new things all the time, but what must not be lacking is the quality and care we put into each piece..." (H17 – Clothing, Genova).

The results that emerged for each aggregate dimension will be discussed below.

3.1 Entrepreneurial orientation in analyzed small retailers

The small retailers included in our sample typically operate as family-run businesses, with entrepreneurs actively engaged in both management and ownership roles. As per the assessment criteria drawn from the works of Wiklund & Shepherd (2005), Covin & Slevin (1991), Zahra (1991), and Wales et al. (2019), it becomes evident that these businesses exhibit a notably high inclination towards entrepreneurial orientation, particularly in terms of innovativeness and pro-activeness. Interestingly, while risk-taking propensity is somewhat lower in comparison, it still plays a significant role, albeit often indirectly, influencing the aforementioned constructs. Our findings suggest that innovativeness and proactiveness emerge as prominent traits of these entrepreneurs, with risk-taking serving as a facilitator, albeit to a slightly lesser degree.

Table 3.1: Retailers EO

INTERVIEWEES	Company Type	Entrepreneurial orientation	Predominantly based on
<i>H01</i>	<i>Patisserie</i>	<i>Medium</i>	<i>Proattiveness</i>
<i>H02</i>	<i>Bookstore</i>	<i>Low</i>	<i>No One</i>
<i>H03</i>	<i>Gadgets</i>	<i>High</i>	<i>Innovativeness And Proattiveness</i>
<i>H04</i>	<i>Coffee shop and gourmet products</i>	<i>High</i>	<i>Innovativeness And Proattiveness</i>
<i>H05</i>	<i>Design</i>	<i>High</i>	<i>Innovativeness And Proattiveness</i>
<i>H06</i>	<i>Jewelry</i>	<i>Medium</i>	<i>Innovativeness</i>
<i>H07</i>	<i>Accessories</i>	<i>Medium</i>	<i>Proattiveness</i>
<i>H08</i>	<i>Optician</i>	<i>Low</i>	<i>No One</i>
<i>H09</i>	<i>Pizzeria</i>	<i>Medium</i>	<i>Innovativeness And Proattiveness</i>
<i>H10</i>	<i>Jewelry</i>	<i>High</i>	<i>Innovativeness And Proattiveness</i>
<i>H11</i>	<i>Hardware</i>	<i>Medium</i>	<i>Proattiveness</i>
<i>H12</i>	<i>Clothing</i>	<i>High</i>	<i>Innovativeness, Proattiveness</i>
<i>H13</i>	<i>Patisserie 2</i>	<i>High</i>	<i>Innovativeness, Proattiveness</i>
<i>H14</i>	<i>Restaurant</i>	<i>Medium</i>	<i>Innovativeness</i>
<i>H15</i>	<i>Restaurant</i>	<i>High</i>	<i>Innovativeness, Proattiveness</i>
<i>H16</i>	<i>Bakery</i>	<i>Medium</i>	<i>Risk-taking</i>
<i>H17</i>	<i>Clothing</i>	<i>Medium</i>	<i>Innovativeness</i>

Source: Author's elaboration

The study underscores the importance of fostering innovation to cultivate a robust and elevated entrepreneurial orientation. Numerous small retailers strive to deliver uniquely differentiated products, thereby gaining a competitive edge over their peers, as noted by Lumpkin & Dess (1996). This pursuit of differentiation fosters an entrepreneurial orientation characterized by innovation. A tangible illustration of this phenomenon manifests in the food industry, where a clear propensity toward creativity is observable.

"... Constantly monitoring market trends and customer preferences allows us to adapt to the dynamic food market, fostering a continuous flow of innovative ideas..." (H09 - Pizzeria, Napoli).

Beyond this sector, innovativeness is also evident in the clothing sector:

"...Our distinctive and recognizable offering poses a challenge in categorizing ourselves within a specific market sector, despite its appeal to customers..." (H03 - Clothing, Roma).

Moreover, our empirical research demonstrates how proactiveness is also a crucial factor in defining high levels of EO. Proactiveness depends on the ability to preemptively identify market needs, anticipating the competitor through highly customer-engaging ideas and through the improvement of services offered:

"...I have put together several skills of my own that also go beyond the business, but which allow me to get to know the customer and understand what he really wants..." (H06 - Jewelry, Venezia).

In summary, when it comes to the propensity for risk-taking, it becomes apparent that there are moderate to high inclinations among those demonstrating a high degree of innovativeness, albeit not quite reaching the same level as innovation itself. Across various sectors, especially those tied to conventional goods, there exists a deliberate balance between innovation and tradition, with a preference for stability. This often translates to a cautious approach within the retail sector, where innovation is embraced without straying too far into risky ventures. The prevailing strategy involves preserving successful practices while staying rooted in tradition.

Consequently, the examination reveals a direct correlation between the level of innovativeness and proactivity, as posited by Anwar & Hasnu (2017), and the overall entrepreneurial orientation (EO). When entrepreneurs exhibit a heightened inclination towards innovation and proactive behavior, EO tends to be elevated. Conversely, lower levels of innovativeness correspond to diminished EO, with the exception of digitalization and social media utilization for business communication, where innovation is more nuanced, particularly within traditional and historical product contexts, as noted by Cuesta-Valino et al. (2022).

Nonetheless, it has become increasingly evident that the pursuit of innovation and proactive approaches is gaining momentum among small retailers. For instance, a jeweler's shop in Venice (H6) specializing in paper products has opted for a vintage Japanese material, seldom utilized in contemporary contexts. This material serves as a substitute for conventional chemical waterproofing varnishes, offering enhanced durability and coverage. Another compelling example is observed in a pastry shop in Milan (H13) that has launched its own proprietary delivery service, aiming to enhance accessibility throughout the city.

3.2 The main aggregate dimensions

3.2.1 Customer-oriented Innovation in Small Retailers

Our research shows that the customer orientation of small retailers is a basic element to constitute a competitive advantage with which they are able to diversify against larger competitors. For this reason, CO innovations are seen by small retailers as critical to adopt, as they enable them to keep their business attractive to demand. In fact, for retailers interviewed, having a focus on customer-facing innovations allows customers to perceive toward them attention and care from the store. This leads retailers to perceive from customers not only a greater experience but more importantly a growing satisfaction.

In fact, customer focus for respondents turns out to be a key element for competitive advantage, especially because due to their smaller size they can create a very strong relationship with them. This enables them to increase consumer loyalty and trust (Lee & Allen, C. 1999) especially due to the offer of highly structured services, capable of generating high customer satisfaction. Several empirical evidence that emerged from the interviews can be brought as evidence:

“... Our market experience translates into valuable customer satisfaction through expert consultations, guiding them to the right solutions and turning them into advocates...” (H11- Hardware, Milano).

Results are in line with Kim et al. (2010) who state that customer innovativeness does not only necessarily mean greater openness to new products or services, but also to ***new experiences***. Therefore, a consumer with high levels of innovativeness does not necessarily buy and use an innovation first, but may also want to seek out a new

experience. In fact, a customer with high levels of innovation expects both utilitarian and hedonic value, whereas low-innovative customers expect only utilitarian value (Banik 2021). In the realities of the small businesses analyzed, the empirical application of this theory was presented:

“...we always try to meet the needs of loyal customers. We have recently introduced loyalty programs. We have found them to be important both for us, because it allows us to better monitor the purchase, and for customers who can receive real-time promotions, proposals, discounts... we did not think that this innovation could change the experience in a positive way...” (H02 – Bookshop, Roma).

Innovating in experience, in fact, means for small shops to be able to nurture the relationship with the customer, making it stronger.

“...our openness is fundamental, producing a welcoming atmosphere where we extend hospitality even to those using facilities, providing seats for waiting customers ...” (H09 – Pizzeria, Napoli).

“...we want to communicate and recreate a 360°sensory experience for this we are always changing, of the choice of colors and in the choice of personnel, in the choice of product range...” (H14, Restaurant, Firenze).

Alongside innovation in experience, however, the results show that an important role in building a strong customer relationship also depends on other factors, first and foremost counseling and openness:

“The moment that creates the most value for the client lies precisely in counseling, in which we, having been in the market for years are experts. The customer who receives our advice is a satisfied customer who advertises. It is essential to have the expertise to understand what the right tool or product is to solve the problem.” (H11- Hardware, Milano).

“...you have to know the gestures on all that is visual attention, but also the psychological analysis of the customer, that is, having the ability in zero time to interpret both the profile of the customer so as to recommend them the right product...” (H13-Patisserie, Milano).

Given the importance of the customer relationship, it is therefore appropriate for retailers to innovate their offerings and services starting from the analysis of the main changes taking place on the demand side. In fact, if small stores are able to grasp the major changes in the market and innovate their business model to adapt to these changes, they are able to create an even more lasting relationship with their customers, who are seen to have their needs and requirements met (Kim et al., 2022). Regarding this, retailers have pointed out some ***changes on the demand side***. Retailers emphasized a major change on the consumer side especially in terms of their increased propensity to shop through online platforms:

"...unfortunately, the advent of Amazon and other online platforms has taken away a slice of products to sell, because people are starting to use online shopping more and more. In order not to lose this slice of the market, we also opened an online shopping channel..." (H 17- Clothing, Genova).

"After the pandemic, demand increased exponentially on the online, which led to equating our online sales with store sales..." (H 10 – Jewelery, Milano).

This was also compounded by the increasingly rapid change regarding consumer tastes and fashions, underscoring the need for retailers to anticipate fashions with a proactive response to market changes:

"... trends are a bit cyclical, we anticipated them a bit, also to adapt the customer's change to what you offer them..." (H 12 - Clothing, Milano).

