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Tesi di laurea

*Organizational innovation in retailing – Pop up store*

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## **Abstract**

La tesi ha come obiettivo analizzare i cambiamenti e l'innovazione nel retailing. Cercando di dare una prospettiva dell'innovazione come concetto, i diversi tipi d'innovazione, le principali fonti e i suoi diversi modelli, associando tutto al concetto del retail.

Durante la tesi si impegna a misurare il livello d'innovazione nel retail ma questo risulta assai difficile in quanto non convenzionale.

Particolare intenzione si è rivolta all'innovazione organizzativa nel retail e specialmente al Pop-up store. Al lettore verrà proposta un'informazione dettagliata accademica del pop-up store analizzando il sviluppo e i vantaggi inserendo poi tutto in uno caso di studio sulla società Braintropy, la quale ha usato con successo il formato di pop-up store.



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## **Introduction**

The aim of this paper is to develop an understanding of innovation in retailing. It is widely accepted that innovation implies the application of new ideas able to generate a better economic performance, however there is a wide range of other interpretations (Hirstov and Reynolds, 2015). Even though there is a new stream of publications have created a new and fragmented literature in retail innovation, it remains an under searched subject that has received few attention through the years (Miles, 2000) that needs to be further explored due to its important role in the economy. (Hirstov and Reynolds, 2015; Pantano, 2014; Alexander, 2008).

The thesis is organized as following: The first chapter presents the concept of innovation, different types of innovation, sources of innovation and models developed in the years to explain the innovation path.

The second chapter provides a general overview on retailing and retailing formats. Innovation is studied in the contest of retailing, by analyzing the drivers of innovation in retailing, presenting the types of innovation, evaluating whether it is possible or not to make an accurate measurement of innovation activity in retailing and some of the innovative formats of retailing are presented.

The third chapter is focused on the pop up stores, as an organizational innovation in retailing. Different definitions, classifications and motives to set up a pop up store are presented.

The fourth chapter analyzes the pop up store as a marketing innovation

Chapter five presents the pop up store as part of the internalization strategy of a retailer, analyzing the characteristics and motives to use the pop up store as a foreign operation mode.

Chapter six analyzes the pop up store of Braintropy, taking into consideration all the literature in temporary shops.



# CHAPTER 1 - Innovation

## 1.1 Definition of innovation

Innovation is word frequently used in everyday life, more precisely it's used and abused since most people don't know its exact meaning. People mostly use the word innovation for describing a new product, but it has a much more wide meaning. In the literature we can find various definitions of innovation, one of the first economist that attempted to develop the theory of innovation was Schumpeter (during the 1930s). For Schumpeter innovation is:

- recombination of existing resources, equipment and so on
- a specific social activity(function) carried out within the economic sphere and with a commercial purpose
- introduction of new product or qualitative change in an existing product
- the opening of a new market
- changes in industrial organization
- development of new sources of supply for raw materials or other inputs

Since then several publications have offered a wide variety of descriptions and definitions of the complex phenomena of innovation. For Mowery and Rosenberg (1979) ‘ ‘ *Innovation processes involve the exploration and exploitation of opportunities for a new or improved product, process or service, based either on an advance in technical practice (“know-how”), or a change in market demand, or a combination of the two. It is therefore essentially a matching process*’ ’ ; for Drucker and Hesselbein (2002), innovation is “*change that creates a new dimension of performance*”; Rogers (1995) notes: “*Innovation has been broadly defined as an idea, practice, or object that is perceived as new by an individual or other unit of adoption.*”; Baregheh et al. (2009) “*the multi-stage process whereby organizations transform ideas into improved products, services or processes, in order to advance, compete, and differentiate themselves successfully in their marketplace.*”

Mortensen and Bloch (2005) on Oslo Manual provide this definition: "*An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations*". Two important dimensions of innovation are the novelty of the product/ process/ organization/ marketing for a better performance and implementation.

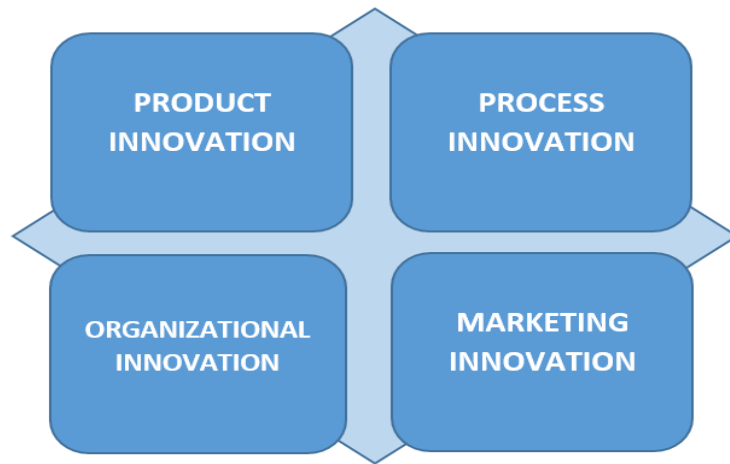
A novelty that doesn't reach the market with a commercial purpose and doesn't create added value, cannot be considered an innovation, but it's an invention.

Based on the degree of innovativeness, complexity and uncertainty innovations can be characterized as incremental or radical. 'Radical innovation creates drastic changes in product/services or processes able to transform or create new industries, markets or products (Meyer et al., 1990; Herbig, 1994; Leifer, 2000). Radical innovation is a product/services or processes that has unprecedented performance features or familiar features that offers significant improvements in the performance or costs (Leifer, 2000). Radical innovation whether developed internally or externally "over time, augment, shift, and change a firm's technological processes and open up whole new markets and product applications" (Henderson and Clark, 1990). This type of innovation involves a high level of complexity, risk and uncertainty (Song and Montoya-Weiss, 1998). Radical innovation is characterized by 'processes of reorientation wherein patterns of consistency are fundamentally reordered' (Tushman and Romanelli, 1985) and 'change the entire order of things, making obsolete the old ways (Van de Ven et al., 1999). Incremental innovation are low order innovations that modify the existing functions and practices (Herbig, 1994; Van de Ven et al., 1999) improving certain dimensions of the production process to better meet the needs of specific market segments. Incremental innovation is characterized by a higher level technical and market of certainty (Lynn et al., 1998) and are based on existing knowledge (Ziger and Hartley, 1994).

Reverse innovation refers to those innovations that are created in and for emerging markets and latter are spread in developed countries. All reverse innovations are created to satisfy the needs of poor consumers, and are low-cost innovations are stimulated by the unfavorable social and economic conditions of emerging countries (Govindarajan and Ramamurti, 2011). *'Faster growth in emerging economies, combined with a 'flattening' of the world economy, is promoting innovation in poor countries.....Emerging economies seem likely to produce innovations that dramatically lower costs and add features that are especially valuable in the local context, such as portability and ease of use.....Some of these innovations have the potential to 'trickle up' from poor to rich countries'* (Govindarajan and Ramamurti, 2011 p.12)

## 1.2 Types of innovation

Mortensen and Bloch (2005) distinguish four type of innovation: product innovation, process innovation, organizational innovation and marketing innovation.



**Figure 01.** Types of innovation

### 1.2.1 Product innovation

A product (good/service) innovation is the introduction of a new product or a product that is significantly improved with respect to its previous characteristics or intended uses. New products are goods and services that have significantly different characteristics or intended uses from previous versions of the product. Significant improvements may be due to improvements in components and materials, in technical specifications, incorporated software or other functional characteristics of the product that enhance performance (Mortensen and Bloch, 2005). Geox is a good example in product innovation using improved materials and components to enhance the footwear and clothing performance. Joining the perforated rubber sole and the innovative membrane created the breathable shoe and garments ([www.Geox.com](http://www.Geox.com)).

In order to innovate products the firm may use: new knowledges and technologies; a different combination of the existing knowledge and technology; and new uses of the existing knowledge and technology (Mortensen and Bloch, 2005). The first portable MP3 player, which combined existing software standards with miniaturized hard-drive technology, was a new product combining existing technologies. The MP3 offers a powerful algorithm for effective compression, by cutting out those frequencies that the human ear cannot detect, making much easier the file transfer. (Bessant and Tidd, 2011). An example of product innovation through the use of new technologies are the first digital cameras invented by Steve Jasson, a Kodak

engineer, in the 1975. Fujifilm made a product innovation using the existing technology and knowledge in digital cameras and print services (over 200.000 chemical compounds) to develop products in the skin care area – anti aging cosmetics and nutritional supplements (Stefan Kohn, 2016).

Product innovations in services include: the introduction of a new type of service – like the online banking service; significant improvements in the way services are provided – like improved ease of use on online banking; and additional functions or characteristics to the existing services (Mortensen and Bloch, 2005).

### **1.2.2 Process innovation**

A process innovation is the implementation of a new or significantly improved production or delivery method. Which includes significant changes in techniques, equipment and/or software used to produce or deliver the products. The reasons behind the process innovation in production or delivery methods are a decrease of the cost-per-unit, or the increase of the product quality and performance. Production methods include the equipment and software used in the production process. Delivery methods regards the logistic of the firm - that is the procedure used for transferring the product to the destination chosen by the costumer. It includes equipment, software and techniques to source inputs, allocate supplies within the firm, or deliver final products (Mortensen and Bloch, 2005).

The automatization of the production line, by implementing new automation equipment, is an example of new production methods. An example of a new delivery method is the introduction of goods –tracking system like GPS (Global positioning system) and RFID (Radio-frequency identification) method. GPS is largely used in the transport services and allows monitoring of good while the RFID is a technology that uses radio waves to transfer data from an electronic tag.

### **1.2.3 Organizational innovation**

An organizational innovation is the implementation of a new organizational method in the firm's business practices, workplace organization or external relations, that has not been used before in the firm and is the result of strategic decisions taken by management. Organizational innovations can be intended to increase a firm's performance by reducing administrative costs or transaction costs, improving workplace satisfaction (and thus labour productivity), gaining

access to non-tradable assets (such as non-codified external knowledge) or reducing costs of supplies (Mortensen and Bloch, 2005). Business practices include methods, procedures, processes, or rules employed by a company in order to achieve its objectives. So organizational innovations in business practices include the implementation of new methods, procedures, processes or rules. An example of organizational innovations in business practices is the Japanese management philosophy - JIT (Just in time) Manufacturing. Its specific goal is to continuously eliminate waste in all its forms, improve product quality and production efficiency. (Cheng and Podolsky, 1996)

Innovations in workplace organization involve the implementation of new methods for organizing the workplace in terms of autonomy, responsibility, participation on decision making, coordination between organizational units. Some examples of workplace innovation include the implementation of team-work, employee involvement in decision making and re-engineering activities, and profit sharing (Black and Lynch, 2004). This way the employees have higher autonomy, commitment and responsibility and also participate in decision making.

For a new organizational method external actors like customers, suppliers, competitors, government, universities, R&D laboratories, other firms etc. are really important. The internalization of ideas coming from the outside of the firm is now a common practice, but it hasn't always been like that. Roy Sandbach, senior global R&D in Procter & Gamble Company during an interview admits that more than 50 percent of the P&G business have been initiated externally. The Olay technology, based on peptides, essentially came from a small French company called Sigenta; the Spinbrush - a toothbrush that incorporates a small rotating motor- is an idea of some entrepreneurs in the US ([www.innovation-portal.info](http://www.innovation-portal.info)).

#### **1.2.4 Marketing innovation**

A marketing innovation is the application of a new marketing method involving significant changes in a product's pricing, promotion, placement or packaging. Also, the adoption by companies of a new approach including some of these practices is a marketing innovation (Utkun and Atilgan, 2010). For something to be considered a marketing innovation, the marketing practices themselves do not need to be novel or original. They will more likely be adaptations of concepts or practices the company itself has developed. Alternatively, they may be marketing practices used by other companies that a company has integrated into its own marketing strategy (Medrano and Olarte-Pascual, 2016). Marketing innovations in product's pricing involve the use of new pricing strategies to market the firm's goods or services.

Examples are the first use of a new method for varying the price of a good or service according to demand (e.g. when demand is low, the price is low) or the introduction of a new method which allows customers to choose desired product specifications on the firm's Website and then see the price for the specified product (Mortensen and Bloch, 2005). New marketing methods in product promotion involve the use of new media for promoting products. Social media like Facebook, Twitter, Instagram etc. are a powerful tool to promote products. New marketing methods in product placement involve the introduction of new sales channels. Examples of marketing innovations in product placement are the introduction of catalogs, direct mails, internet sales, kiosk's etc.

Packaging represents a form of protection, but at the same time it is a relevant and essential marketing and communication vehicle. It determines differentiation on the supermarket shelf. Furthermore, it is able to convey a product's ethical and sustainability position (Alon and Jaffe, 2016). An example of a marketing innovation in packaging is the use of a new bottle design in soft drinks. Between 2004 -2007 13.2 percent of innovative soft drinks launched worldwide were due to packaging benefits (Alon and Jaffe, 2016).