The analysis shows how retailers can bring their business to long-term profitability through their customer focus by innovating quality products and services (Deshpandé et al., 1993) but also ***innovating the customer experience***. This is in line with Grönroos (1982) who added that small retailers must search for a customer-orientated innovation not only in the business owners but also in the employees if they want to strengthen the quality of the company and its services. The importance of innovation in the experience appears to be a common thread among respondents:

"The experience offered to our customers is always different, changing a lot depending on the assortment. They never know what to expect." (H 03- Clothing, Roma).

“...a simple pizza can bring an unforgettable experience for the customer, especially a tourist. Because of the experience we offer, our customers feel immersed in a culture that is always on the move...” (H09- Pizzeria, Napoli).

“...Always being proactive in making the customer experience interesting is critical to our survival...” (H06 – Jewellery, Venezia).

However, just as emerges from the literature review, there is also a dual perspective among respondents regarding the impact of in-store innovation brought by customers. In fact, some record a high level of customer acceptance and utilization of in-store innovation. In particular, there is an agreement with what emerged from the studies of Chen et al. (2022) and Kaur et al. (2020) that customers' intention to use to the innovations proposed in store depends on convenience, ease of use, observability, compatibility and also trialability. Specifically, for the small retailers surveyed, the main factors (among the five identified) that drive customers' acceptance of innovations brought to the store concern: compatibility and trialability.

Regarding trialability, it refers to the opportunity to try out the innovative product or service before the customer's decision to use it is finally made. This positive attitude toward innovation is registered especially among customers of clothing stores, who have the opportunity to try out the new product in-store or at home and evaluate its affinity with their own tastes:

“...Customers love it when we come up with something new; they are always happy. Perhaps it is because they see this as a form of attention to them. They are very proactive about it. Typically, they are curious, modern women, always looking for the new. We fortunately can give it to them, and they take it very positively...” (H12 – Clothing, Milano).

“... Customers come to us because they know they can try on different t-shirts than they might find in other stores. They know there are innovative things from us that few have, and they are very attracted to that...” (H03 – Clothing, Roma).

Another element that incentivizes customers of small retailers to accept innovation is compatibility, which is especially visible in the restaurant and patisserie sectors. This refers to how much the innovative product is taking the needs of the individual:

“... We innovate the ingredients in our products so much that we are able to meet any needs that consumers have; we are very attentive to vegans, vegetarians, celiacs and other intolerances. Customers know this and count on us...” (H01 – Patisserie, Roma).

However, Chen et al. (2022) and Kaur et al. (2020) also discussed the possible resistance that customers may present when faced with the implementation of innovations in the store. In the literature, we mainly talk about barriers: usage, risk, image, tradition, and value. The barrier to customer adoption of innovations within small stores has emerged to be mainly the traditional type of barrier. Scholars have argued that societal traditions and personal customs hold significant sway, and any divergence from them often triggers robust consumer backlash, manifesting in negative word-of-mouth, adverse publicity, and boycotts (Kaur et al., 2020). In this vein, traditional barriers seem to be high. According to the authors, however, this psychological barrier indirectly affects usage intentions. This finds empirical concreteness among the interviews:

“To us, we are differentiated by tradition. We have tried to include something innovative, even with online sales, but presence is another thing.” (H08 – Optician, Napoli).

“I couldn't say exactly whether there are more customers who appreciate the innovation we do or not. Let's say that our product is very traditional, so it lends itself relatively to innovation. When customers come here to us, they know they can find a homemade, first-rate product; they don't expect a totally different product...” (H13 – Patisserie, Milano).

By looking at the innovations that result customer-oriented, it was also possible to pay attention to the main innovations that have been implemented during the customer journey, from pre-purchase to post-purchase. In particular, there emerges, both in the

pre-purchase and post-purchase phases, an important role in customer communication innovation.

“To try to attract customers, I signed up for The Fork app. Actually right away I was contrary, however then I changed my mind, I have to say that it works very well with clients, including Italian ones...” (H15- Restaurant, Firenze).

“I use social media a lot and because of that, I am very well known, even by foreign people. Before they enter the store they already have an idea of what they can find. It's a way to attract them here.” (H07- Accessories, Napoli).

The post-purchase phase has also seen important innovations, which have enabled stronger contact to be maintained even after the sale. This made it possible to make the customer more loyal and to give much more trust in the seller's confronts and more generally in the store.

“I used to use a newsletter scheme, then this I stopped, now I use social more...” (H10 – Jewellery, Milano).

“Before customers leave, if I have recommended a book to them, I ask them to let me know if they liked it with a message on whatsapp, I have to say that many people like this, many people write to me.” (H02- Bookshop, Roma).

From the interviews, however, in the purchase phase the moment when the customer is inside the store appears to have had fewer innovative changes. The explanation for this stems from the fact that these are small stores, where the difference during the core phase of the purchase process comes mainly from the experience, advice, and skill of the salesperson. At this stage of the acwusto process, wuindi, today still plays a lot of importance the attachment to tradition and the client-seller human relationship.

“It often happens that the customer asks us for advice on how he can modify his pizza, what ingredients to choose. The task and skill of my guys is to find the right combination to make the customer satisfied.” (H09 – Pizzeria, Napoli).

“We are not salespeople with an obsession with convincing people to buy at all costs; the customer must feel some freedom and buy more willingly because of this as well.” (H02- Bookshop, Roma).

3.2.2 *Technology Innovation in Small Retailers*

Compared with the results that emerged from the literature review in which the main innovations that emerged in retailers included social media, m-commerce and e-commerce, and service robot and AI, only the first two appear to belong to the retailers surveyed. In fact, the 18 retailers presented the use of social media and online shopping as among the main technological innovations.

In accordance with the literature review conducted, by now the **use of social media** is relevant for all the retailers interviewed, who identified this tool as one of the main tools for being able to mature contact with their customers even outside the store. Regardless of the target customers, retailers are very keen on introducing this innovation into their business model:

“We use instagram a lot, but social in general. Our clientele is young and the girls like to follow us, see lenovities, get to know more about us sellers and owners as well. You can tell that you are creating a family with them.” (H12 – Clothing, Milano).

“Our customer base is very traditional, it is the classic man. But having also opened the women's store and especially since our daughters have entered the store we decided to open an instagram page. Now the numbers are growing...” (H17 – Clothing, Genova).

In fact, the use of social media is not only aimed at presenting the new products offered and does not have the sole objective of increasing market share by being able to reach new consumers, but it serves these interviewed retailers to be able to maintain contact with customers who already know the store, trying to further strengthen the bond with them and increase trust and loyalty (De Oliveira et al., 2020):

“Our customer is a tourist, a tourist who maybe even comes back to Venice several times and always comes here. Being able to maintain a solid relationship with him even from far away is very important for us. Also because we are not only coffee shop, but we often publish our products, our gadgets, and having interaction with foreign countries

through social is a source of innovation for us, because they can suggest us ideas or bring contamination” (H04 – Coffee shop, Venezia).

According to studies taken by Kwon et al. (2021), the decision to use social media depends on two main factors: *external pressure* and the *company's openness to innovation* stemming from its corporate culture. One of the main drivers that drove the interviewed smaller retailers to SM adoption was the COVID-19 pandemic. The use of this tool by most retailers stems from the ability to stay in contact with their customers, even when physical proximity is not allowed. In addition, SM allows for improved services, and deeper knowledge of the market without having too high marketing costs (Kwon et al., 2021). Although, therefore, for some retailers in the sample surveyed, the use of social media is a factor resulting from external pressures, in reality, the positive results that have been achieved have led business owners to interpret this innovation positively:

“Covid-19 pushed me to use social, just as a form of survival when everything was still closed. Now it's going, though; I'm glad I did.” (H07 – Accessories, Napoli).

However, especially for retailers who have had more recent market entry, the use of social media has arisen almost parallel to the business. In fact, for many of them, the use of SM stems from the inherent characteristics of the corporate culture, due to which the introduction of this innovation happened immediately, regardless of external factors such as pandemic. Many retailers use social media with the aim of humanizing the company, making it appear closer to the customer and more akin to his or her needs.

“Using social was our choice, we like to share, and we sought partnerships with influencers early on. Customers come in and ask us for the product seen in the story of someone they know. I would say that this idea of ours has had a very positive response in the customer base...” (H10- Jewellery, Milano).

“If the Social part works well you have a sales boom, things sell out in two hours when an influencer puts one of our jewelry...” (H10- Jewellery, Milano).

Table 3.2: external pressure or internal culture in using SM

No./interview code	H01	H02	H03	H04	H05	H06	H07	H08	H09	H10	H11	H12	H13	H14	H15	H16	H17
Use of SM for external pressure							✓	✓	✓		✓	✓		✓		✓	
Use of SM for internal culture	✓	✓	✓	✓	✓	✓				✓			✓		✓		✓

Source: Author's elaboration

In most cases, retailers have seen a positive change in their customers' behavior toward using social media. Indeed, in some of them, social media adoption has led to greater customer satisfaction, making the relationship with the customer stronger and taking customer trust to a higher level (Grewal et al., 2023).

“I've seen customers much more curious since we have social, maybe because of the fact that we post the news and maybe they even stop by just to take a tour and see live. Then it's also a more loyal customer because they get to know us more, even on a day-to-day basis. They feel like they know the store better, that they have an even stronger bond with us.” (H07 – Accessories, Napoli)

“I like that there is more interaction, even after the sale. Some send me a whatsapp message telling they finished the book. It nurtures a bond that if it was strong before, now it becomes one of friendship. Our store is a living room that extends with social even outside these walls...” (H02 – Bookshop, Roma).

Another recent innovation that some retailers interviewed said they have adopted is the option given to their customers to shop online. In reality, this trend is not recognized in all retailers, but only for some. In fact, to some extent the use of online commerce is viewed negatively. This depends mainly on the nature of the business. For some of the businesses surveyed, in fact, an important factor in conducting business is the presence of the customer in store. For all retailers it is now clear the importance of the close relationship with the customer, but especially for some of them the presence in the store is a key factor of success and differentiation. This depends on the increased possibility of being able to consult, give advice and other services that are not part of the core business, but that allow the company to differentiate itself from others, especially larger ones. For this reason, the adoption of online shopping for these businesses turns out to be limited, not so much because of a lack of proactivity on the part of the entrepreneur

to seize opportunities from the market, but because any adoption of e-commerce or m-commerce is recognized as a potential loss of competitive advantage.

“We online only do showcase, it is not a point of sale, which is only physical instead. We don't plan to open it, we like customers to come here and ask us for advice, the difference is our conscience, which obviously online we can't give.” (H11 – Hardware, Milano).

“We don't like to use e-commerce. If clients want something they know they can find it here. Our strength is the advice that a little bit with social would be lost and I think clients like that.” (H12- Clothing, Milano).

Although, therefore, some respondents did not consider online commerce necessary, for others, innovating in this area was an important business choice:

“It didn't start as a sales site right away, but that it started at first as an online storefront. That turned into a sales site because precisely some customers who came from abroad, not being able to maybe go back to Venice, had already known my store and asked me to buy online. In the beginning, I managed these things through e-mail contact and sometimes phone contact, however, it was really challenging.” (H04 – Coffee shop, Venezia).

“I made an APP for ecommerce, I made an APP to have my own delivery, so you can enter on my APP, choose my product, order through myself without matching with all those delivery companies that are around however in my opinion to develop a matter like this takes time and then our company is based on something else.” (H15- Restaurant, Firenze).

Table 3.3: The adoption of Online commerce from interviewed retailers

No./interview code	H01	H02	H03	H04	H05	H06	H07	H08	H09	H10	H11	H12	H13	H14	H15	H16	H17
Online commerce	✓		✓	✓	✓	✓	✓			✓			✓		✓		✓
No Online commerce		✓						✓	✓		✓	✓		✓		✓	

Source: Author's elaboration

The management of this online activity, in most cases is in the hands of the owner. The interviews reveal the propensity of retailers to internalize the management of the online sales activity. The main motive to this comes from the fact that in most cases these are activities that have been introduced recently, sometimes still in the trial phase. As a

result, the percentage of online sales as a percentage of sales is still limited. From what emerges from the interviews, this is an average of between 10 percent and 20 percent.

"We have the online store that I manage so I sleep very little this I can guarantee I sleep 3 to 4 hours a day because I am very demanding, that is, even if they are not 1000 items, because often today when you sell on a certain level online store just because it costs a lot it means that the product is good; instead we want to actually show a data sheet, we want to explain". (H07 – Accessories, Napoli).

"The online store is managed by my daughter, she is in charge of both social posts and in terms of managing our website. Now online sales compared to total sales are about 20 percent. During the covid was our salvation, this percentage for 2020 was definitely higher" (H17 – Clothing, Genova).

"There is the online store that we manage internally especially in terms of dry pastries. We also got a van with our name on it so while we deliver we also do some advertising." (H13- Patisserie, Milano).

The fact that to date this activity is internalized turns out to be one of the reasons why some retailers decide not to adopt it:

"We don't have an eCommerce, because precisely we are now three, and to maintain something like that you have to have time." (H02 – Bookshop, Roma).

3.2.3 Strategic Innovation in Small Retailers

Traditionally, competitiveness in the marketplace has been interpreted negatively by small shops (Helm et al., 2018); however, studies show that many entrepreneurs and managers are beginning to take a positive view of competition (Byun et al., 2020) and how this is positively related to the performance achieved by the business (Kajalo & Lindblom, 2015). The time of entrance in a market has been generally considered a strategic decision that brings competitive advantage to retailers, who can decide whether to introduce a product or process innovation to the market or they can choose to wait and enter these innovations as an imitative form (Pentina et al., 2009).

Those who first introduce an innovation have as their challenge the exploration of needs and the implementation of it; conversely, those who are imitators have as their goal the exploitation of the innovation, and enhances customer demand (Pantano, 2016).

Based on the results from the interviews, it was possible to classify retailers into: analyzer, defender, prospector and reactor.

Table 3.4: Interviews SO innovation

No./Interview code	Company Type	Strategic orientation
H01	Patisserie	Analyzer
H02	Bookstore	Defender
H03	Clothing	Prospector
H04	Coffee shop	Defender
H05	Design	Prospector
H06	Jewelry	Prospector
H07	Accessories	Analyzer
H08	Optician	Reactor
H09	Pizzeria	Analyzer
H10	Jewelry	Prospector
H11	Hardware	Analyzer
H12	Clothing	Prospector
H13	Bakery	Defender
H14	Restaurant	Analyzer
H15	Restaurant	Prospector
H16	Bakery	Defender
H17	Clothing	Analyzer

Source: Author's elaboration

It emerges as most of the retailers, about 35 percent present a "prospector" approach, while almost all of the remainder present themselves as "defender" or "analyzer." In fact, only one of the retailers was included in the reactor category, as it emerged as the only business that seems least responsive to market changes, having a very narrow propensity for innovation. Most of their changes, in fact, seem to appear as a forced consequence of external pressures (DeSarbo et al., 2005), so their level of innovation appears to be much more limited than their competitors or other smaller retailers.

The fact that most were categorized in **“prospector”** highlights the tendency to seek new prospects for innovation (Anwar & Hasnu, 2017).

“...we now attract interest from other retailers. Venturing into distribution is our strategic growth goal, opening avenues for broader market reach. ..” (H03 - Clothing, Rome).

"...Evolving further, we've developed our App and a high-quality delivery system to meet the rising demand for home delivery...." (H15 - Catering, Florence).

For the retailers who were classified in this category, it was recognized that they have a tendency to seek out new market trends. In fact, they often stated that they were among the first in their business to have introduced an innovation within their business or demonstrated a propensity to embrace innovations in a positive way and especially to seek out new innovation scenarios.

"I was one of the first, let's say micro entrepreneurs in Murano to have an Instagram site." (H05- Desing, Venezia).

"We see that the demands are increasing, so we take the opportunity and not only make our own delivery van, but we try to expand the workshop, it doesn't make much sense to wait if production has to increase now." (H13- Patisserie, Milano).

They have also been attributed with the ability to respond more quickly to market demands through personalization. This, in fact, is one of the characteristics attributed to firms that operate as prospectors: they have the ability to guide the customer in making a personalized choice of product, have great capacity to modify their offerings, and adapting quickly to each individual's needs. Many believe that the ability to offer customization to their customers is a key factor in being able to know changes in the market in an anticipatory way. In this vein, it is easier for small retailers in this category to present innovative assortment and services that increase customer satisfaction.

"...we happened to have a request that maybe is not on the menu and so we made a custom dish for the customer, but it turned out to be good and we put it on the menu." (H15- Restaurant, Firenze).

"...we can talk to the customer about any customizations, both sometimes we start with some things that are here and then by interfacing with the artists we try to figure out if we can go to the customer, respecting what their tastes are." (H05 – Design, Venezia).

"Personalization for me is very important. In the meantime it allows me to know the tastes and ideas of the customers and I can modify my offer, also because paper lends itself well to do that, but then because if they come here and ask for something

personalized they know that they will not pay priopio little puer being paper, otherwise they would go elsewhere.” (H06- Jewellery, Venezia).

Looking at the results that appear among the retailers that seem to have this prospector approach, it turns out that these are typically small retailers with a fairly recent year of establishment; in fact, they all have less than ten years of operation behind them.

Table 3.5: foundation years for prospectors

No./Interview code	Company Type	Year of foundation
H03	Clothing	2009
H05	Design	2012
H06	Jewelry	2012
H10	Jewelry	2008
H12	Clothing	2008
H15	Restaurant	2009

Source: Author’s elaboration

This, then, leads to the definition that those retailers surveyed with a more recent founding date are those who are also more likely to adopt innovation more proactively and embrace innovations earlier than other competitors. In fact, those who fall among the "prospectors" in this study are also those who have a greater propensity to incorporate innovations within their business model that have not been adopted instead by other respondents, who instead tend to delay their introduction. For this reason, retailers surveyed who have a more recent founding date are also those who have a greater propensity to adopt innovations as **pioneers**.

Fairly relevant levels were also recorded for '**Analysers**' and '**Defenders**'. In particular, 'Analysers' seek to have an in-depth knowledge of the market and consequently try to present a product that can generate a stable response to market changes (Anwar & Hasnu, 2017).

“... it also happens to us a lot to ask customers what they want, if there is something they might like we think about whether or not to include it in the store... we do our own little research.... Like for these shirts with Genoese lettering that we do but that are new, we really liked the idea and we saw how customers could respond to that.” (H17- Clothing, Genova).

In contrast, retailers that were categorized as "Defenders" in the research seek to achieve their competitive positioning by presenting high competitiveness in the services offered or in the quality/price ratio proposed (Anwar & Hasnu, 2017). With regard to services in particular, this is visible in retailers operating in the entertainment or leisure sectors, where the service is predominantly focused on the high ability to offer specialized advice:

"... We allow customers to explore before engaging, offering personalized book recommendations, a practice that has resulted in minimal complaints about our suggestions..." (H02- Bookshop, Roma).

One characteristic that has emerged for both analyzers and defenders is a great importance they recognize in the past. In fact, for these retailers, the role of the past is central to the business. Many believe that it is because of the history of the store that they are successful today and are able to remain highly competitive in the marketplace.