### **1.3 Sources of innovation**

Innovation is an important and complex process including a wide range of activities. We have already presented different definitions and types of innovation in the previous sections. However there is another important issue we need to deal with. Where do innovations come from? According to Von Hippel (1988) sources of innovation vary greatly depending on the type of innovation, the innovator can be the final user, the manufacturer or the suppliers. To use Von Hippel (1988) words: *'In some fields, innovation users develop most innovations. In others, suppliers of innovation-related components and materials are the typical sources of innovation. In still other fields, conventional wisdom holds and product manufacturers are indeed the typical innovators'*. For Peter Drucker (1998) different sources of innovation can be divided in two big groups: internal and external sources of innovation. The first group includes the sources within a company or industry and the other group includes the sources outside the company in the social and intellectual environment. The sources falling into the first category are: unexpected occurrences, incongruities, process needs, and industry and market changes, and the sources falling into the second category are: demographic changes, changes in perception, and new knowledge. Anyway most of the innovations are the result of the

overlapping of the internal and external sources of innovation. Bommer and Jalajas (2004) evaluate the relative importance of these internal and external sources of innovation in large and small firms. To large firms suppliers are an important source of innovation, while to small/medium firms customers are the most important source of innovation (Bommer and Jalajas, 2004). Small firms have more intimate contacts with their customers, so it's easier to exchange ideas, making customers an important source of innovation. While large firms tend to create close relationships with their suppliers (Bommer and Jalajas, 2004). Suppliers are often asked to participate in the development of new products or cost reduction, giving a highly estimated contribution (Harryson, 1997). Tidd & Bessant (2014) make a more detailed list as innovation sources, recognizing twelve different sources of innovation:

1. Shock to the system – changes in the world and the way we see it
2. Accidents – innovation by serendipity
3. Watching others – imitating or copying
4. Recombinant innovation – ideas that are transferred from one world to the other (e.g. Kodak on skin care products)
5. Regulation - by restricting what can and can't be done for legal reasons
6. Advertising – uncovering and amplifying latent needs
7. Inspiration
8. Knowledge push – creating opportunity by pushing the frontiers of sciences toward
9. Design drive innovation – creating new markets with products/services that have a whole new meaning (e.g. Apple)
10. Need pull- social needs, market needs, latent needs 'squeaking wheels', crisis needs, etc.
11. Users as innovators
12. Other possibilities

The knowledge or technology push model suggests that innovation is driven by science, by the generation of new knowledge or new technologies (Munro and Noori, 1988). The need pull

model argues that user needs are the driver of innovation and almost 70% of the innovation fall into this category (Meyer and Marquis, 1969). Companies should pay attention to customers' needs because the need pull innovation is more likely to be successful on the marketplace (Chau, 2000).

## 1.4 Models of innovation

It's widely recognized that innovation creates a competitive advantage over competitors, and enables a firm to survive and grow in the market (Cooper, 1990; Chesbrough, 2003). This section presents an examination of innovation models used made to describe innovation as a process that generates new products/processes and methods. The overview includes the linear, chain linked, triple helix and open innovation model.

### 1.4.1 Linear model

The linear model of innovation was one of the first models used to understand and explain the relationship of science and technology with innovation. The model starts with basic research, then adds applied research, development, and ends with production and diffusion. This model may be considered an agglomerate, developed through time in three steps: the first step linked applied research to basic research, the second step added experimental development, and the third one added production and diffusion (Godin, 2006).



**Figure 02.** Linear model of innovation  
Source: Godin, 2006

From many economists and researchers basic and applied research were generally presented as opposite terms, as different kind of researches but strictly related one to the other. The relationship between basic and applied research was a one way relationship, with basic research fueling the applied research (Rowland 1902; Bush, 1945).

Bush (1945) marked the distinction between the basic and applied since, but however, the two types of research should be seen in relation to each other. He defined the basic research, as the



research performed to generate a general knowledge, and with no practical use. New products and processes are based knowledge developed by the pure science, and for this reason basic research can be considered the pacemaker of technological progress (Bush, 1945). In Anthony's taxonomy (De Witt et al., 1953) basic research or uncommitted research '*pursue a planned search for new knowledge, whether or not the search has reference to a specific application*' while the applied research '*apply existing knowledge to problems involved in the creation of a new product or process, including work required to evaluate possible uses*'.

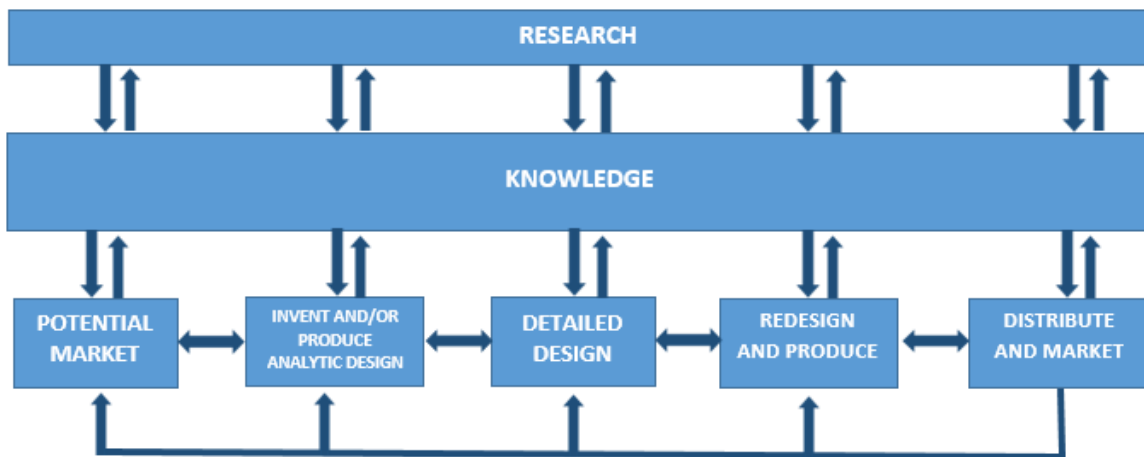
Different attempts were made to standardize the definition of basic and applied research. In the 1950s the National Science Foundation provided the following definitions: Basic or fundamental research: Research projects that represent original investigation for the advancement of scientific knowledge and that do not have specific commercial objectives, although they may be in the fields of present or potential interest to the reporting company. Applied research: Research projects that represent investigation directed to discovery of new scientific knowledge and that have specific commercial objectives with respect to either products or processes. The same did the OCDC in the 1960s, with the following definitions: Basic/Fundamental research: Work undertaken primarily for the advancement of scientific knowledge, without a specific practical application in view. Applied research: Work undertaken primarily for the advancement of scientific knowledge, with a specific practical aim in view.

The next stage of the linear model concerns the development, a function performed inside the firms, as an intermediary stage between the laboratory research and the manufacturing stage (Mess, 1920). The aim of the development laboratory was to bring the new products and processes into a level where they were ready to be produced in a large scale with commercial purposes (Mess, 1920).

In Anthony's taxonomy the development was defined as '*apply existing knowledge to problems involved in the improvement of a present product or process*' and the activities that should be included in the development stage are scale activity, pilot plants and design. For the NSF development was an '*technical activity concerned with no routine problems that are encountered in translating research findings or other general scientific knowledge into products or processes*' and for OCDC '*the use of the results of fundamental and applied research directed to the introduction of useful materials, devices, products, systems, and processes or the improvement of existing ones*'.

### 1.4.2 Chain linked model

The chain linked model, was developed by Kline and Rosenberg since the innovation process wasn't sufficiently explained by the linear model. Innovation may arise from multiple paths, and it's not '*smooth, linear or well behaved*' (Kline and Rosenberg, 1986). This model explains the complex and continues nature of innovation generated by the application of existing or new knowledge. (J. Caraça, et al., 2008).



**Figure 03.** Chain linked model  
Source: Kline and Rosenberg, 1986

The chain linked model combines two different types of interactions: the first one is an interaction at the firm level and the other one is a broader interaction that between the firm and the surrounding environment, specifically the science and technology system within which it operates. (OECD, 1992).

At the level of the firm, the innovation doesn't necessarily start from research. The starting point is a new market opportunity and is necessarily followed by the 'analytic design' for a new product or process, and subsequently leads to development, production and marketing. Research is conducted in every phase of innovation as problems arise during the processes of designing and testing new products/processes (OECD, 1992). The firm uses the available knowledge and technology (found in the surrounding environment) in every step of innovation, and only when it's inadequate there arises the need to make further research to add to the existing knowledge.

To Kline and Rosenberg firms not only rely on science (existing and validated knowledge) but also produce new knowledge in every step on the process. So research is a very important in the process of innovation, but not necessarily the initiating step (OECD, 1992). Uncertainty

is a key concept and it's related to two aspects, the technical performance of the innovation, and the end users response to that innovation (Kline and Rosenberg 1986). Anyway the chain-linked model does not include innovation by chance that was the origin of several important innovation like the penicillin.

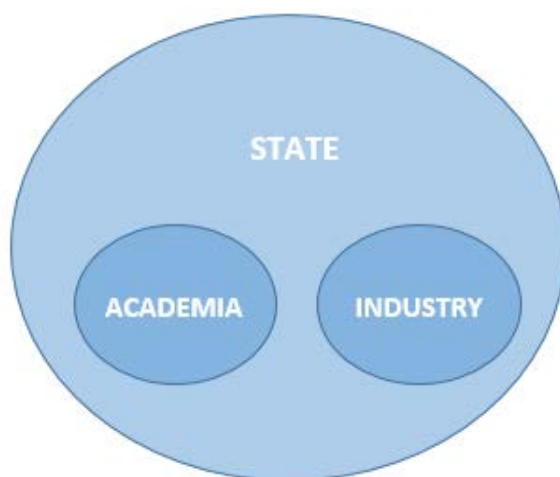
### 1.4.3 Triple Helix model

The Triple Helix Model of University-Industry-Government was developed by Etzkowitz and Leydesdorff during the 1990s and gives to the university a more important role in innovation and economic development of a society. The aim is to create an innovative environment where the economic development is fueled by the knowledge generated by strategic alliances among the firms, government laboratories and academic research groups. These relationships are necessary to spread the costs and risks of the innovation process, and also to gain access in the new knowledge created. Thus innovation is the output created by the interaction of a number of actors in the community, firms, universities and government (OECD, 1996).

*'Triple Helix III is generating a knowledge infrastructure in terms of overlapping institutional spheres, with each taking the role of the other and with hybrid organizations emerging at the interfaces'* (Etzkowitz and Leydesdorff, 2000).

Can be distinguished three main configurations of the Triple Helix model of innovation in the positioning of the university – industry –government relations.

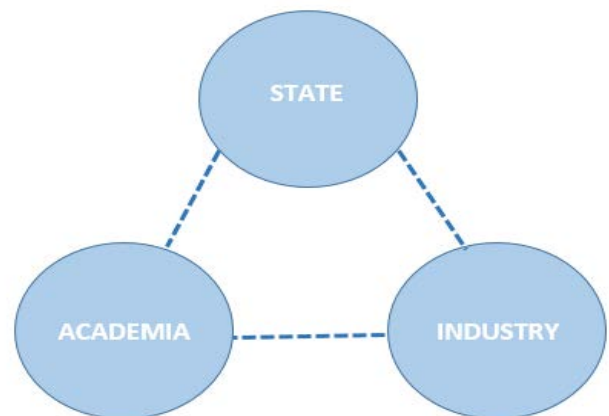
Triple Helix I is a *statist* configuration, the government has a leading role over the university



and the industry and directs the relationship between them (Etzkowitz and Leydesdorff, 2000). This configuration isn't successful at producing innovation. In countries like Russia, China, some Latin American and Eastern Europe countries is still applied this configuration.

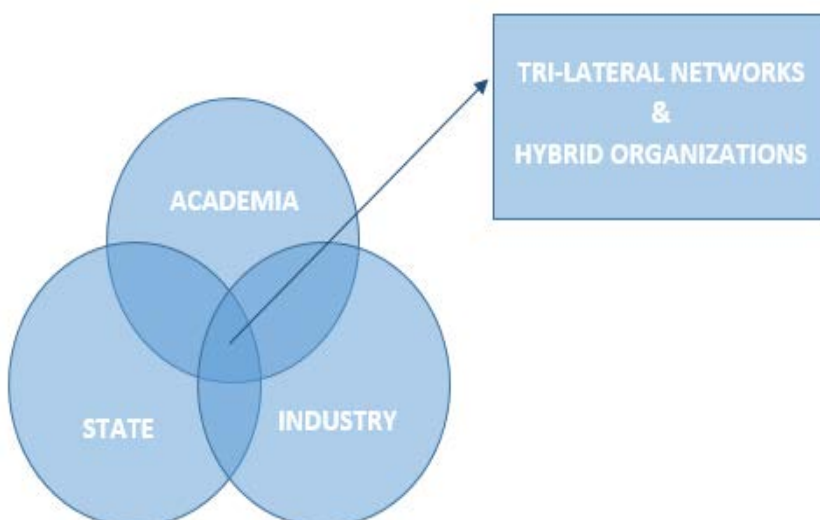
**Figure 04.** Triple Helix I  
Source: Etzkowitz and Leydesdorff, 2000

Triple Helix II or the *laissez-faire* configuration the industry is the driving force of innovation, while the university and government have supportive role and a limited involvement. The role of university is that to provide skilled human capital and the government has the main role to act as regulator (Etzkowitz and Leydesdorff, 2000). This configuration is used with the main purpose to reduce the leading role of the state in the Triple Helix I.



**Figure 05.** Triple Helix II  
Source: Etzkowitz and Leydesdorff, 2000

Triple Helix III is a *balanced* configuration, where the university acts in partnership with the industry and government, there is an overlapping of these institutions, new trilateral and hybrid organizations are created. The aim is to create an innovative environment where the economic development is fueled by the knowledge generated by strategic alliances between the university, government and industry. The university has an increasing role as an innovative actor its involvement in the socio-economic development has a vital importance. The university role



isn't limited at only producing human capital but to create new knowledge and share it with others actors in the system, to develop new collaborative links.

**Figure 06.** Triple Helix III  
Source: Etzkowitz and Leydesdorff, 2000

#### **1.4.4 Open vs. Closed Innovation**

In closed innovation model the company generates, develops and commercializes its own ideas following the philosophy: *'If you want something done right, you've got to do it yourself'* (Chesbrough, 2003). The positive side of this model is the ability the firm has to protect with patents and licenses the generated ideas, and the possibility to exploit them economically. But this model creates a big limitation for the firm, all the ideas must come from and must be developed by a limited number of persons generated. A firm that uses closed innovation model, is focused too internally, may miss many opportunities coming outside of the firm (Chesbrough, 2003).

In open innovation model firms combine the internal and external resources in order to produce innovative solutions and commercializes both its own ideas and ideas coming outside of the firms boundaries. So the firm should continue to generate and develop their own ideas and ideas coming outside the firm (Chesbrough, 2003). The open innovation model favors the information sharing, but this openness may also lead to problems because sensitive commercial and technological information flows outside the firm (Marques, 2014). Chesbrough thus presents six contracting principles of closed and open innovation (see Table 1).

However, as Chesbrough argues not all firms will switch from closed to the open innovation model. Many firms will continue to use the closed innovation model others will be totally open innovators and other companies will be in between. We can find successful companies in our days that use the closed as well as the open innovation. Apple uses the closed innovation model, with ideas coming inside the company, and we are all witness of the huge success of this company during the last years. By the other side Google, one of the biggest companies, prefers the open innovation model for the development of their products. Also Procter&Gamble prefers the open innovation model over the closed one, and most of their products are generated by ideas coming outside the company.

In the following table are presented the principles of both closed and open innovation.

CLOSED INNOVATION PRINCIPLES	OPEN INNOVATION PRINCIPLES
All the smart people work in our organization.	Not all smart people work for us
To profit from R&D the organization must discover and develop internally everything	External R&D can create significant value
The organization that discovers it first, will commercialize it first.	Internal R&D will exploit that significant value
The organization that commercialize it first, will win	The organization, can profit from an idea even if it comes from outside
If the organization develops the most and the best ideas in the industry, will win	The organization that makes the best use of internal and external ideas will win.
The organization should fully control the intellectual property, so competitors won't profit from them	The organization should optimize the results by combining the sale or licensing of their innovation with the purchase of external innovation processes whenever they are more efficient and economic.

**Table 01.** Principles of closed and open innovation  
Source: Chesbrough, 2003

## CHAPTER 2 – Retailing

### 2.1 Retailing and a classification of retail formats

Retailing represents the end of the value chain, it connects manufactures to the final customers, they solve the problems of coordination, making products assortment available at the time and place required by the customers (McArthur et al., 2016). European retailing generated €2.6tn in sales in 2011 and employed 18.6mn people (Sundström and Reynolds, 2014). *‘Retail formats are complex combinations of visible and hidden components. This helps to explain why it can be difficult for the outside observer to identify new retail formats with precision, develop clear definitions of even the main types and gain consensus for these definitions’* (Alexander, 2008 p.3). Retail format are ‘tailored to specific needs of a market segment’ and ‘encompass the total mix of operating and merchandising tactics and practices’ (Lewison, 1997). To Dawson & Mukoyama, (2006) retail formats are ‘combinations of technologies’ and retailing involves the bundling of these technologies in ways considered most appropriate for the marketplace. To Goldman (2001) the retail format consists of an external and internal part. The external part is the retailer offering and includes the product assortment, service, location, shopping environment, and price. The internal part is the know-how and includes the technological dimension and retail culture (Goldman, 2001). In the literature little attention is given to the hidden part or components of the retailing such as ‘as the systems supporting the stores and the operating firm’s organizational structure and management culture’ (Alexander, 2008) and retail formats are mainly classified based on the visible or external part of the retailing.

To classify retail formats several criteria have been used like: the type of goods sold, trip purpose, the size and type of store, store ownership, function and location (Guy, 1998). Some well-established and widely recognized store formats are characterized by the type of goods they sell, like food or clothing (Guy, 1998) and governmental institutions have mainly focused on the type of good sold to developed retail format classification like the SIC code (American Standard Industrial Classification), the NACE (Nomenclature statistique des Activites economiques dans la Communaute Europeenne) of the European Union and the ISIC code (International Standard Industrial Classification of all Economic Activities) of the United Nations (Zentes et al., 2007). According to the means of trip purpose stores can be convenience or comparison store. A convenience store attracts short and frequent shopping trips and the consumer often knows what he/she intends to purchase when visiting the store (Guy, 1998). Comparison store is the destination of occasional shopping trips, often carried in groups and

more enjoyable than convenience shopping (Guy, 1998). The distinction of retail formats based on ownership is independent and multiple retailers (Guy, 1998). Also product range can be used to classify retail formats (Guan et al., 2012). Retailers with a wide product assortment are known as mega-retailers (Kotler and Armstrong, 2001) while retailers with a narrow product focus but a deeper product range are known as category killers or specialty retailers (Kotler and Armstrong, 2001; Rosenbloom, 1999).

Berman and Evans (2004) examine retail stores from the prospective of ownership and its strategy mix. According to the ownership dimension retailers can be divided into six types: independent, chain, franchise, leased departments, owned by manufactures or wholesales (vertical marketing system), or consumer owned (consumer cooperative). The strategy mix is defined as *'the firm's particular combination of store location, operating procedures, good/services offered, pricing tactics, store atmosphere and customer service, and promotional methods'* (Berman and Evans, p.105, 2004). In terms of ownership retailers can be simply divided into independent- owing one shop and multiple retailers-owing several shops (Guy, 1998).

Retailers can be divided into two big groups: store based retailers and non-store based retailers. Some well-established and popular retail formats, both store based and non-store based, are respectively listed in (Table 2). These formats are explained in selected terms of their strategy mix, like the location, product assortment and quality, prices, store atmosphere and service and promotion methods.

<b>Store based retailers</b>	
Type of retailer	Retailer format
<b>Grocery:</b>	
	convenience store
	discount stores
	hypermarkets/superstores
	Supermarkets
	small grocers
	food/drink specialists
<b>Non-grocery:</b>	
	speciality stores/killer
	department store
	variety store
	mass merchandise



Non-store based retailers	
Type of retailer	Retailer format
Internet retailing	
	e-stores m-stores online auctions group buying social shopping social –commerce
Other non-store retailing:	
	direct selling television home shopping channels mail orders catalogues market stands vendin machines

**Table 02.** Store based and non-store based retailers  
Source: Berman and Evans, 2004; Borusiak, 2014

- Convenience store is a well- located retailer, generally in the neighborhood, food-oriented, with medium width and low depth of assortment, average quality of products, long opening hours, average to above average prices, average store atmosphere and a moderate promotion (Berman and Evans, 2004).
- Supermarket is a self-service food-oriented store, generally located into neighborhood with extensive width and depth of product assortment, products of average quality, manufacturer, private and generic brands and competitive prices. The store atmosphere and service is average and promotion is based on flyers and coupons (Berman and Evans, 2004).
- Specialty store is a retailer centered in the selling one good or service line, it carries a narrow but deep assortment, products are average to good quality, is located into a business district or shopping center, has competitive prices, and average to excellent store atmosphere and service. Promotion is generally based on displays and extensive sales force (Berman and Evans, 2004).
- Department store is a large retail unit with extensive width (like apparel, appliance, cosmetics, jewelry, furniture and home furnishing, toys, sporting goods etc.) and depth of assortment. Average and good quality products, average and above average prices, and excellent store atmosphere and service. Promotion is generally based on catalogues and direct mails (Berman and Evans, 2004).

- M-commerce/store can be defined as the total of activities related to a commercial transaction conducted through computer-mediated networks with the help of mobile devices – mainly mobile phones and personal data assistants (Tarasewich, 2002; Tiwari et al., 2006). M-commerce creates real-time interaction between the retailer and the consumer (Yang, 2010) and enables the goods and service purchasing using mobile devices (Clarke, 2008). M-commerce gives access to goods and services anytime and anywhere (Yang, 2010). The development of this retail format is a consequence of the ‘push’ impact of smartphones and smartphone applications (Borusiak, 2014).
- Direct selling is a retailing format that includes direct and personal contact with the consumer at their house, and also phone solicitations. Products sold include jewelry, cosmetics, household goods etc. A detailed demonstration is made while the consumer relaxes and is not exposed to competitive brands (Berman and Evans, 2004).
- Vending machine is a retail format that dispenses goods (like snacks and beverages) and services (like electronic games), with 24 hour sales and has no sales personnel. Vending machines can be placed wherever is convenient for the consumers, it can be placed inside or outside stores, in bus/train stations, in hospitals etc. (Berman and Evans, 2004).

## **2.2 Innovation in retailing**

Innovation literature in retailing has received few attention through the years (Miles, 2000) it’s an under researched subject that needs to be further explored due to its important role in the economy. Innovation in retailing is continues and incremental, customer oriented and provides an effective coordination to enhance customers shopping experience. The innovation process in retailing is a constant and complex process based on co-creation (Hirstov and Reynolds, 2015) where the retailer acts like an innovative hub connecting suppliers, IT, telecommunication firms, and market research companies to work on more radical innovations to pull together the necessary expertise and share the risk and cost of innovation (Medina and Rufin, 2009; Reynolds et al., 2007). Retailer do also radical transformations but is less frequent compared to the incremental innovation.

A new stream of publications have created a new and fragmented literature (Hirstov and Reynolds, 2015) in retail innovation. Authors like Pantano (2014) and Alexander (2008) investigated the innovation drivers in retailing. Hirstov and Reynolds (2015) conducted an analyze to better understand the characteristics of innovation in retailing and to develop

effective tools of measurement. McNair (1958), Hollander (1966), Izraeli (1973), Davidson et al., (1976) and Levy et al., (2005) tried to explain the mechanisms for the emergence of innovative retail formats through the cyclical theories. Were also developed other theories like conflict, environmental and integrated theories. Soarce et al., (2015) analyzed the registered patents in retailing by its typology to understand the areas where retailers innovate more.

### **2.3 Innovation in retail formats**

Retail formats are complex combinations of both visible and invisible components (Alexander, 2008). Retail formats includes the total mix of operating, merchandising tactics and practices used by the retail firm to distinguish and differentiate itself from other competing retail formats (Lewison, 1997). Retailers can have a competitive advantage over their competitors by creating a *'tailored retail format to specific needs of a carefully determined segment of the total market'* (Lewison, 1997, p. 41–42). And as a consequence we expect retail formats not to be static over time. Retailers over time create new formats, change existing ones and discard others (Reynolds et al., 2007).

Authors have developed different models and theories in order to explain and predict the continuous changes in retail formats. Four big groups of theories can be distinguished: cyclical, conflict, environmental and integrated theories (Brown, 1991; Anitsal and Anitsal 2011). Cyclical theories- includes theories like The wheel of retaining (McNair, 1958), The retail 'accordion' (Hollander, 1966), The three wheels of retailing (Izraeli, 1973), The format life cycle (Davidson et al., 1976) and The concept of the big middle (Levy et al., 2005) ; Conflict theories- includes The dialectical theory (Swan et al., 1974); Environmental theories- includes The theory of natural selection (Dreesman, 1968 ; Markin and Duncan (1981), The adaption theory (Michael and Kim, 2005) and The survival of the fittest theory (Hanappi, 2004) ; the fourth and last group- Integrated theories- includes the Environmental-cyclical theory (Kaynak, 1979), Cycle-conflict theory (Gist, 1968) and Environmental-cycle-conflict theory (Beem and Oxenfeldt,1966). In this paper will be presented only some of the cyclical theories, those theories that gained the most attention in the academic world.

The first one is 'The wheel of retailing' theory. According to this theory, innovative retailers pass in three different phases: Entry, Trading-up, and Vulnerability phase. First retailers enter the market with low prices, low margins and with a limited customer service and facilities. Over time, they upgrade by increasing merchandise quality, using better facilities and offering better

customer services, and as a consequence the prices will increase. At the last phase the facilities and customer services are at their best and also there are high prices, at this point mature retailers are vulnerable to new discounters.