"We without our history and our past would not be us. We innovate because of the experience we have accumulated over the years, and innovations are grasped because of the relationships we have created over the years. The past is our strength and that is why we care so much. We don't like to disrupt everything, even the premises; we like everything to follow its "handed-down recipe." I think the key to our success is this." (H16- Bakery, Genova).

"Past and innovation are not opposites, in fact they go hand in hand. There are a lot of things that the past allows you to understand, and it prevents you from making a lot of mistakes, or maybe you make them anyway but you already know how you could fix it." (H01- Patisserie, Roma).

"...the past is most important, the past does not make you lose your way, and the past teaches every day because it is actually your soul." (H13- Patisserie, Milano).

For this reason, it turns out how these retailers adopt innovation primarily because it is necessary in order to remain competitive in the market. They believe, in fact, that it is appropriate to introduce an innovation when requested by customers, with the aim of meeting their needs. Unlike prospectors, therefore, defenders and analyzers adopt

innovation later, also in agreement with Pantano (2016). For this reason, they can be described as the **followers** of innovations.

"With covid by necessity, we opened social detriment we would have disappeared in my opinion ... at first it was a bit forced but now it works" (H07 - Accessories, Napoli)

"In my opinion we should open a delivery because so many customers are asking for it now...I don't like the idea very much because I think it has to be followed very well and then also created by another person to be hired..." (H16- Bakery, Genova).

Even for these categories of retailers, it was possible to recognize a relationship between the age of the foundation and the retailers interviewed. Taking the available sample as a reference, it emerged that those who fall under analyzer and defender have a foundation that occurred further back in time; in most cases, in fact, these are businesses with more than ten years of operation, and sometimes they are retailers that have been handed down for generations.

Ultimately, among the sampled retailers, only one stands out with a business mindset akin to a 'Reactor'. This particular retailer operates within the eyewear industry, demonstrating modest levels of innovation and a measured approach to risk. They prioritize tradition, maintaining steadfast adherence to established processes and sales techniques, and showing reluctance toward significant changes. Their strategy revolves around minimal adaptation, reacting to market shifts only after careful evaluation:

"... I don't like to change, I've always done it this way and it's always been fine; why should I change if no one asks me and everything is fine..." (H08 - Optician, Napoli).

Consequently, the analysis indicates that smaller retailers tend to operate along three distinct axes: Analyzing, Defending, and Prospecting, with minimal emphasis on the Reactor dimension. A correlation between these operational orientations and various entrepreneurial approaches further emerges from the examination.

3.2.4 Sustainability Innovation in Small Retailers

Innovations in sustainability for the retailers surveyed are in two main categories: environmental sustainability and social sustainability. However, the analysis shows that innovations in environmental terms are still at an early stage, while innovating in the area of social sustainability appears to be particularly important for retailers. This factor

stems mainly from a great attachment to the neighborhood and city center in which the retailers' stores are located.

Table 3.6: social and environmental sustainability in sampled retailers

No./interview code	H01	H02	H03	H04	H05	H06	H07	H08	H09	H10	H11	H12	H13	H14	H15	H16	H17
Social Sustainability	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓			✓	
Environmental Sustainability	✓	✓		✓	✓	✓			✓	✓	✓	✓	✓	✓	✓		✓

Source: Author's elaboration

As far as **social** sustainability is concerned, one of the themes that turns out to be common to all retailers is the importance of the solid relationship that is developed with the neighborhood or surrounding areas. For smaller retailers, in fact, choosing the right neighborhood in which to locate their business turns out to be a strategic choice, not only because of the affluence of subjects, but also because of the target and characteristics of those who live there or those who frequent it. It is appropriate for the population of the selected neighborhood to mirror the target clientele of the business, thus proving easier to relate to each of them and achieve a stronger relationship and more loyal customers.

“It is a very lively neighborhood, full of clubs even in the evening. Then it is also very popular with young people, which also brings in many new customers.” (H12- Clothing, Milano)

“It's what we had always wanted: it's a neighborhood that works so much and gives so much, you still find everything, stores, small stores, university, elementary school, and you create a strong bond, we couldn't make a better choice.” (H10- Jewellery, Milano).

The research highlights the pivotal role of small retailers' connection with their local society and community in shaping their public image and reputation, albeit this factor remains in a nascent stage of development. Numerous studies echo this sentiment, advocating for brick-and-mortar establishments to prioritize what Ekstrom & Jonsson (2022) refer to as "soft values." Robaton's work in 2018 further underscores the significance of fostering robust, trust-based relationships with customers and the broader external environment, emphasizing the value of collaboration with stakeholders. Moreover, our findings underscore the enduring importance of small stores within neighborhoods, particularly when they fulfill vital societal functions, as elucidated by McDonald & Swinney (2019).

"... We collaborated with Cinema America with whom we designed products with Verdone's phrases..." (H03- Clothing, Roma).

"... We actively contribute to our city's cultural fabric by annually commissioning an artist to create a unique work for our shop..." (H04 – Coffee shop, Venezia).

"...Proud supporters of the Bambino Gesù Foundation and longstanding contributors to scholarships, our community appreciates our philanthropic efforts..." (H01 - Patisserie, Roma).

Doing social innovation is therefore crucial for retailers because it enables them to increase customer trust and improve the relationship with them. Investing in social sustainability promotes trust between customers and the external environment, as suggested by Robaton's 2018 studies. This, in turn, can translate into stronger community support and increased customer loyalty. In fact, investing in this area is not only a beneficial move from an ethical standpoint, but turns out to be a survival strategy among retailers surveyed. As Ekstrom and Jonsson (2022) argue, focusing on "soft" values such as social engagement can help differentiate retailers in the increasingly competitive marketplace. In this way, retailers are able to offer services that go beyond the proposition of goods sold, but which can capture the customer's attention through the presence of ethical values that enhance the store in the eyes of buyers.

"...we were also sponsors of the international marathon in Rome with the June 2 parade, we are an activity that anyway is of importance to the city of Rome ,we were still honored and with awards for craftsmanship and workmanship, it is something that in Rome you can't not know because in fact it has become a cult in what is popular knowledge, but not only." (H01- Patisserie, Roma).

"We do a lot of things for the neighborhood, but because then actually the loyal customers come from there. It has created a kind of family." (H12- Clothing, Milano).

"We help with parties, we bring our own things, and we participate. This helps us create a nice relationship that goes outside the store then of course it is also a nice form of advertising." (H16- Bakery, Genova).

With regard to **environmental** issues, however, the innovations that appear to be there in this regard among the retailers sampled appear to be still limited. These are mainly innovations related to a change in the materials used or related to changes regarding

energy consumption. Large investments not this area still appear to be limited, if not absent for some of the respondents. The main objective for which they adopt these changes in business model is the obvious reduction of environmental impact by their business. Although there is a general recognition of increased consumer interest in environmental issues, innovation in this regard still appears to be circumscribed. That is why according to the retailers sampled an innovation in terms of environmental sustainability to date does not directly and explicitly affect competitive advantage.

“In our small way we intervene with recycling collection, many brands we source from give us a discount if we don't ask for packaging, then I iron maybe the products that arrive crumpled. Our bags are all made from recycled paper, and we collect used clothes for a brand.” (H12- Clothing, Milano).

I turn off everything that is drinking at night because if we are going towards energy saving everyone has to do their part in this world, then why do I have to keep a refrigerator, of drinking on at night where there is water in it? I turn it off at 10 or 11:00 pm and turn it back on after 12 hours I find that those 3 ° in 12 hours have become 6 and by turning it on in the first half hour I go back to three but the fridge then has on 50% of the day.” (H15-Restaurant, Firenze).

“Sustainability is something that is just now starting to grow more and more, so everybody has to try to contribute, and it's critical. We are a little bit behind on that as well. I say this because now all plastic has to be eliminated a little bit, I have already replaced many products with glass, now it will be water's turn, but here we also need support from institutions, because I with the amount of water I consume I would not know where to put all these bottles.” (H09-Pizzeria, Napoli).

3.2.5 Retailing mix element innovation in small retailers

Focusing on the analysis of the retailing mix, it emerged that innovation can be presented for quite all the sampled retailers in the following elements: assortment, service and product quality and in store communication. Only for some, however, innovation in merchandising seem to play an important role. Ambience, on the other hand, appears to be less subject to innovation, mainly because it is recognized as a distinctive element of the retailer compared to other stores, which also allows it to be easily recognized and remembered by its customers.

One of the main elements of the retailing mix that is innovated is service, through the introduction of ancillary services that initiate the core activity of the enterprise. This perspective is in agreement with the studies of Levy et al. (2012), who recognize service quality as one of the main elements of the retailing mix, and therefore needs continuous innovations in order to keep the quality offered high. In most cases, for I retailers sampled these are not technological innovations that are offered in-store, but more innovations aimed at serving the customer more carefully and thoroughly. Many food service retailers offered home and delivery services, which found ample outlet during the pandemic, but which were innovated and improved in order to ensure first-rate service.

“We do home deliveries; we used to use guys, but now with platforms the field has expanded more, we don't have the delivery guy anymore, you had to have a busy person: having obviously the delivery takes time, so while he is coming back it takes time and then he is limited a little bit to the neighborhood, he couldn't get away. Instead, now with the platforms, orders are also coming in from outside the neighborhood.” (H09- Pizzeria, Napoli).

Having ancillary services is considered an added value for these retailers, which is why they always try to complement their business with these types of services. Within the store, the presence of accessory services is also very much felt:

“Consulting service is part of our work and is essential when a customer comes to us with an issue and asks us for advice on the best product.” (H11- Hardware, Milano).

Another element undergoing innovations within most stores is the assortment of products offered. In particular, fairly frequent changes in product category and type of offer emerge. In some of these retailers, innovating in assortment means offering different and original products compared to other stores:

“We have a different assortment from what you might find in a big bookstore which I think is why you choose us. Then you would have to -- look, there are Google reviews. If you look at the Google reviews, they generally always say this small, but well-stocked, odd assortment and the friendly staff. That's what they tend to say, so small, but with lots of things.” (H02- Bookshop, Roma).

Though the business model remains the same and there are no changes related to the offering, the product is subject to frequent changes. Retailers have to compete with their product assortment, which has two main aspects: breadth and depth. Breadth refers to the number of product categories offered, while depth refers to the variation of products that satisfy a single consumer need. This is an essential element for the survival of retailers in the market.

Specifically, two trends related to assortment level could be recorded. Some merchants try to offer a rare-to-find good, which is why they have few pieces per product.

"... I have a lot of pieces, but few pieces per item; I want my customers to feel unique, I don't like that they can have the same dress at an event, which is a very special, sought-after item anyway..." (H12- Clothing, Milano).

Other retailers aim to present a large number of products and offer as much choice as possible to ensure high consumer satisfaction. This holds true for all sectors. This constitutes an indispensable element for the survival of retailers in the market. (Toporowski & Lademann, 2014). Retailers strive to offer a wide range of products to ensure customer satisfaction:

"...we offer over 40 pizzas, and in addition to the 40 there is the whole frying part for which there are 7-8 types of products, and then the customer also has the possibility to make changes on the pizza..." (H09 - Pizzeria, Napoli)

"...I have more than 900 colours in my catalogue; I have 7 types of green, 14 types of blue, 8 types of yellow, pink, fuchsia, green, grey, brown, double, thin folded ultra-thin, exceptional materials, Spruce wood..." (H08 - Optician, Napoli).

A final element that is subject to innovations in the retailing mix in the majority of retailers sampled is in-store communication. Certainly, the most important innovation in this element has occurred through digital tools, which has enabled the introduction of in-store panels and displays with which to carry out more effective communication.

"Communication is important in the store, because it gets the customer's attention especially when they have to wait in very long lines. There are digital panels that are a bit more interactive, and people can see our products already from the outside." (H01- Patisserie, Roma).

“We are thinking of replacing the paper signage with digital signage, I think it is a bit more effective.” (H13- Patisserie, Milano).

“We have replaced the paper menu with QR codes. Certainly, covid was a big push in this regard, however, in my opinion we would have done it anyway.” (H15- Restaurant, Firenze).

One trend that is visible in in-store communication concerns the pairing of this with e-tailing, thanks to social media.

E-tailing provides a customer interaction that is interpreted as an opportunity to increase customer experience and satisfaction (Mondal and Chakrabarti, 2021).

“...the combination of in-store and online communication works very well. We always try to do communications that are a little more targeted in-store, because it's easier, while the ones we address to our online consumers are a little more general. Important communications like discounts, offers or new seasons are communicated on both, though.” (H05- Desing, Venezia).

“Internal communication in the store is more about supporting online communication. We try to say as much as possible online because it is also a way to attract customers to the store” (H10, Jewellery, Milano).

Innovations in these elements (assortment, service and product quality, and internal communication) have a positive impact on business.

Mixed opinions, on the other hand, were found in merchandising. For instance, the bar and restaurant industry have a high level of merchandising where they also try to sell branded products:

“... Customers are also fascinated by the presence of the waiters who have a special uniform, or by the cups with our name on them. We also have a corner dedicated to the sale of our products: leather bags, spoons...” (H04- Coffee shop, Venezia).

In contrast, sectors such as clothing and accessories have a lower level of merchandising:

“...unfortunately, we do not have high merchandising, it is perhaps a weakness of ours...” (H10 - Jewellery, Milan).

On the basis of the interviews, merchandising does not have a direct strategic impact on the performance of small retailers. The effect of merchandising innovation on business performance is not significant (Kim et al., 2022).

Instead, the results can define ambience as the most important element, which, however, does not undergo innovation over time. The main reason why ambience seems to be less subject to innovation stems mainly from the fact that it is often identified as a landmark in the neighborhood. It is for this reason that it turns out to be an unstrategic choice for business to modify ambience.

“We are an integral part of their lives this is an important aspect; the historic café in the neighborhood is a nonetheless a gathering center, especially for the elderly, who at least sometimes, are also left alone” (H13- Patisserie, Milano).

“... My shop is a living room, a home, a meeting point, because beyond the final purchase of the customer, basically here the girls sit down, show me their crochet crafts, ask us for advice on how to improve; at certain times of the year we organize an event that we call "beer and beads," because we involve the customers in making a piece of jewelry and we offer them a glass of beer. If Luca is there in the middle of the afternoon we pop a prosecco, we talk about sports. But beyond my store is really the street that lends itself to that...” (H12- Clothing, Milano).

The ambience within a store can be viewed as the space where individuals connect with their own sense of identity, a subjective experience as described by Cuesta-Valino et al. (2022). When examining the influence of store ambience, prior research has shown that the personality and atmosphere of a shop positively impact consumers' decisions regarding where to shop and their perception of product quality, as highlighted by both Cuesta-Valino et al. (2022) and Gopal (2014).

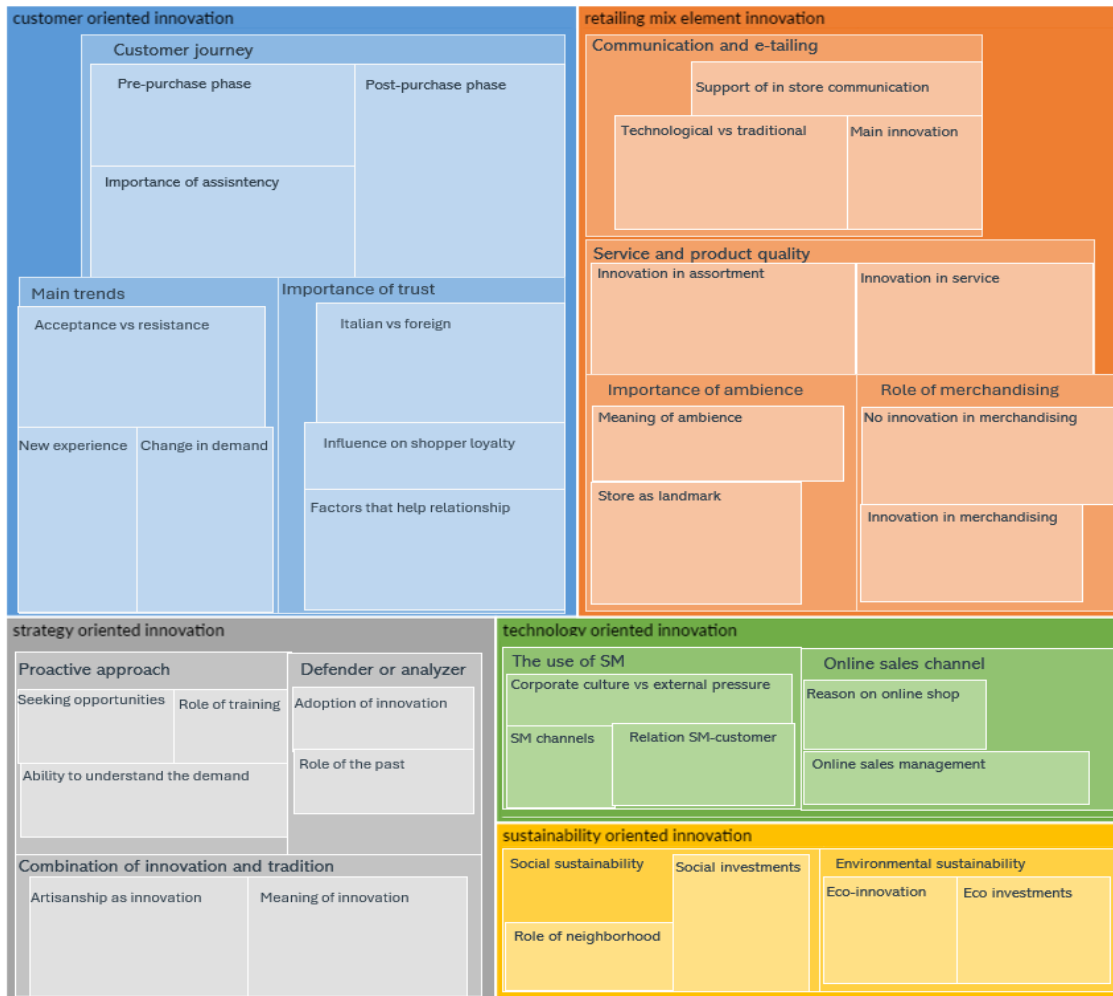
In our analysis of the sampled retailers, it becomes evident how crucial the attention to detail and the cultivation of an inviting in-store atmosphere are for each of them.

The table below provides a summary each sub-topic for each retailer in the sample.

3.3 Results emerged from Nvivo14

The results that emerged from the use of the Nvivo14 software are in agreement with previous findings. These were obtained by entering the software codes and nodes corresponding to the aggregate dimensions, first orders concepts and second-order themes found by the Gioia methodology used previously. The graph below shows that for the small retailers interviewed, the most relevant aggregate dimension when it comes to innovation is the one orientated to the customer. More references were attributed and recognized to it than to the other dimensions, as seen here.