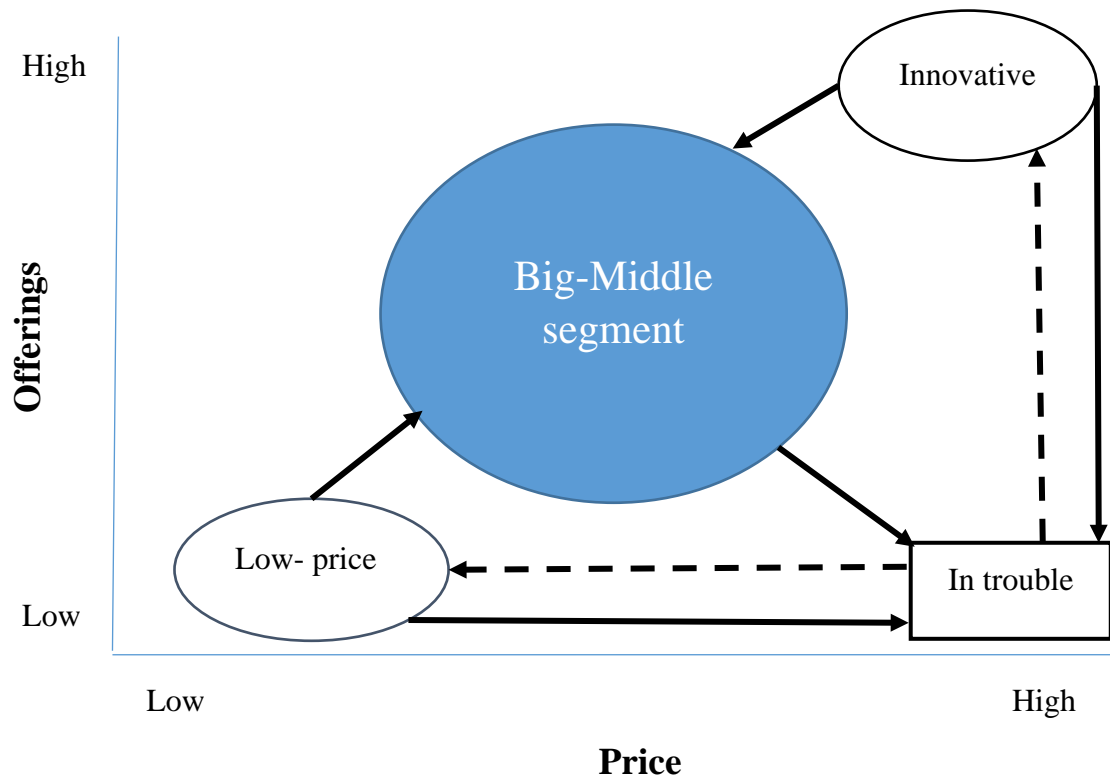


**Figure 07.** The wheel of retailing  
Source: Berman and Evans, 2004

However the wheel of retailing theory doesn't explain why innovations are adopted or discarded, it has a limited explanatory or predictive power (Hollander, 1960; Goldman 1975; McArthur et al., 2016). Hollander noted that retail development demonstrated an 'accordion pattern' and a 'rhythmic oscillation' (1966, p.29). Retailers go back and forth from wide variety of merchandise (universal) to limited variety merchandise (specialized stores). The emergence and further changes in the retail formats in this case depends only in one feature of the store format, width of product assortment (Borusiak, 2014).

The concept of the 'big middle' is a recent theory (Levy et al., 2005). According to this concept new formats of retailing institutions can emerge in the market as low price or innovative formats focused on a particular niche. Later if these formats prove to be successful transit into the Big middle. The low price retailers' market segment are the price sensitive customers, while the innovative retailers' segment are the quality seeker customers, they transit to the 'Big middle' because they offer a superior value to the customers. By transiting to the 'big middle' they transform their niche segment into a larger segment and apply mass market strategies. They end

up offering innovative merchandise at a reasonable price. If later they don't succeed to maintain the balance between the offerings and price they fall into the 'in trouble' category.



**Figure 08.** The Big-Middle  
Source: Levy et al., 2005

However this model originated in USA and its validity outside of the US market hasn't been proved yet (Reynolds et al., 2007) and it's necessary to be validated also in other markets (Borusiak, 2014).

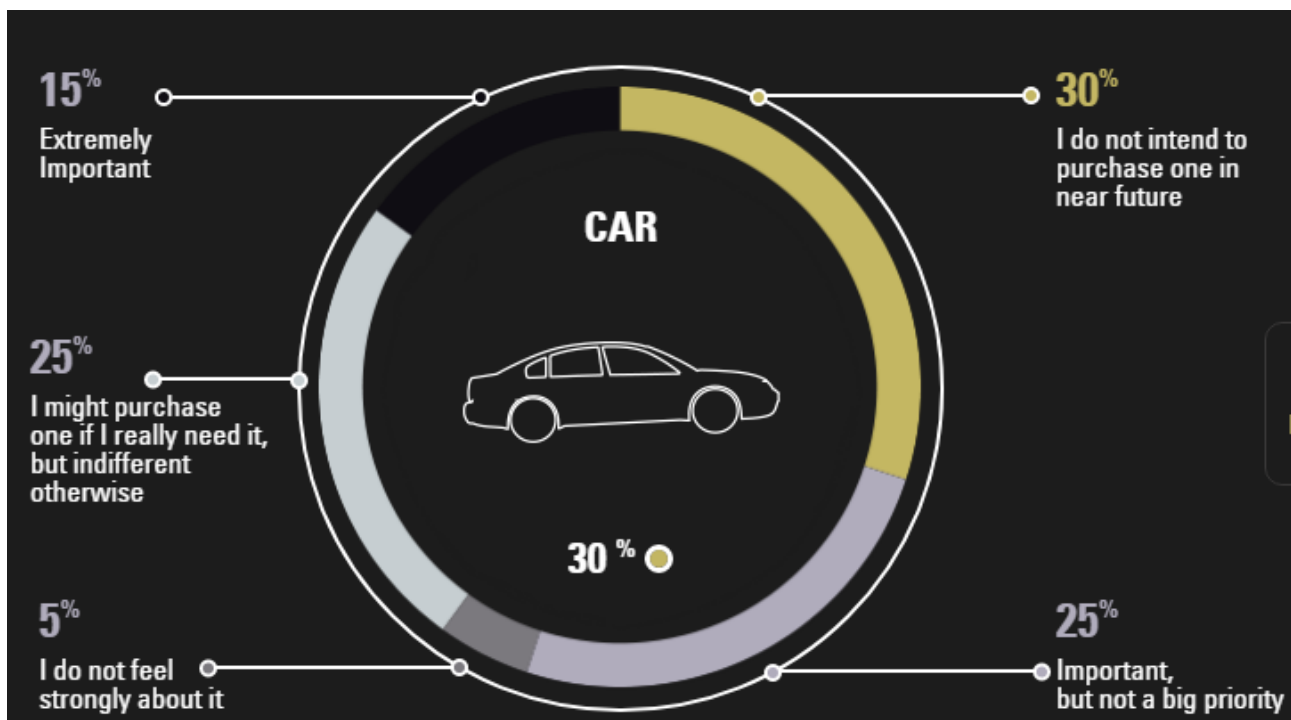
## 2.4 Drivers of innovation in retailing

The market place is characterized by a high degree of customer diversity, intensive competition and market complexity (Gagnon and Chu, 2005). Innovation, in all its dimensions, is the only way to survive and retailers must continuously innovate to face this new and challenging environment. Retailers ability to innovate in a competitive and uncertain environment, can determine retailer's success. Given its vital importance it's necessary to fully understand the innovation drivers in retailing industry. Innovation drivers in retailing industry are different and overlapping, but can be grouped into three main groups: customers, economic conditions, organization characteristics, and technology.

## Customers

As mentioned before, retail innovation is customer oriented (Soarce et al., 2015), and all the social, economic, demographic and technologic changes that affect consumer's lifestyle will also affect their purchasing behavior, so retailers should respond to these changes. In the current economic, social and technological environment, the customer exhibit two kinds of purchasing behavior: they demand low prices for commodity goods, and are willing to pay premium prices for products that 'matter to them personally' (Gagnon and Chu, 2005). What customers want, changes over time and includes both price and non-price factors. However the aim of retailing innovation is to deliver to the customers the expected value and convenience, to be more transparent, to offer the possibility of personalization and customization, and to reduce the efforts of the customers in the shopping process (Sundström and Reynolds, 2014).

Millennials generation, is one of the biggest generation in history and have reshaped the whole economy. Born between 1980s and 2000, millennials have grown up in a time of rapid change and have sharply different priorities and expectations from other generations (<http://www.goldmansachs.com/our-thinking/pages/millennials/>). Millennials are a poorer generation with the tendency to postpone major purchases, or totally avoid them, not only to save money but also to avoid the excessive consumption. For example millennials are unwilling to buy cars, they prefer sharing instead of buying. This holds true also for other 'must have' products of previous generations.



**Figure 09.** Millennials willingly to buy cars

Source: <http://www.goldmansachs.com>

They have created the so called ‘sharing economy’ that will soon be a norm. They are also environmentally and socially concerned, prefer eco-friendly, biological and local products, and are better educated, informed and connected.

### *Economic conditions*

Difficult economic conditions and really high concentration and competition in retailing industry, make innovation a necessary practice as a strategy to differentiate from competitors. This high competition between retailers is an incentive to make continues changes in the development of new retailer formats. Elements like size, location, merchandise, price, customer service and communication, design and store atmosphere are very important elements of the retail strategy (Walters and Laffy, 1996) which differentiate one retailer from another. Also the actual economic crises has made consumers poorer and not much willing to spend, so consumers have the tendency to switch retailers very often, in order to find the retailer who offers the best value. So innovations that reduce costs, lower prices of goods, deliver a higher value and level of customer satisfaction are necessary. Innovative business practices, like fidelity programs are based on the information collected through the CRM (Customer Relationship Management) software, and are developed to consolidate the relationship with consumers and to increase loyalty (Sundström and Reynolds, 2014).

### *Organizational characteristics*

A wide literature support the idea that organizational characteristics, like dynamic capabilities, are strong drivers of innovation (Chen, 2010). Dynamic organizations have the ability to detect environmental changes in order to recognize the challenges and the opportunities this new environment offers. Also have the capability to acquire new knowledge, both explicit and tacit, and uses it to create a competitive advantage over the competitors (Teece et al., 1997; Yuxin and Guangwei, 2010). Organizations with a flexible structure and a culture that supports creativity and new ideas and willingness to invest into new technologies systems can improve and innovate store operations, logistics, marketing and merchandising etc.

### *Technology*

The continuous progress in science and technology, have been identified as very strong driver of innovation in retailing industry (Pantano and Viassone, 2014). New and advanced technological systems can and are consistently enhancing retail process (Pantano, 2014).

Network based technologies and digital technologies are important drivers of innovation in retailing and can lead to economic growth if effectively implemented (Sundström and Reynolds, 2014). The rapid penetration of smartphones and tablets, has increased information and transparency for products/services and enable the continuous shopping (anytime and anywhere). The increasing information availability and transparency enabled the showrooming – consumers using their mobile devices to compare prices online while buying into the physical store. Intelligent technologies like RFID, mobile payments and business intelligence have emerged to improve retailer internal functions.

Technology is capable of disrupting business models, labour markets, consumer behavior and global development, it can be a ‘game-changer’ (Sundström and Reynolds, 2014). ‘*Disruptive technologies bring to the market a very different value proposition.....Products based on disruptive technologies are typically cheaper, simpler, smaller, and, frequently more convenient to use*’ (Christensen, 1997 p.15). Disruption is a process not an event (Christensen and Raynor, 2003) and generally it’s developed and adopted by new entrants to the industry, not leading firms (Christensen, 1997).

## **2.5 Technological and non-technological innovation in retailing**

Innovation in retailing is customer oriented, and the aim is to improve the efficiency but also to deliver a greater customer satisfaction through improved shopping experience (Soarce et al., 2015; Sundström and Reynolds, 2014). Retailers engage in both technological and non-technological innovation, and these innovations can be considered successful if increase customers’ quality of life through the shopping experience. Some non-technological innovations include new marketing strategies, new business models and formats. Through the organizational innovation retailers can differentiate their value proposition and influence the customers’ behavior in the long run. New business models like Vente Privee and Privalia have substantially increased the customers’ shopping experience; store formats like supermarkets and convenience stores, nowadays worldwide spread and successful store formats, once were innovative formats initiated by individual firms. Actually some of the most innovative store formats are: concept stores, flagship stores and pop up stores. All these formats are created with the intention to enhance customers’ satisfaction and shopping experience.

*Example: Vente-Privee innovative business model*

Sixteen years ago the innovative concept of online event sales was introduced by Vente-Privee and an innovative business model was created. Vente-Privee is a French e-commerce



company, founded in 2001 and is a pioneering company of online flash sales business model. The overstock of high quality brands is offered at reduced prices, usually for a short period of time. The company has become an important player of the European e-commerce and in 2014 accounted 20 million members, offering deals of more than 1,500 brands. Unlike most online sellers, Vente-Privee inventory changes frequently, because the company launches during a year more than 10,000 flash sales and each one lasts three to five days. The marketing strategy aims to serve brands in the best possible way, by creating flash sales events where participation requires membership, and also to offer a high quality customer experience. The company owns the number one image production center in Europe, the so called Digital Factory. With a surface of 3,800 m<sup>2</sup> a staff of 260 persons and in collaboration with the best modelling agency the studio produces 15,000 to 20,000 photos a day and 60 musical soundtracks are composed every month. (pressroom.vente-privee.com). Ilan Benhaïm, the responsible of innovation and co-founder of the company explains that the huge volumes of photography is necessary to better present product details since *'customers can't pick up products to feel the texture or to inspect the details'* ( source: <http://www.images.adobe.com/content/dam/Adobe/en/customer-success/pdfs/vente-privee-case-study.pdf> ).