Graph 3,1: Nvivo14 matrix of aggregate dimensions by references



Source: Nvivo14 elaboration

The results demonstrate a special focus of retailers on the customer, who is interpreted as the main market driver to ensure long-term survival. It is for this reason that innovations that are addressed to the consumer are conditioned among the first to be implemented and to be followed. This emphasis on **customer orientation** is clearly represented in the image generated by the Nvivo14 software, which shows a predominance of concepts related to customer-oriented innovation and retailing mix. The main innovations that retailers recognize according to the references that have been identified relate mainly to customer journey activities. Innovating in this dimension of customer-oriented innovation in an increasingly competitive market implements their need to differentiate themselves from the big players and online competitors by trying to create unique customer experiences that can attract new customers and especially retain

them. Results are in line with Kim et al. (2010) who state that customer innovativeness does not necessarily mean greater openness to new products or services, but also to new experiences. In fact, innovating in this area helps retailers create a more lasting bond. In particular, the importance of assistance during the buying process has proven to be a strategic source of competitive advantage. Most retailers believe that in order to survive in the current market it is necessary to present a customer focus, especially through innovating in advice and assistance. The post-purchase phase has also seen important innovations, which have enabled stronger contact to be maintained even after the sale. This made it possible to make the customer more loyal and to demonstrate much more trust in the sellers and more generally in the store. Certainly, innovating in a customer orientation according to I retailers can be interpreted with different perspective by customers. In fact, from the figure that Nvivo14 proposes, we see a propensity of retailers to deal with the theme of “acceptance vs. resistance.” For the small retailers surveyed, the primary factors driving customer acceptance of store innovations are compatibility and trialability. The main obstacle to customer adoption of innovations in small stores has been identified as traditional barriers. Researchers argue that societal traditions and personal customs have significant influence, and any deviation from these norms often triggers strong consumer backlash, resulting in negative word-of-mouth, bad publicity, and boycotts (Kaur et al., 2020). Therefore, traditional barriers appear to be notably high.

Another aggregate dimension with more references than the others, second only to consumer orientation, is the **retailing mix**. For the retailers surveyed, innovating in the retailing mix means being able to offer high product and service quality, especially compared to larger competitors (Madesn et al., 2021). In particular, for some retailers interviewed (i.e., H17, H03), innovation in the retailing mix enables them to adapt quickly to market residences and respond quickly to demand-side changes. Indeed, according to them, investing in creative solutions and products can lead to the achievement of greater competitive advantage. Among the innovations affecting the retailing mix, the merchants analyzed find particular functionality in investing in in-store communication media. Undoubtedly, the most significant advancement in this aspect has arisen from digital technologies, facilitating the implementation of in-store

panels and displays for more impactful communication. An emerging pattern in in-store communication involves integrating it with e-tailing, facilitated by the use of social media platforms. E-tailing offers a customer engagement avenue perceived as a means to enhance customer experience and satisfaction (Mondal and Chakrabarti, 2021). In fact, many retailers are trying to create a greater interconnection between tradition and innovation in the communication carried out in store. Some (i.e. H13 and H14) have begun to replace communications that were previously done on paper with digital panels and tablets, so that customer activity can be made more iterative. But not only that, the use of e-tailing is not interpreted as a substitute for in-store communication, some are using it as an additional mode of communication. In this vein, the communication that is done in store, is deepened online, and in some cases, online communication is functional to attract the consumer to the store, where they can draw the consumer's attention through other modes of communication and through other messages that are communicated. In the retailing mix, however, in addition to communication, another element that was considered important by the retailers interviewed is ambience. Over time, the ambience within stores often sees little innovation, primarily because it's frequently regarded as a neighborhood landmark. Consequently, businesses tend to view altering the ambience as an unwise move strategically. Store ambience serves as a space where individuals connect with their own sense of identity, a subjective experience elucidated by Cuesta-Valino et al. (2022). Previous studies have demonstrated that a store's personality and atmosphere positively influence consumers' shopping decisions and perceptions of product quality, a point underscored by both Cuesta-Valino et al. (2022) and Gopal (2014).

Our examination of the retailers sampled reveals the critical importance placed on attention to detail and the creation of an inviting in-store atmosphere by each of them. With regard to innovations geared toward the **strategic approach**, the Nvivo14 system also shows a propensity of the retailers surveyed to have a proactive approach. This is underscored by an increased focus on researching new market needs and figuring out how they can be met in order to have greater customer satisfaction. Retailers categorized in this group are known for their inclination to explore emerging market trends. They often assert being pioneers in introducing innovations within their sector or exhibit a positive attitude towards embracing new ideas and actively seeking out

innovative opportunities. Moreover, they are recognized for their agility in responding promptly to market demands through personalized approaches. This characteristic aligns with the traits associated with companies operating as prospectors: guiding customers towards personalized product choices, adapting offerings swiftly, and catering to individual needs. Many view the ability to offer customization as pivotal in anticipating market changes effectively. Consequently, small retailers in this category find it easier to introduce innovative product assortments and services that enhance customer satisfaction. Among the strategic decisions driving retailers surveyed to survival is the interpretation of tradition as innovation. To innovate, especially for retailers with an older founding year, is to look to the past, and to be able to capture from it The critical success factors that have always determined store survival. In fact, for these retailers, the role of the past is central to the business. Many believe that it is because of the history of the store that they are successful today and are able to remain highly competitive in the marketplace.

The **innovations from the technology perspective** identified by Nvivo14 also mirror the results that emerged earlier. The use of social media appears to be a crucial factor by retailers, so most of them use it. Some, in particular, have created a real community through which customer communication can be improved, making it more immediate, fast and effective. Others, however, use social mainly as an online storefront. Social media usage goes beyond merely showcasing new products or expanding market reach to new consumers; for these retailers, it serves as a means to sustain connections with existing customers, reinforcing bonds and fostering trust and loyalty (De Oliveira et al., 2020). Kwon et al. (2021) found that the decision to utilize social media hinges on external pressures and the company's openness to innovation embedded in its corporate culture. For many smaller retailers interviewed, the impetus for adopting social media stemmed from the COVID-19 pandemic, which necessitated maintaining customer connections despite physical distancing measures. Furthermore, social media facilitates enhanced services and deeper market insights at relatively low marketing costs (Kwon et al., 2021). While some retailers initially embraced social media due to external pressures, the positive outcomes experienced have led them to view this innovation favorably. In numerous cases, social media adoption has resulted in heightened

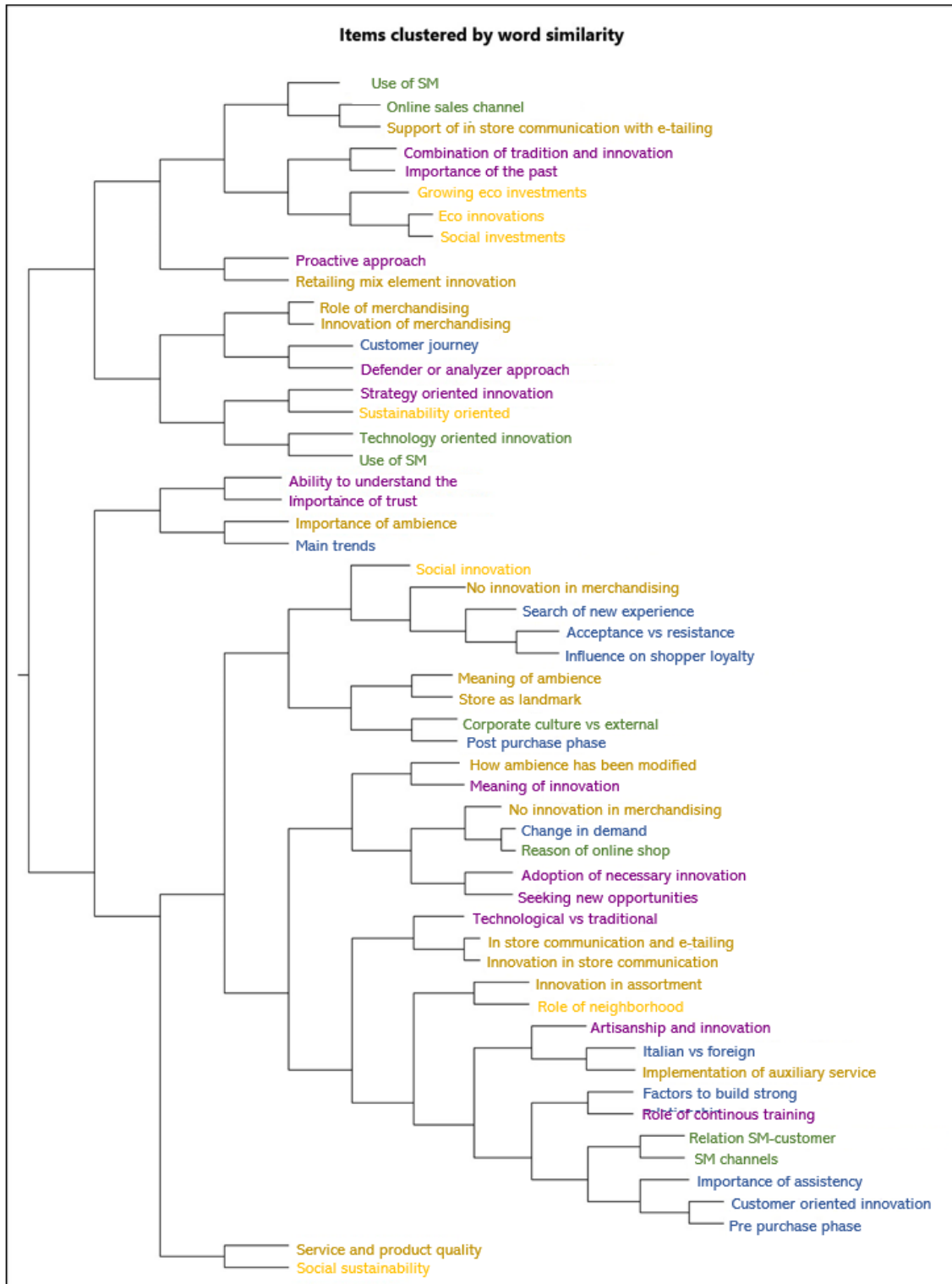
customer satisfaction, reinforcing customer relationships and elevating trust levels (Grewal et al., 2023).