Retailers also engage in technological innovation to increase efficiency but most importantly to enhance customer shopping experience. Some important technological innovations include loyalty marketing system and new payment methods. Sorace et al., (2015) provide a review of the innovation activity in retailing at a technological level. They conclude that there is an increasing interest in technological innovation in order to enhance the shopping experience. To do so they provide a sample of more than one thousand patents, collected from EPO (European Patent Office) from 2010 to 2014 and distinguish the following categories: payment system, info/product display, shopping experience, information research and other.

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Shopping experience	1	1,235	1,333	1,470	2,921
Payment System	1	0,976	1,073	1,024	1,341
Info/product display	1	1,181	1,454	0,977	1,340
Information research	1	0,928	1,928	2,357	1,928
Other	1	1,143	1,459	1,796	1,928

**Table 03.** Number of patents for typology  
Source: Sorace et al., 2015

The table shows the percentage growth per year for each category of technological innovation, and 2010 is the reference year. As can be seen from the table the percentage growth of shopping experience is the higher with a peak of 192.1% growth in 2014. This means that technologies that enhance the shopping experience of the customers are the most important kind of technological innovation in retailing (Soarce et al.,2015).

## **2.6 Measuring innovation in retailing**

The expenditures on R&D and the quantity of registered patents are two conventional indexes to measure innovation (Soarce et al., 2015), but due to the incremental and continues nature of retailing innovation retailers do not exhibit high levels of R&D expenditures or a high number of registered patents (Huges, 2007). However we are aware that in the developed economies retailers are important players in terms of employment, goods and cash flow (Reynolds at al., 2005) and that's why almost 10 years later Reynolds and Hirstov (2015) conducted an analyze at the firm level of more than 50 firms internationally to better understand the characteristics of innovation in retailing and to develop effective tools of measurement. Their study suggests that the innovation in retailing can be related to the behavior and the outcome: the first one 'represents changes in the organization with a big and measurable impact', while the second one is 'associated with new products, services or ways of operating' (Hirstov and Reynolds, 2015). The measures of innovation in retailing according respondents on to Hirstov and Reynolds study (2015) are of two kind: financial and non-financial measures. The financial measures included sales generated, market share, ROI, ROS and profit margins; the non-financial measures included the number of new products and customer insight measures. However to Hirstov and Reynolds 6(2015) 'short term financial benefits' are not adequate to measure innovation in retailing, what matters to them is 'the long term behavioral or organizational transformation'.

## **2.7 Innovative formulas of retailing**

### **2.7.1 E-commerce**

With the emergence of the internet during the 1990s and its application in commerce created a new effective communication and trading channel. The potential of internet usage in business were soon exploited in many sectors, such as banking, manufacturing, education etc. however the biggest impact was on retailing (Doherty and Ellis-Chadwick, 2006) and many scholars

have taken great interest in the implications it would have in retailing (Alba et al., 1997; Peterson et al., 1997; Burt and Sparks, 2003). These implications include changing business opportunities (Quelch and Klein, 1996), business models (Osterwalder and Pigneur, 2002; Sorescu et al., 2011), forms of commerce (Gloor, 2000), purchasing processes (Grewal et al., 2013), and the transformation of local shops into global markets (Wrigley and Currah, 2006). It became clear from the very beginning the potential of this communication channel and that retailers could exploit this unique opportunity to transform who the business is done and transform customers' shopping experience (Amit & Zott, 2001; Doherty and Ellis-Chadwick, 2006). Easy access, global reach, flexibility, speed and ability to communicate large amount of information, cost efficiency and its huge potential for global connectivity created a new and unexplored retailing channel (Doherty and Ellis-Chadwick, 2006; Jones and Vijayasarathy, 1998).

From the retailer's perspective, e-retailing offers a number of advantages :the possibility to target broader markets, to improve communications with customers, enhance relationships with customers and deliver customized offering in a more efficient way (Srinivasan et al., 2002) and the ability to deliver assortment of complementary, unique and unusual merchandise (Alba et al., 1997). Retailers acknowledged the huge potential of electronic commerce to radically re-configure the retailing process (Doherty and Ellis-Chadwick, 2006) and were at the forefront of e-commerce, as a new way to be more competitive and gain competitive advantage over their rivals (Amit and Zott, 2001).

E-retailing can be defined as the sale of goods and services via Internet or other electronic channels, for personal use by consumers (Dennis and Harris, 2003). It includes all e-commerce activities that result in transactions with final consumers (Dennis et al., 2004). There is a significant growth of sales in e- retailing over the past years and are predicted to continue rising into the future (Ellis-Chadwick et al., 2002; Ho et al., 2007). Online shopping is the fastest growing area of internet usage (Forsythe and Shi, 2003). In 2015 e-retail sales amounted the value of 1.55 trillion US dollars equal to the 7.4% of total retail sales worldwide; in 2016 e-retailing sales amounted the value of 1.9 trillion US dollars, equivalent to the 8.7% of total retail sales worldwide; in 2020 the sales are expected to be 4 trillion US dollars equal to the 14.6 % of total retail sales (<https://www.statista.com>).

From the consumer point of view, e-retailing offers a number of benefits. First of all it offers a temporal and spatial convenience of ordering (Eroglu et al., 2001; Jun et al., 2004) where 'constrains of time and space disappear' (Kalakota and Whinston, 1996); instantaneous

checking of the availability of product/service (Jun et al., 2004); offers better value through easy price comparison and hedonic consumption possibilities (Eroglu et al., 2001).

E-commerce has radically changed the marketplace, in terms of marketing communication, pricing and customer position. E-commerce provides to retailers important data about customers, enabling a more effective marketing communication (Frow and Payne, 2009). Retailers today use one-to-one marketing communication rather than one-to-many (Simmons, 2008), to be effective this communication tailors the elements of marketing mix to specific requirement of the customers (Arora et al., 2008). Data about customers is usually collected with the usage of CRM- customer relationship management (Dussart, 2001). Tang and Xing(2001) tried to explore the effect of online retailing into the pricing, and concluded that prices are lower than offline retailers, however even across different online retailers prices vary in a considerable way (Brynjolfsson and Smith, 2000). Customer position is more favorable in the era of online commerce. Internet usage decreases the information asymmetries, promotes the market transparency and gives more power to the customers, by allowing them to influence on product and prices (Rezabakhsh et al., 2006). Despite all the benefits e-commerce offers to both retailers and costumers, there are some issues to overcome in order to fully exploit e-retailing potential. Slow connection or limited access to the internet, lack of security of internet sites and the absence of secure payment systems could slow down the development of this new retailing channel that could reshape the commercial world (Cockburn and Wilson, 1996).

### *Amazon.com*

Amazon history can be summarized in two words: continues innovation! Innovation into the e-commerce, has always been Amazon's biggest heritage (PC Week, 1999). It was the first company to truly exploit the power of Internet, and from a simple online book shop grew into one of the biggest online retailers of our day, and a multi-billion dollar business ([www.Telegraph.co.uk](http://www.Telegraph.co.uk)).

Founded in 1995, Amazon.com initially provided online book retailing services and was the first company that moved the book retailing from the traditional brick and mortar stores, into virtual, online stores (Mellahi and Johnson, 2000). It was also the first company applying the Long tail model (Andersen, 2004) to offer to the customers along with the best sellers hard to find books (Postrel, 1996). Amazon has been the first company to also introduce the 'one-click'

program, where detailed information about the customers was stored, like credit number card, delivery address etc. to facilitate the purchasing program; was the first company to also use collaborative filtering technology, which analyses purchases made by the customer and suggests other books bought by costumers with similar purchasing history. Furth more Amazon has been the first e-retailer offering reminders and order tracking via e-mail (Hof et al., 1998). Costumer review is another important innovation carried out by Amazon. Customers have the possibility to write about their shopping experience and to rate it, helping other customers to make better purchasing decisions ([www.Amazon.com](http://www.Amazon.com))

Even though Amazon is the most innovative e-retailer and managed to stay ahead competitors by continues innovation, must be specified that all these innovations started by Amazon, were quickly imitated by other e-retailers (Mellahi and Johnson, 2000). Amazon has the status of the first-mover into online retailing and set the standards for the industry (Mellahi and Johnson, 2000). Amazon.com is a successful company thanks to the continues innovation, but also to its customer centric vision. In an interview for Business week (1999) Jeff Bezos, companies founder and manager, said that Amazon visions is 'to be the world's most customer-centric company'. Bezos build a highly recognizable and trusted brand worldwide (Economist, 2000; Barrett, 1999) based on the belief that customers when shopping online look for trusted brands (Hof and Hemelstein, 1999). Approximately 40% of company's revenue is spent on brand building (Margolis, 1999). Amazon business today is highly diversified, it's the place where you can find anything!

Other very successful innovations pioneered by Amazon include Prime, Amazon Fresh, Kindle, Amazon Web Service, Prime Air, Prime now, Amazon Launchpad, Amazon Wind and Solar Farms, Amazon Fire TV and many many others. Amazon Prime is a membership program of express shipping based on the idea of all-you-can eat restaurants. By annually paying the membership to the program, customers have unlimited delivering service and two-day shipping, against 4-6 business days shipping paid for every single purchase ([www.Amazon.com](http://www.Amazon.com)). Kindle was introduced in 2007, as a portable reader offering to book lovers every book ever written, in any language that you can download and start reading in less than 1 minute. The first Kindle was sold out in 5.5 hours. Other versions of Kindle were introduced after that making them smaller, lighter, faster and more similar to real paper ([www.Amazon.com](http://www.Amazon.com)).

### 2.7.2 M-commerce

M-commerce, or mobile e-commerce, refers to any transaction with monetary value conducted via a mobile device connected to the internet. Customers have the possibility to purchase goods/services anywhere and anytime over the internet using mobile devices not the PC (Clarke, 2008). It can be defined as the total of activities related to a commercial transaction conducted through computer-mediated networks with the help of mobile devices – mainly mobile phones and personal data assistants (Tarasewich, 2002, Tiwari et al., 2006). M-commerce creates real-time interaction between the retailer and the consumer (Yang, 2010) and enables the goods and service purchasing using mobile devices (Clarke, 2008). M-commerce gives access to goods and services anytime and anywhere (Yang, 2010). The development of this retail format is a consequence of the ‘push’ impact of smartphones and smartphone applications (Borusiak, 2014). Mobile devices substitute laptops in many activities, but they also provide new and additional features like barcode scanning, location-based services, and near field communication (Ström et al., 2014). The popularity of mobile devices has also driven the development of applications for payments and price comparisons and access to product information. The increasing use of mobile devices that connect to the internet, which have begun to change consumer practices, including shopping behaviors in fixed-store settings. Mobile devices are converting the internet into an element in physical stores (Bodhani, 2012), which has driven the emergence of new retail formats, such as click-and-collect purchasing (Colla and Lapoule, 2012).

#### *Auchan Direct Retail Express*

Auchan is a leading retailer, present worldwide with the formula of supermarkets and hypermarkets offering all kind of daily needs products for all the ages. It is one of the most innovative retailers in the world, and recently has introduced the click-and-collect service. Auchan Direct Retail Express is a click-and-collect retail format launched in Paris in 2013 and the store targets the city center and pedestrian shoppers.



**Figure 10.** Auchan Retail Express store

Source: <https://www.auchan.fr>

Consumers can access the official website, Auchan.fr with an offering of more than 300 products, and can select the desired products, pay online and select the date and the hypermarket of collection. Consumers save time, and ensure the product availability. The store is equipped with two cold rooms, for storing fresh and frozen products.

### **2.7.3 Shop-in-shops**

In the store-within-a-store arrangement, the retailers rent a part of the retailing space to a manufacturer and decisions like stocking, pricing and merchandising are decided by the manufacturer almost in complete autonomy (Jerath and Zhang, 2010). The shop-in-shop is a common store format in the apparel category, like women and men apparel, footwear and accessories (Jerath and Zhang, 2010). The manufacturer pays a rent for the occupied space and in the past with the intention of generating additional revenue. However the benefits of this practice are much more than just an additional revenue – both the larger retailer and the SIS partner have benefits (Banerjee and Drollinger, 2017).

The large retailer benefits from this arrangement an increased traffic generated by the introduction of an exclusive brand (Jerath and Zhang, 2010). In addition the small retailer creates to the large retailer the possibility to extend the store assortment with complementary products and services that are important to customers (Banerjee and Drollinger, 2017). The larger retailer has a wider assortment and an increased traffic without having to invest in additional merchandise or human resources (Jerath and Zhang, 2010). The small retailer/manufacturer has a ready retail space, has lower costs with respect to a mono brand shop and can take advantage of the customers of the larger store and the readily available retail space (Jerath and Zhang, 2010). Also when the small retailer displays a new brand the sales generated are higher than the sales that would have been generated when the new brand is not displayed in a store-within-a-store (Netemeyer et al., 2012).