The use of online sales channels are still found to be quite limited. For certain surveyed enterprises, the physical presence of customers in-store stands as a significant aspect of conducting business. While all retailers recognize the importance of fostering close customer relationships, for some, in-store presence emerges as a critical factor for success and distinctiveness. This is attributed to the heightened ability to provide consultations, offer advice, and deliver supplementary services beyond the core business, thus setting the company apart, particularly from larger competitors. Consequently, these businesses exhibit limited adoption of online shopping, not due to a lack of entrepreneurial proactivity in seizing market opportunities, but rather because any embrace of e-commerce or m-commerce is perceived as potentially compromising their competitive edge.

The innovations that have been dealt with less by retailers are those regarding **sustainability issues**. In particular, this is due to the limited investments they make today especially in environmental sustainability, a factor that also emerged in the application of the Gioia Methodology. In fact, innovations in terms of sustainability are mainly aimed at social sustainability, which, on the other hand, appears to be very important among retailers, especially with regard to the role of the neighborhood and the city. The results, therefore, show how sustainability, especially from a social point of view, is a growing factor among small retailers, who recognise in this an opportunity to create an even stronger relationship with their customers, and the latter's attachment to the store grows.

In contrast, the graph below presents the relationships that merge between first-order concepts belonging to different aggregate dimensions, highlighting a relationship between them. Again, it can be seen that the concepts related to customer-oriented innovation have relationships with the majority of the other clusters. This may emphasize once again the centrality of the customer in the decisions made and activities performed by the sampled retailers. In particular, interactions are mainly noticed between customer-oriented innovation and retailing mix element innovation and between customer - oriented innovation and technology innovation.

Graph 3,2: Item clustered by word similarity



Source: Nvivo14 elaboration

This last graph was also developed by Nvivo14 and represents a clustering among the various themes, dealing with the constructs analyzed so far and automatically interpreting their possible relationships. In fact, the links between these constructs now appear obvious, even from what emerges from the software. The use of technology positively impacts the customer experience (Cuesta Valino et al., 2022), especially through the use of social media and online sales channels, which increase consumer loyalty and trust. These, in fact, facilitate direct communication with customers, making evident the synergy between technology and customer orientation, improving the customer journey and strengthening shopper loyalty. In-store technology supports also make it possible to improve communication directly in the store, making the customer experience even more seamless and personalized. Just as technology-oriented innovation is customer-oriented, so it also appears for retailing mix innovation. Improving and innovating the assortment not only attracts new customers but also increases the satisfaction and loyalty of existing customers. For example, the introduction of eco-sustainable and socially responsible products emphasizes a business strategy that can promptly gather market changes and respond quickly to changing consumer demands. This not only meets the demands of modern consumers but also enhances brand image. In addition, recent and growing customer attention to sustainability issues has made social and environmentally friendly innovations an argument to focus on. This is because practices to both social and environmental sustainable orientation become a crucial part of the customer experience, influencing their trends and customer journey.

For these reasons, companies must anticipate an innovative strategic orientation through the development of technological and supportive environmental and social factors that can effectively respond to changing market needs.

In general, it emerges how customer-oriented innovation is again a central element, given how the different categories relate to it to improve the customer experience, respond quickly to customer questions, enabling them to seek a long-term CO. All these clusters (SO, TO, retailing mix, sustainability) manage to integrate seamlessly with each other and with the CO, emphasizing how the success of small retailers today depends on their ability to put the customer at the center of all their innovation initiatives (Penco et al., 2024).

4 Discussion

The results, based on multiple case research study on the consumer services and retailing small business, help to understand better the role of innovation as a factor that helps EO in challenging the big player/ecommerce competition (RQ2). Our findings align with existing literature, particularly studies such as those by Runyan, R. C., & Droge, C. (2008), which emphasize the crucial role of small consumer services and retailing entrepreneurs in enhancing competitiveness. This work has allowed to address the existing literature on innovation orientation (IO) in small retailers as a necessary factor for survival in the market and reduction of vulnerability, especially trying to have a consumer orientation.

Analyzing the relationships between IO and EO, and agreeing with the studies of Penco et al. (2024), it appears that high EO is present for those who have a prospector and analyzer/defender type OS. In fact, it is this category of retailers that has a high level of EO. Conversely, those with low levels of EO and who have a reactor-type SO also have low levels of IO. From this, it is possible to define how high levels of IO can be recorded only for firms that have equally high levels of EO. In fact, those who have high levels of EO are characterized by having a more innovative and proactive spirit (typical of prospectors) or simply proactive (typical of analyzers and defenders), capable of fueling the innovation orientation within the enterprise. Those with these characteristics, in fact, are able to grasp changes in the market more quickly, being able to respond appropriately to them. In some cases, especially when it comes to prospectors, they can anticipate market needs by introducing new and non-typical technologies and innovations for the business.

It is for this reason that a pioneer strategy has been recognized for those who have a prospector SO; they are often leaders and pioneers in their fields, with high levels of strategic clarity (Parnell, 2013), and they often have an informal structure, which allows them to be flexible in dealing with challenges (Andrews, Boyne, and Walker 2006; DeSarbo; Walker 2006; DeSarbo et al. 2005; Parnell and Wright 1993). On the other hand, a follower in innovation strategy is recognized for those who have an analyzer/defender SO instead.

This result is consistent with the studies of Miles and Snow (1978), according to which prospector, defender, and analyzer types are consistently formed, and with the results of other studies that propose that prospectors, defenders, and analyzers outperform reactors (e.g., Conant, Mokwa, and Varadarajan 1990; Moore 2005; Smith, Guthrie, and Chen 1989; Snow and Hrebiniak 1980).

From the results that emerged from the empirical evidence, it was also possible to verify how small-scale retailers with a more recent founding date turn out to assume radical innovation. In fact, these were typically classified as prospectors, so they have a very high level of IO that enables them to quickly adopt innovations from the market, anticipating demand. For this reason, it was possible to infer that radical innovations are taken up speciarly by small young retailers. Conversely, retailers with an older founding age turn out to have a high level of proactivity, hence more classified as analyzers or defenders, and as such they adopt incremental innovations. These results agree with the findings from the previous section of the literature review.

This is in accordance with studies of Reis (2011) which emphasized a greater propensity for innovation of more recently introduced companies in the market due to their greater ability and flexibility. This also ties in with the studies of Christensen (1997) who sees a greater innovative attitude in newer firms, as others may have more complex organizational processes and structures to change.

Considering that during the Pandemic small retailers had to face the closeness of their store, we analyze also the role of innovating in digital technologies. In accordance with literature, small retailers are keen on presenting technological innovations by adopting social media and mobile commerce /e-commerce (Inman et al., 2017; De Olivera et al., 2020). The adoption of digital tools and online platforms became a key aspect of their strategies to maintain customer engagement and sustain business operations during periods of physical distancing, but the importance of these tools has been recognized as being high, which is why even if some retailers have had to adopt them due to external causes, they can register benefits today.

Finally, factors such as innovation in sustainability and in retailing mix elements also seem to depend on high levels of EO and thus high levels of IO. According to research conducted by Porter and Kramer (2011), sustainable innovation requires a holistic approach that goes beyond simply maximizing short-term profits. Entrepreneurs must consider a plurality of issues, including environmental and social ones, and this often requires a radical shift in mindset beyond the traditional profit-driven business orientation. Especially, Small retailers are interested in innovating especially in social sustainability, which turns out to be a stronger drivers of competitive advantage,

Conversely, the issue of innovation in environmental sustainability is still marginal for small shops. the relationship with the society and community in which the small retailers are established is a determining factor for their image and reputation, even if it is not yet a fully developed factor. Many studies agree with this perspective; physical stores need to put more emphasis on "soft values" (Ekstrom & Jonsson, 2022). Studies by Robaton, 2018 also suggest a strong and trusting relationship between customers and the external environment in general, seeking collaboration with stakeholders.

The research propositions are:

P01: Small retailers with high EO present high levels of IO.

P02: Small retailers with innovativeness and proactiveness EO have a Prospector SO.

P03: Small retailers with proactiveness EO have an Analyzer and Defender SO.

P04: Small retailers with prospector SO present a pioneering approach to IO.

P05: Analyzers and Defender SO drive small retailers to adopt a follower approach to IO.

P06: Low levels of EO drive to reactor SO and small retailers present a short-term CO.

P07: Pioneer IO is mostly adopted by small young retailers.

P08: Flollower IO is mostly adopted by small old retailers.

P09: Pioneers IO presents the use of TO.

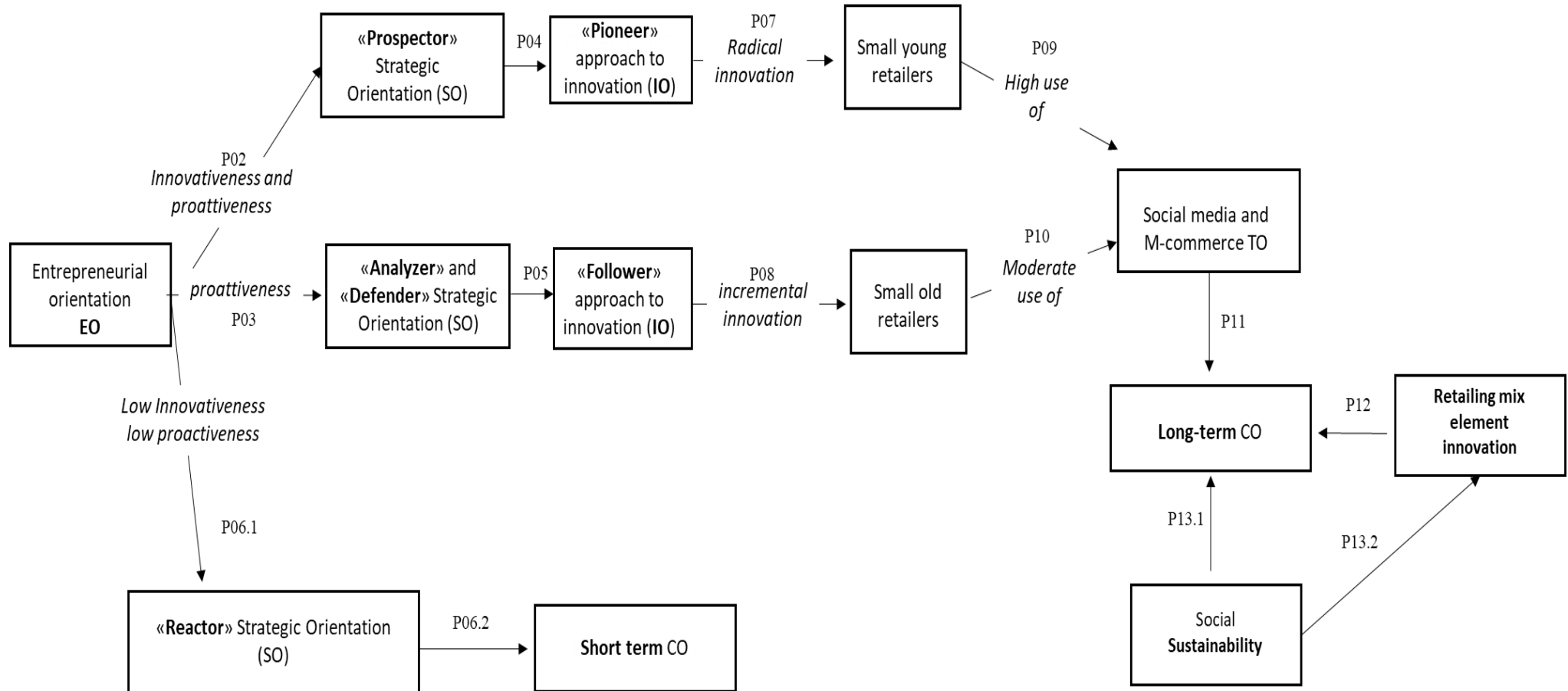
P10: Followers IO IO present moderate use of TO.

P11: All small retailers identify CO as the key to competitive advantage.

P12: Retailing mix elements innovation influences CO.

P13: Social Sustainability influences CO and retailing mix elements innovation

Figure 4.1: Summary of discussion



Source: Author's elaboration

Conclusions, limitations, and future research

The retail industry has historically held a significant position within the economy, contributing to the growth and vitality of urban areas by drawing crowds to commercial streets (Caboni, 2020). Recently, the increasing importance of retail in fostering employment opportunities and economic advancement has gained prominence both nationally and across Europe (Gronda et al., 2020). Despite the rise of large-scale distribution in Italy, the landscape remains dominated by small and micro-enterprises, particularly in the retail sector. These small businesses are widely acknowledged as essential economic contributors, often led by entrepreneurial founders, frequently family-owned, whose leadership style profoundly influences their approach to innovation and market dynamics (Penco et al., 2022).

The evolution of this sector has been ongoing, adapting gradually over time to meet the changing needs and preferences of consumers. The onset of Covid-19 served as a catalyst, propelling the adoption of innovations at an accelerated pace, advancing the industry by approximately a decade across various sectors. Consequently, retail enterprises have intensified their focus on innovative decision-making to sustain competitiveness and profitability (Adapa et al., 2020).

In this dynamic environment, retailers face an urgent need to implement strategies that enable them to adapt, innovate, and transform in order to maintain a lasting competitive edge (Shankar et al., 2021; Grewal et al., 2021; Kumar et al., 2017). Accordingly, the majority of brick-and-mortar retailers are revisiting their business models, incorporating innovative initiatives and tools to enrich the overall customer shopping experience (Pantano 2014; Roy et al., 2018).

The presented study is developed following two main sections. The first section carried out through a literature review, allowed the study of the existing literature referring to innovation orientation (IO) in retailing. In the retailing sector, in fact, the focus on and adoption of innovative strategies, products, services, and technologies turns out to be crucial in order to maintain competitive advantage and respond adequately to market demands: it is not a matter of deciding whether to innovate, but when to innovate (Pantano, 2016).

Addressing the innovation literature, this study points out the crucial role of IO in retailing and in particular in small shops. Different marketing attitudes can be adopted by firms. Different strategies, in fact, maybe about what they can innovate and when they can innovate. Retailers place a lot of importance on the use of social media, a tool often identified as a means of direct communication with the customer, but many, especially larger retailers, also seek to adopt more compact technological tools, such as the use of robots and RFID, which allow them to automate the process, defining greater efficiency. This sector also considers it essential to innovate with reference to the retailing mix: in particular, two levels of innovation emerge from the literature; The first level, where IO is more developed, concerns innovation in product assortment, service, and communication. In contrast, according to the literature, a second level of innovation is more focused on location, store design, and pricing.

A trend that could also be registered was the growing relevance in the terms of sustainability: many shops attach increasing importance to the three levels of sustainability (economic, environmental and social). In particular, the research emphasized how the relationship with the neighborhood turns out to be crucial for survival in the market, especially for small independent retailers. An important result showed how IO in general (technological, strategic, retailing mix, and sustainable) is a key element that drives businesses with high levels of IO to have long-term customer orientation. In fact, CO is indistinctly influenced by TO innovation, SO innovation, RM element innovation and Sustainability Oriented innovation. Having high levels of innovation, therefore, allows customer orientation to be positively influenced, contributing to long-term customer orientation.

To take the analysis to an empirical level, 17 interviews were conducted with small retailers' stores, operating in 6 different cities: Milan, Rome, Florence, Naples, Venice and Genoa. Using the multi-case study methodology (Eisenhardt, 1989), the analysis investigated the role of EO in influencing the decision of firms to improve IO in shaping their strategic/marketing paths such as their role for the local community and also how the other factors that the literature attributes to EO (Strategy Orientation, shopper loyalty, sustainability) relate to IO in order to have long-term customer orientation.

From the analysis of the case studies, it emerges that the investigated small retailers did not only focus their attention on the survival phase but also are searching for new solutions to compete and to better satisfy their customers, creating a strong relationship focused on trust and loyalty.

These results bring interesting implications for both practitioners and scholars. Firstly, the research contributes to extend the present literature based on innovation orientation. In this vein, the analysis explores the interplay between IO and EO, strategic orientation, customer orientation and sustainability impact. Applying the Miles and Snow typology (1978), this study demonstrates that EO helps the adoption of innovation orientation. Specifically, when EO is high the entrepreneurial attitude to be proactive in searching for new market opportunities and in satisfying the customers' needs is stronger, thus innovation orientation is stronger in these firms.

Secondly, the thesis contributes both to the small consumer services and retailing entrepreneur literature and provides a rich context for the study of the application of strategic tools for customer value creation and long-term survival of small independent retailing firms.

Moreover, it expands the literature focused on IO and EO in small retailing, creating a model applied to explain strategic behaviors, and identifying the antecedents of success of small independent retailing entrepreneurs. Only a few studies analyze the role of EO on influencing IO for interpreting strategic behaviors in small retailing. This research underlines the crucial role of EO in shaping the strategic and marketing IO response of small retailing and small shops, filling an academic gap since the academic contributions on the influence of EO in IO in small independent retailing are very limited and refer to the impact on financial performance. It emerges that nurturing the EO is important to be more proactive against the competition deriving from large retailers. For this reason, small independent retailing firms should evaluate and develop their EO in influencing IO as part of their strategies.

Despite the in-depth research, this study has some limitations and may inspire future research. First, the study was limited to only 18 small independent retailers in Italy, all located within large urban centers. Since the characteristics of these independent retailers are closely related to the socioeconomic conditions of their locations and the broader national context, it is imperative to increase the sample size

and expand the survey to different geographic regions and countries. This expansion would strengthen the applicability of the research results. Second, these enterprises are only small in size; larger enterprises were not surveyed, thus having a unique perspective.

Possible future research could also consider larger firms; in this way, a dual perspective can be taken by analyzing innovation orientation from both views. Another limitation of this research, which can be interpreted as a possible future research analysis, concerns the assumption of only one perspective of market actors: in fact, the current research analyzed only the perspective of marketers, without having a view of customers. Future research could intervene in these terms by analyzing a dual perspective: retailer-side and customer-side, stimulating research on the main innovation factors that retailers should assume to meet the real demands that emerge from a market analysis.

Furthermore, the research adopted a cross-sectional approach, indicating the potential benefits of undertaking a longitudinal study to discern trends and strategic developments over time. Moreover, the study encompassed a restricted set of variables, necessitating an examination of additional facets such as cultural context to gain deeper insights into the origins of strategic and entrepreneurial behaviors. Additionally, by delving into the emotional aspects of entrepreneurship, including social bonding with the store and the local community, intriguing insights could be gleaned. To enhance and corroborate the proposed framework, expanding the array of variables and conducting quantitative analysis through a comprehensive survey would be advantageous.

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