Part of the literature of the store-within-a store is the effect on the store image of the small and large retailer. The combined impression of brands within a larger retailer needs to be evaluated in order to understand if the linked parties can benefit or will be adversely affected by the association. Low image brands adversely affected high image retailers and high image brands positively affected retailers with lower store images (Jacoby and Mazursky, 1984; Banerjee and Drollinger, 2017). Regarding the image of the small retailer Jacoby and Mazursky (1984) on their study concluded that also the image of smaller retailer was affected positively or adversely depending on the large retailer image. A different conclusion was reached by the study of

Banerjee and Drollinger (2017) according to which the image of the smaller retailer was not affected by the image of the bigger one.

#### 2.7.4 Concept store

The concept stores were first developed in Europe during the '90s (Chandan and Lottersberger, 2013; Popescu and Popa, 2012), as a shop created to express a specific lifestyle. A curated selection of different products, services and brands around a lifestyle or theme are sold in an integrated space without 'using separate departments' (Popescu and Popa, 2012). This is a kind of fusion between different brands, around the concept store philosophy, that fulfill each other and all of them can benefit from the synergy.

The buying process has a different connotation, it's a philosophy where the customer lives an emotional and sensory experience of 360 degrees (Popescu and Popa, 2012). The emotional and sensory experience that the store offers depends from the store architecture and design, the mix of products and other elements like complementary services and events (Trotter, 2016). The concept stores are an integral part of the city culture (Popescu and Popa, 2012) and seems not to be affected by recession and is adaptable to any market (Vouge, Masseli, 2010). All items must be related to the central theme of the store, displayed in an original and authentic way, to mark the extraordinary nature of the store. The product mix usually includes apparel, jewelries, food, music, pieces of art etc. The concept stores appeal to the emotions of the customers, to make them stay longer in the store and to make them willing to spend more money and more importantly to visit again the store (Popescu and Popa, 2012).

One of the first Concept Stores was "10 Corso Como" in Milan a cutting edge and cosmopolitan store, founded by Carla Sozzani, includes fashion and homeware boutique, café- restaurant, a



gallery, and a book store. The ground floor is an experimental and innovative space dedicated to carefully selected luxury brand of fashion, including women and men's apparel, accessories and fragrances. The café-restaurant is found outside, in a garden of 'lush

**Figure 11.** 10 Corso Como- Concept store  
Source: [www.Nuok.it](http://www.Nuok.it)



perennial plants and seasonal flowers'. An important part of the concept store is the Sozzani art gallery, where well known artists as well as emerging artist have exposed their work. A bookshop selling book dedicated to the art, photography, architecture, design and fashion and also cd-s of jazz, ethnic and new age music (www.Nuok.it, 2012).

### **2.7.5 Flagship store**

Flagship stores are major shops, located in capital cities (Baron et al. 1991) owned by the manufacturers and supply a single brand (Kozinets et al. 2002). They are a touch point for stakeholders (Nobbs et al., 2012) with the main purpose of building brand image (Kozinets et al. 2002), communicating brand meaning promoting brand image, and reinforcing brand loyalty (Hollenbeck et al., 2008).

Based on these definitions we can trace some fundamental characteristics of flagship stores: The store carries just one single brand, with a wide range of products and high levels of in-store service and brand experience (Baron et al., 1991) ; larger format store compared to any other store of the company (Webb, 2001) ; the store is owned by the manufacturer (Kozinets et al.,2002) ; the main purpose of the store is to enhance brand image rather than generating profit (Kozinets et al.,2002). The flagship store has a strategic functions, they are a good method of market entry and market development, for creating and supporting partnerships and stimulating customer activity (Moore, 2007).

The establishment of a flagship store requires a huge investment (Doyle et al., 2008), that sometimes is far superior to sales generated (Arrigo, 2015). As mentioned above the main purpose of the flagship store is to enhance brand image, then the reinforced and enhanced brand image will generate increased sales in other distribution channels (Kozinets et al., 2002). The large size of the store - between five and eight times larger than the standard store (Moore et al. 2007) - along with the wide product assortment and customer service create a unique experience for the customer (Arrigo, 2015) and this is one of the reasons why customer visit flagship stores, not only to make a purchase but to be part of an unique experience (Kozinets et al., 2002). The store location is a very important part of the overall message communicated by the flagship store. Luxury brands create flagship stores in cities like Paris, London, Milan and New York, locations that confirm the brand image (Moore et al., 2007; Arrigo, 2015).

## **CHAPTER 3 - The temporary store – Pop up store**

### **3.1 What is a pop up store?**

To Marciniak and Budnarowska (2009) the temporary store or pop-up store is not something new, it's centuries old and in different formats like ice cream or fish and chip van. However the phenomena of taking up temporary residence in an empty retail space has gained attention on the academic level when established brands started using temporary retailing as part of their multichannel retail offering (Marciniak and Budnarowska, 2009).

*'A pop-up store, is an individual physical manifestation of pop-up retail, is a new experiential marketing format intended to engage consumers... designed to offer an exclusive and highly experiential interaction for the consumer.... Pop-up stores allow visitors to have unique, personalized interactions and experiences with the brand, and they may be open in only one location and for a limited time, from a few days to a year.'* (Niehm et al., 2006, pg2).

The pop up store appeal to innovative customers asking for unique experiences, (Kim et al., 2010) and it's a tool for communicating the brand values and delivering the brand experience (Surchi, 2011). The purpose of pop-up stores is to create experiences, promote new products and enable a face-to-face dialogue between consumers and brand representatives (Kim et al., 2010). Temporary shop is characterized by a high level of originality, the design and location are fundamental elements that intensify the emotional connection of the customers with the brand (Spena et al., 2012).

### **3.2 Types of pop up shop**

According to Surchi (2011) the general concept of the temporary store can be realized in the following forms: 'guerrilla' store, 'nomad' store, 'temporary online store' and 'temporary outdoor sites', depending to the particular needs of the brand, marketplace and the management.

Guerrilla stores are not located in central or fashionable shopping districts, they are generally located in the suburbs, in places that have no connection with the fashion world. They sell season less merchandise from current and old collections as well as exclusive lines (Surchi, 2011). Retailers brands can enter new markets with low costs and to reduce the inventory by recycling old merchandise (Fortini, 2014). Comme des Garçons, successfully opened a series of "guerrilla stores" around the world. In Basel, Switzerland set up a temporary store in a raw urban space – an old building, with unusual architecture and store atmosphere. The store was

set up with clear plastic ‘curtains’ and found furniture, lights and objects (<https://www.dezeen.com>).



**Figure 12.** Comme des Garçons - Guerrilla store  
Source: <https://www.dezeen.com>

The nomad store is not a normal brick and mortar shop, but it is a van that transports the merchandise, a single brand, from location to location to reach the target market (Surchi, 2011). The sportswear brand Puma created the Puma city store in 2008. It was a three level store, made



up by 24 containers with over 11,000 square foot, including a bar/lounge, two decks and a rooftop dance floor. It was fully dis-mountable in order to be easily shipped anywhere and traveling around the world (<http://www.archdaily.com>).

**Figure 13.** Puma – Nomad store  
Source: <http://www.archdaily.com>

The temporary store online combines the strategic advantages of the temporary store with the communicative and interactive benefits of the internet. The temporary online store is much

easier to implement and can reach a much more wide market (Surchi, 2011). It's a virtual store than combines features of temporary store and e-commerce (Pomodoro, 2013). The Mandarin Duck, leather goods brand launched the first temporary virtual store Duck brand in 2008 for a period of 3 months. The store offered a wide range of bags and cases such as military inspiration maxi bags, shoulder bags multi pockets, trolleys etc. It included some pieces of the Y's Mandarin collections, project realized with the eclectic Japanese designer Yohji Yamamoto.

Temporary outdoor sites offers a single brand for a limited period of time with a strategic location at an outdoor site. Nike+ Human Race launched in 2008 was the world's largest one day running event. One million runners from the world from 25 cities including LA, New York, London, Madrid, Paris, Istanbul, Melbourne, Shanghai, São Paulo and Vancouver joint the unprecedented race experience. Many pre-race and race day activities were included. Including free massages, drinks, snakes, exclusive music concerts and the participation of top athletes in different cities (Nike.com, 2008).

According to the strategic purposes of the temporary store Pomodoro (2013) identified four categories: concept brand store, community store, test store and sustainable temporary store. The concept brand store main aim is to increase brand awareness and develop brand image; the community store purpose is to support the existing affective and emotional relationship between the customer and the brand and to increase the sense of belonging to a brand community; the test store – to pre-test a new brand concept or a new product line, to experiment a new market, or to launch an emerging brand with low budget; the sustainable temporary store – store that fit the trend of green and eco-sustainable lifestyle (Pomodoro, 2013).

An example of sustainable temporary store is the pop up bar The Bucky-Bar in Rotterdam. The bar was entirely made with umbrellas (a recyclable construction material) as a way to promote the innovative use of an urban area and eco-sustainable lifestyle. The life time of the bar was particularly short, only few hours (Source: Deezen.com).



**Figure 14.** Bucky-Bar – Sustainable store  
Source: <https://deezen.com>

### 3.3 Motives to run a pop- up shop

The possibilities that pop up stores offer are unlimited and continue to evolve everyday (Gonzales, 2014). They are based on surprise and exclusivity, which is a well-suited response to current consumer expectations (Picot-Coupey, 2014). Pop-up stores appeal to consumers for hedonic reasons linked to the novelty and distinctiveness of the retail concept and the uniqueness of the experience (Kim et al., 2010). Pop up stores make it possible to reach multiple goals in a temporary sitting, using a relatively low-cost. The reasons to run a pop up store can vary depending on objectives and type of product or brand (Gonzales, 2014). However it seems that the main reasons to run a pop up store are to investigate and to promote rather than to generate sales (Gonzales, 2014; Picot-Coupey, 2014; Surchi, 2011; Pomodoro 2013). Pop up stores are also a rapid flexible and cost effective strategy to enter or expand presence on foreign markets (Picot-Coupey, 2014)-this argument is further developed in Chapter 5 of this thesis.

Pop up stores have an investigative function because give the possibility to test a national/international market and also to try different locations before investing into a brick and mortar store (Surchi, 2011; Pomodoro, 2013, Picot-Coupey 2014). The investigative function is especially important when trying to get offline a brand or when launching a new brand (Gonzales, 2014). Also have a promotional function because consolidates and increases brand identity, image and awareness and develops long-term relationship with the customers (Surchi, 2011; Pomodoro, 2013).

Another motive to use the pop up store is the cost advantage of this innovative retail format. Using the pop up shop, companies can test the market, gather information and also increase brand image and brand awareness with withheld costs (Marciniak and Budnarowska, 2009). Pop up stores are considered a solution to the financial crisis that is affecting landlords and retail managers as well (Picot-Coupey, 2014). For landlords, it is a way to fill vacant space (Mulvihill, 2010) while retail manager can sell off excess warehouse stock or maintain sales with a limited investment (Surchi, 2011). The communication strategy at the pop up store is not based on traditional media communication, it's based only in the use of word of mouth communication, as a way to create buzz around the brand and provide an interactive environment for customers (Marciniak and Budnarowska, 2010; Kim, 2010). *'Pop up stores are about customer engagement. They are an opportunity to physically interact with customers, surround them with your message and gather feedback about your customer all at the same time'* (Gonzales, 2014 pg. 321).

However Surchi (2011) makes a distinction in the priorities that investigative and promotional functions have when the pop up shop is used by a well-established brand or by an emerging brand. Well established brands use the pop up stores with the purpose to communicate the brand, while emerging brands with the purpose to test a potential market (Surchi, 2011).

Other motives include generating sales, educating and engaging customers (Gonzales, 2014; Ryu, 2011). Customer get engaged in the pop up store , they become part of the brand and act as brand ambassadors and promote the brand through the word-of-mouth communication (Gonzales, 2014). The Daisy Marc Jacobs Tweet shop is a good example of consumer engagement, customers could pay products with their Tweets or Instagram posts, regardless the number of followers. The Tweet Shop was launched in NYC, February 2014, during New York Fashion Week, and was a total success so it later travelled to London and Amsterdam. This innovative concept tied with strategic execution created millions of online impressions and over 400 pieces of press coverage. A pop-up store can be set up also to educate customers, for companies that provide new and sometimes difficult to fully understand products and/or have a special mission (Gonzales, 2014). In the first case the store will be some kind of ‘laboratory’ that will provide in-deep understanding of the products. Intel set up a pop up shop in 2014 with the objective to teach to customers the differences between their and competitors’ products (Gonzales, 2014; Intel website). Other times the pop up shops are set up to communicate a special mission of the company- that’s the case of Kenzo No Fish No Nothing store in collaboration with Blue Marine Foundation to contribute to the stop of overfishing activities around the world. Kenzo launched the @nofishnonothing collection, for every product bought and Tweet and Instagram posts on the giant virtual aquarium will appear a new fish, and in regular time spans 30% of fishes in the aquarium will disappear as in the nature due to the overfishing ([www.Vouge.it](http://www.Vouge.it)).

### **3.4 Costs of running a pop –up shop**

The pop up shops are considered a modest investment compared to the investment required by a permanent store (Surchi, 2011). Costs are controlled and limited resources are invested to the project (Picout-Coupey, 2014). Retailers don’t have huge advertising costs, since the store relays entirely on viral or of word-of-mouth communication (Ryu, 2011; Surchi, 2011). However the renting costs usually depend on the space available for renting and the period of

the year, for premium periods and prestige locations the price paid is higher than normal (Surchi, 2011).

### 3.5 The pop up store location

The location of the pop up store has a strategic role in expressing the retailers' brand position (Picout-Coupey, 2014), it's a trend indicator for the brand (Marciniak&Budnarowska, 2009), playing an important role in fostering access (Spena et al., 2012), must be innovative and beyond traditional forms (Pomodoro, 2013). According to Surchi (2011) pop up stores are located 'invariably in high traffic shopping areas' while the study conducted by Picout-Coupey (2014) argues that it's not necessarily an high traffic shopping area, but depends on the objectives and usually cannot be accessible on permanent basis.

Some of the location to set up a pop up shops are:

1. **A store-within-a-store**: pop up stores located within a store are also known as pop in shop. As previously discussed in chapter 2, the store-within-a-store is best starting for a



new retailing brand. It exploits the traffic generated by the bigger retailer, to promote the brand and to test the market. Hermes set up a pop-in-shop (pop up store within a store) in Nordstrome, a space dedicated to the silk accessories and jewelry (<http://www.pambianconews.com>).

**Figure 15.** Hermes pop-in-shop  
Source: <http://www.arredanegozi.it>

2. **Gallery or Event space**: this location is particularly suitable for luxury and fashion brands. Louis Vuitton set up a pop up store at the Museum of Contemporary Arts in Los Angeles (New York Times).
3. **Shopping center**: a pop up shop in a shopping center can be set up in empty stores reserved for the pop up shops, or by renting a kiosk. Vodafone set up the Vodafone

Warriors pop up shop in the Hunters Plaza shopping mall in Australia, selling the full range apparel of the club's official 2016 in the rugby league ([www.warriors.kiwi](http://www.warriors.kiwi))

4. **Vacant street level retail space**: this vacant retail space may be a space reserved for pop up shops, or it may be just a commercial space previously use in long-term contracts, that recently is empty. This option is usually the more popular. Braintropy has recently set up a temporary store in Via Roma in Padua in an empty retail space.
5. **City squares**: in this case the 'store' is mobile and a unique and innovative design piece



with modular elements, like the giant shoebox of Adidas in London and Nivea transformable pop up shop in Milan etc.

**Figure 16.** Adidas pop up store in London  
Source: <https://it.pinterest.com>

6. **Other locations**: Pop up store can be set up in many other locations, practically everywhere, even the most bizarre places. The renowned chef Heston Blumenthal in collaboration with the famous TV show Master Chef Australia, opened several pop-up restaurants in Melbourne. The first of them was set up in Melbourne observation wheel creating "the biggest revolving restaurant in the world", and another in the underground car park of Melbourne University (<https://tenplay.com.au>)



**Figure 17.** Pop up stores in Melbourn  
Source: <https://tenplay.com.au>



## **CHAPTER 4 - Pop up store an innovative marketing tool**

In the postmodern society different people have different objectives that affect the dynamic of the groups as well (Bennett, 1999), their main characteristic is the high instability and a constant search of novelty (Bauman, 2000). The postmodern consumer is always on the move, constantly searching for new and unique experiences, toward ‘temporary sensations’ (Pomodoro, 2013). Social media and online platforms enable the consumers to be part of virtual communities where they share their personal experiences, opinions and emotions. Consumers now demand for products and services that affirm their belonging to specific community rather than for the actual use of the product (Olofsson and Holmgren, 2015). Therefor the contemporary consumer is always searching for the experiences that generate temporarily emotions, the consumption has an ephemeral dimension and the pop up store is set up to involve the customer in a hedonistic experience (Pomodoro, 2013).

### **4.1 Pop up stores as an unconventional marketing strategy**

Under the light of the new consumer’s behavior the traditional mass communications (like TV commercial, radio advertising, billboards, newsletter and etc.) have become ineffective to communicate brand value and to create brand loyalty. So new and unconventional marketing strategies should be used to facilitate the customer interaction with their ‘belonging community’ (Cova, 1997). Marketing strategic communication should inform and entertain consumers at the same time (Surchi, 2011). Also the customers are not only ‘consumers’ of the product/service provided, they have an important role on the production, distribution and more importantly in the advertising process through the word-of-moth communication (Snyder, 2004; Ferguson, 2008; Surchi, 2013).

The store function has changed as well, it isn’t just a point of sale, where the buyer and the seller exchange goods, it’s much more than this- it’s an experimental and emotional place (Spena et al., 2012) that appeals to the utilitarian and hedonic values (Dunne et al., 2002). The store is used as a brand strategy that provides a unique and multi-sensory shopping experience (Carpenter et al., 2005; Ciappei and Surchi, 2008) and develops customer loyalty. The pop up shop are essential for creating and maintaining relationship with the customers and to transmit the brand values (Surchi, 2010) by creating an evocative environment (Kozinets et al., 2002) using various elements of the in-store design like: visual merchandising, music, aromas, materials and colors (Addis, 2012) . First noticed in Britain in 2003 and rapidly replicated in USA and latter in Europe the temporary stores are characterized by a short life, exclusivity, and

word-of-mouth promotion (Surchi, 2010). It's important to emphasize the temporary nature of the store (Surchi, 2011; Pomodoro, 2013) to create sense of urgency. The main driver to visit the shop will be the fear of missing a unique experience (Zorzetto and Catalano, 2010). Word-of-mouth promotion is an important tool of this unconventional communication strategy, the retailer doesn't make any marketing communication, and store 'takes by surprise' the customers. The pop up shop it's not perceived as a shop anymore, but more like a unique and non-repeating event that generates buzz around the brand and that customers don't want to miss (Marciniak and Budnarowska, 2009; Surchi, 2011; Pomodoro, 2013). So the pop up shop can be considered as a tool of 'guerrilla marketing' (Levinson, 1998; Koch, 2005) where the promotion is carried out by the consumer (Zorzetto and Catalano, 2010). A study conducted by Rice (2001) reconfirms the erosion of traditional mass media communication, and argues that only 20% of brand decisions are influenced by the brand manufacturer and marketer. The word-of-mouth communication seems to be more reliable.

'The location provides a context for the brand' (Marciniak and Budnarowska, 2009) and locations like Paris, Milan, London and New York add value and increase the appeal of the brand (Hollander 1970 ; Marciniak and Budnarowska, 2009). This holds true especially for fashion brands (Law et al. 2004). Louis Vuitton and Tommy Hilfiger set up a pop up shop in Milan, respectively in Corso Venecia and Piazza Duomo, during the 2011. But often the retailer choose new, innovative and out of the frame locations (Pomodoro, 2013) like the Comme des Garçons 'guerrilla store' set up in an old building, in Switzerland.

Time choice is a very important element of the overall strategy. Pop up shops are usually set up during important events, festivities or summer (Pomodoro, 2013) to create and exploit synergies created (Spena et al., 2012). Fashion weeks, festivals and exhibitions increase traffic in the shopping area, and more importantly the pop up shop sets into the context and synergies. Comme des Garçons 'guerrilla store' in Switzerland was set up during the Art Basel and fairs of the city. The merchandise mix varies from exclusive lines, limited editions, to actually and previous collections (Pomodoro, 2013; Picout-Coupey, 2014).

Social events should be planned to increase customer's interest and to provide an 'exciting and personalized experience' (Pomodoro, 2013), that would create 'long – lasting memories that transcended the life time of the store' (Picout-Coupey, 2014).

## **4.2 Pop up store and experiential marketing**

Recently the experiential marketing has tried to address the effects of the emotional dimension of marketing communications on the consumption behavior (Vigolo, 2007; Ramaswamy, 2009 ; Caru and Cova 2007) . According to the experience marketing approach, value is not offered or transferred to the consumers by the producer, but is co-created through the interaction of the consumers and producer (Prahalad and Ramaswamy, 2004; Caru` and Cova, 2007). The evolution of the store from a simple point of sale to an ‘emotional and experimental place where the firms and consumers build their relationship and the emotional exchange occur’ (Spena et al., 2012, pg. 22). Retailers are engaging in experiential marketing strategies to create multi-sensory and unique experiences to encourage the interaction of the consumers and the brand (Gordon, 2004). The pop-up store is an ‘experimental place’ where the consumer is immersed into a unique experience (Spena et al., 2012).

Retailers understand the huge value the experiential marketing, appealing to the hedonic and not only utilitarian value is the source of creating customer satisfaction (Kaltcheva and Weitz, 2006) and increase brand awareness (Surchi, 2011). Pop up stores create an interactive platform that offers a multi-sensory engagement and create long-lasting experience that goes beyond the life span of the store (Picot-Coupey, 2014).

The location, the time of the year, the store design and visual merchandising create the perfect landscape to evoke an emotional reaction and to intensify the emotional connection the consumer has with the brand (Kaltcheva and Weitz, 2006). Design and location ‘enhance brand-consumer awareness and intensify the interaction between the point-of-sale identity and the customers’ sensory, emotional and cognitive perceptions’ (Spena et al., 2012).

In conclusion, the temporary store is a retailing format developed under the changes of the social and economic environment, it’s now an essential tool of the marketing communication strategy. This unconventional marketing approach suits well to the liquid and mobile society where people are searching for ‘personal and immediate gratification’ (Bauman, 2007).

# **CHAPTER 5 - Pop up store as part of the internalization process of retailers**

## **5.1 Retail internalization process**

Retailers are increasingly being challenged to operate and expand their store networks across borders and cultures (Deloitte, 2012; 2014a). There are several different foreign operation modes starting from export-based modes, to contract-based modes and equity-based modes. Given its influence on the success of the operation, the operation mode in internalization is a critical choice (Picot-Coupey, L. Burt, Cliquet, 2014), it's a key base from which a company's ability to penetrate a foreign market springs (Petersen, Welch, 2002).

Equity-based mode : Company-owned stores provide the greatest levels of control over decision making (Dawson, 1994) however the resources committed in expansion plans are significant and flexibility is limited due to the costs of network adjustment (Moore, 2000).

Contract-based mode: Franchised stores require less resource commitment higher levels of flexibility, yet difficulties have been experienced by retailers in controlling their foreign franchisees (Hutchinson et al., 2006) even if the franchising contract provides some legal protection (Watson et al., 2005).

Export-based mode: Shop-in-shops require far fewer resources and offer greater flexibility because of the short-term contract and limited investment required (Alexander and Doherty, 2009; Jerath and Zhang, 2010) but the retailer has a limited control over operations due to the role of the retailer hosting the shops (Petersen and Welch, 2000; Hutchinson et al., 2006).

## **5.2 Pop-up store as a foreign operation mode**

There is few literature on the pop up stores, and even fewer when it comes to the usage of this new retail format as a strategy to operate in a foreign market; However there is a the growing trend started in 2008, of international retailers to use pop-up stores in foreign markets. For example Uniqlo store opened for two months in Paris in 2009, an Azzaro shop launched for ten weeks in 2010 in Riyadh, and a Louis Vuitton store set up for only four months in fall 2008 at the Museum of Contemporary Arts in Los Angeles. (Picot-Coupey, 2014). The pop-up store are a foreign mode of operation (FOM) with an important role on the retail internalization process. Pop up store as a FOM can be used as a pre-entry activity in the retail internationalization process (Jackson and Sparks, 2005) with the aim to facilitate the access in

the foreign market. Also can be used as a supporting activity for further development in a foreign market. Pop up stores can be used as a single mode of entry in foreign markets or in combination with other different foreign operating modes.

At the early stages in a foreign market, a pop-up store is a FOM used in isolation and is appropriate for teasing consumers and influencers at the pre-entry stage of the retail company in a foreign market. At the entry stage, the pop-up store as a FOM is considered relevant for explorative purposes given its control, flexibility and resource qualities (Picot-Coupey, 2014).

There are several reasons why pop up stores are used as a foreign operating mode in the internationalization strategy of retailers, like the low cost and high flexibility very important dimensions to consider in the entry stage on foreign markets. Pop-up stores are a cost-effective FOM compared to other forms of foreign operating modes. The level of resource commitment in the foreign market is low, making less costly the very important pre-entry stage. The high flexibility is the reason why it's chosen as FOM in the entry stage. The temporary nature of the store gives the retailer the possibility to further develop their presence in the foreign market with other operating modes may with higher resource commitment, but it also it's easier to withdraw from the internalization process if the customer/market feedback is not positive.

Thus, pop up store is a FOM that allows learning from the market, enabling explorative internationalization; it is a means to evaluate the best suited post-entry mode and strategy to adopt (Picot-Coupey,2014) . The pop-up store as a FOM nurtures a proactive approach to internationalization: the retail firm can switch more rapidly than planned in the initial model from cautious to ambitious (Treadgold, 1990). There is also an objective of rapid profitability behind the choice of the pop-up store as a FOM for the small firms (Ryu, 2011), a phenomena that has not been observed as such in a domestic context (Surchi, 2011).

Once the retailer has entered in a foreign market it can use the pop up stores in combination with the existing FOMs with the aim to strength and expand its position in the market, to generate revenue and to complement the marketing action of other FOMs (Picot-Coupey, 2014). The pop-up store when added to already existing branded stores generates extra-revenue for the foreign operation, which is a role already observed to justify mode combination (Benito et al, 2011). Combining pop-up stores to other retail FOMs is done also with the intent complement each other marketing action, what Benito (2011) called complementary modes.

At the expansion stage, the goal of the pop-up store is to raise brand awareness, to generate revenue and customer engagement. In this perspective, the pop-up store as an additional mode

boosts international expansion cost-effectively. Within the context of the existing network of stores opportunities of growth can be exploited more effectively (Picou-Coupey, 2014).

### **5.3 Motives to run a pop- up shop as a foreign operation mode**

There are several motives for using the pop-up store as a foreign operating mode.

- To observe and test foreign markets

Pop-up stores are a relatively low cost FOM to observe a foreign market and to test its potential for their retail concept, before committing in high capital investments. This FOM helps address key issues in an international context about first, market attractiveness second, consumer preferences and concept adoption (Picot-Coupey, 2014).

- To address the standardization – adaption dilemma

After testing the foreign market the retailer can chose to adapt, to create a tailored offer based on customers' feedback. Their ability to offer the necessary conditions for the efficient implementation of an international marketing policy is a key choice factor, confirming results on the determinants of a retail FOM (Doherty, 2000; Picot-Coupey, 2006).

- To raise the international profile of a retail brand.

The temporary nature of a pop-up store enabled retailers to access specific or prestigious, but expensive, locations considered necessary to develop an international image. (Picot-Coupey, 2014)

- To raise awareness in international markets of a retailer brand.

The purpose of pop-up stores is to develop a viral and positive buzz around the brand, so as to increase brand awareness (Marciniak and Budnarowska, 2009).

- To educate foreign consumers and potential partners

The misinterpretation of a concept represents a major risk in an international context (Dupuis and Prime, 1996; Goldman, 2001); pop-up stores could help overcome this by working on various concept dimensions (history, product assortment, and storytelling).

- To develop relationship networks with stakeholders in foreign markets

Choosing a pop-up store as a FOM gives the opportunity to connect with various stakeholders to the development of the retail brand in a foreign market: consumers, trendsetters and journalists via immersive experiences, promotion operations, social media activity and temporary web sites, and local authorities and landlords via the temporary commercial leases (Picot –Coupey, 2014).

#### **5.4 Characteristics of pop up shop as a foreign operation mode**

Karin Picot-Coupey (2014), one of the very few authors that deals with pop up stores in terms of internalization, has discovered following characteristics of a pop up store as a FOM.

- **Store location** - Pop-up stores are invariably strategically located in high traffic shopping areas (Surchi, 2011, p. 260), that's what previous research suggested regarding the store location. Picot –Coupey (2014) on pop-up stores as FOM suggest different results. The location chosen varied depending on the objective and not necessarily the location with the higher traffic shopping.
- **Store design and atmosphere** - The store design and atmosphere were considered crucial to create long lasting emotional experience, a result that is consistent with previous researches. A temporary store is intended to take customers by surprise to arouse an emotional response, stimulate reactions' (Surchi, 2011); this form of trading format has the potential to create memorable experiences for customers (Pine & Gilmore 1999) ; Pop up stores present a theatrical nature and are seen as a form of art. (Marchetti and Quinz, 2007).
- **Merchandise mix** - Very different product assortments were displayed; current and past collection, as well as special lines, new lines etc. (Picout-Coupey, 2014).
- **Promotion and events** -The pop-up store in itself was unanimously considered to be a communication tool (Picot-Coupey, 2014). The promotion is essentially based on word-of-mouth communication (Ryu 2011; Surchi, 2011); Guerrilla, viral and buzz marketing are key approaches, which at a tactical level, have the most applicability to pop-up stores. (Marciniak and Budnarowska, 2010).

- **Sale space** - Selling area ranged from 33 to 570m<sup>2</sup>, anyway it was an element 'not so much chosen, but imposed by the available retail spaces' (Picot-Coupey, 2011).



## CHAPTER 6 – Case study Braintropy

### 6.1 Full Spot Corporation: Company profile & mission

Full Spot was established in Padua (Italy) in 2009 by a creative and experienced group of extraordinarily innovative individuals oriented from the beginning to an international market influenced by fashion design. Company offer products of high quality and unique Made in Italy design that allow customers to customize them to suit to style, outfit and taste.

The opportunity of customizing our products reflects Full Spot company mission, which is constantly designing and creating new ideas and items with innovative materials, shapes and colors, offering to customers quality and design based on the strong Italian tradition. The company first created the O clock watch, the first silicone clock with interchangeable strap, then we designed a complete range of clocks characterized by clean minimalism and many colors: O chive, O click and the sunglasses O sun. In 2010 launched an ever-growing collection of O bag handbags and shoulder bags made with the special EVA rubber, then from this classic model came: O bag mini, O bag beach, O pocket, O basket, O chic, O folder. The continuous will of renovating soon produced new models as the limited editions of O split, O folder and O chic.

Full Spot is present into the international market with the well know O bag brand, an innovative, colorful, versatile and customizable bag made of cutting-edge materials. With a revenue of 55mln euro in 2016, O bag is a leader in the market of customizable accessories. Thanks to its rich know how, O bag today sells high quality products made of innovative materials like eva, a rubber-like material offers a variety of products ranging from bags to watches, glasses, bracelets and even flat form shoes. All products are created to be customized with the various interchangeable accessories, giving the possibility to create unique pieces fitting the customer's personality and style.

O bag network is unique, custom-made, tailored on each customer, who can live a special and funny experience playing with our accessories by mixing elements and colors.

*The “O” concept stands for: One = unique; Own = belonging to oneself; Original.*

*Graphically, “O” is portrayed by a dot marking each product’ (source: corporate.obag.it)*

O bag is a design-oriented brand, offering its customers the Made in Italy design, first shown at the “Salone del mobile” in Milan 2010 edition and soon after in important international fairs in Paris, Berlin and then in Tokyo, Las Vegas and Sidney, where it got the an

important appreciation. Recently is part of the Fur Free Alliance to put an end to the exploitation and killing of animals for their fur, improving their social responsibility.

O bag stores can be found in Italy and around the world, in the most important towns and fashion districts and malls. In 2012 started its retail project and become widespread in 2015, and currently is present in more than 50 countries worldwide like Spain, Australia, France, Germany, China, Japan, South Korea, United Arab Emirates, United States of America, Canada, Mexico, Argentina, Chile, Colombia, Australia and South Africa etc. It counts 181 mono brand stores in Italy and 114 mono brand stores around the world.

The O bag is about personalization, customization and design. It means innovation, versatility, colors, unexpected and essential. As a leader in the customizable accessory market, offers a wide range of products such as combinable bags, watches, sunglasses and bracelets. All products are meant to be created by the customer that mix interchangeable and match able elements, to create unique and personalized items, as a way of freely expressing themselves. O bag is a design-oriented brand that combines two important elements functionality and design using innovative materials and essential shapes. The company offers worldwide the excellence of the 'Made in Italy' using extra-light materials of industrial manufacturing like EVA rubber and the silicone.

## 6.2 Products

The company offers a variety of products ranging from bags to watches, glasses, bracelets and even flat form shoes, made of EVA rubber. The company first created the O clock watch, a silicone clock with interchangeable strap, followed by a complete range of clocks characterized by clean minimalism and many colors. In 2010 the company launched the collection of the O bag handbags and shoulder bags made with the special EVA rubber (Etilene Vinil Acetato), a plastic fabric ensuring a very light and soft bag. The continuous will of renovating soon produced new models and limited editions of their products (<https://www.obag.it/>).

### 1. Bags

'The bag product selection includes: The **O bag** a unique and customizable accessory made precious by its interchangeable handles, inner canvas and trims ; **O bag mini**, the smaller version of the O bag, also customizable and combinable with a range of ad hoc-created accessories: **O bag beach**, made of soft touch rubber, is easily recognizable thanks to its braided texture. A full color maxi bag, to let you carry whatever you need; **O bag '50**, with its retro design, is inspired by the '50 elegant fashion allure, a real passpartout for your day and night

style; **O basket**, the basket bag designed with a shoulder strap. Its original and funny shape is inspired by the 70s fashion, and even in this case each piece is interchangeable; **O chic**, a brand new model in an elongated shape, designed to be a refined and elegant handbag, made unique by its beautiful and customizable accessories; **O city**, a customizable case bag characterized by its elegant and simple shapes, made to perfectly fit your urban outfits; **O pocket**, the mini shoulder clutch with a customizable magnetic closure flap, for a smart and glamour allure; **O folder**, a wide and roomy unisex shoulder strap bag, made special by its elegant contrasting flaps. Its multitasking inner canvas and its neoprene case make it functional and complete' (source: <https://www.obag.it/>).

## 2. Clocks

'The clocks product selection includes: **O clock**, the watch made of hypoallergenic silicone. Armband and dials are interchangeable for over than 1300 possible matches; **O clock great**, the macro silicon watch, available in many different colors with its Tone on Tone, Soleil and Date dials; **O chive**, the modern version of the popular pocket watch now available in many different colors; **O click**, the watch you can sport at your neck like a jewel. It is a small size clock of simple yet precious design with a soft touch surface' (source: <https://www.obag.it/>).

## 3. Sunglasses

'The sunglasses product selection includes the **O sun** and **O sun aviator**, the customizable and interchangeable sunglasses. You will enjoy and combine lenses, frontals and arms in their different colors and patterns' (source: <https://www.obag.it/>).

## 4. Bracelets

'The bracelets product selection is made up of the **O bracelet**, the silicon bracelet is a fresh, original accessory made special by its precious floral 3D print. Available in slim and big version' (source: <https://www.obag.it/>).

## 5. Shoes

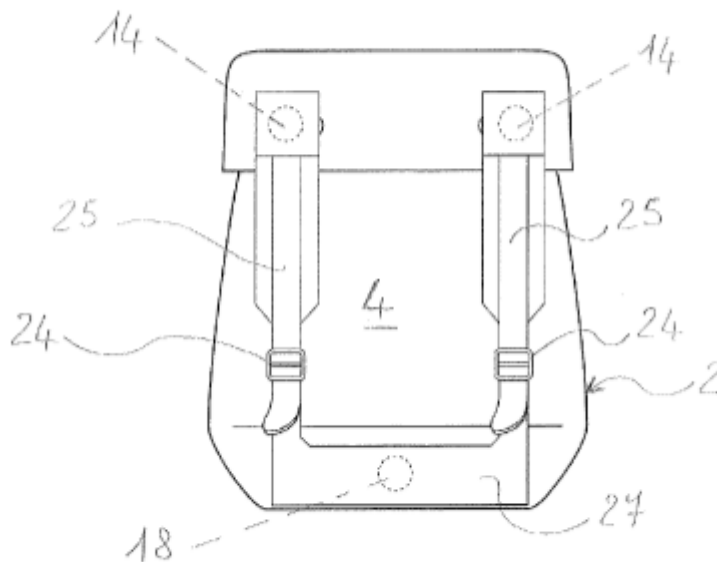
'The product mix is recently expanded by the entry of the **O shoes** flats in XL EXTRALIGHT® material available in high or basic wedge and in 8 different colors. Fashionable décor and bijoux-details to customize the flats bands are what you need to enjoy your minimal and easy to wear mix and match' (source: <https://www.obag.it/>).

The brand awareness for O bag has been developed first of all thanks to the innovative product and point of sales, and word of mouth communication and supported by press conferences and posters focused to company products. The social media marketing is also an important part of

the general marketing strategy, the company has official accounts in Facebook, Twitter, Instagram and a dedicated channel in YouTube. Recently a digital promotional campaign has been launched to promote the O-One a bag/backpack, highlighting the components that make up the new unisex backpack: shoulder straps, base and cover. Fairs and shows are also an important communication tool for the company, as previously pointed out the O bag was first presented at the “Salone del mobile” in Milan 2010 edition and soon after in important international fairs in Paris, Berlin and then in Tokyo, Las Vegas and Sidney, where it got the an important appreciation. As the marketing manager admits, in 2017 the company will have a more substantial budget dedicated to the communication strategy, having as the main focus the web, without abandoning the other channels of communication.

Full Spot company is committed continues innovation, beside the use of innovative materials like EVA rubber to create lighter and softer modular bags, has recently patented a new invention which is a new bag structure, the O-One a bag/backpack can be converted from a hand bag to bag pack. The international publication number of the patent is WO 2016/084016 A1, international publication date 2 June 2016, inventor Mrs. Furian and applicant FullSpot S.P.A. As cited on the patent *‘The object of the present invention is to provide the bag structure of the present invention with an appropriate engagement means for removable attachment of handles or a bag-closing hood and shoulder straps to wear the bag as a bag pack.’*

(54) Title: BAG STRUCTURE



**Figure 18.** O-One bag structure  
Source: EPO (European Patent Organization)

### 6.3 Company's financial performance

The physical retail development started in 2012, and is at its pitch in 2015. Actually Full Spot is preset worldwide with mono brand stores, and multi brand stores having a total of 900 point of sales, in January 2015 introduced the online buying on the official site. The general manager, Mr. Zanella says that aim is to develop a strong retail presence not only in Italy but also worldwide. In 2016 opened the door of their sixth store in Milan, followed with new opening in Mosco, Miami, Boston, Washington, Chengdu and Shanghai. The company plans include the opening of 100 new O bag stores in 2017 and other 500 in 2018, increasing the presence in countries like China, Saudi Arabia and Mexico (Source: <http://www.repubblica.it/economia>).

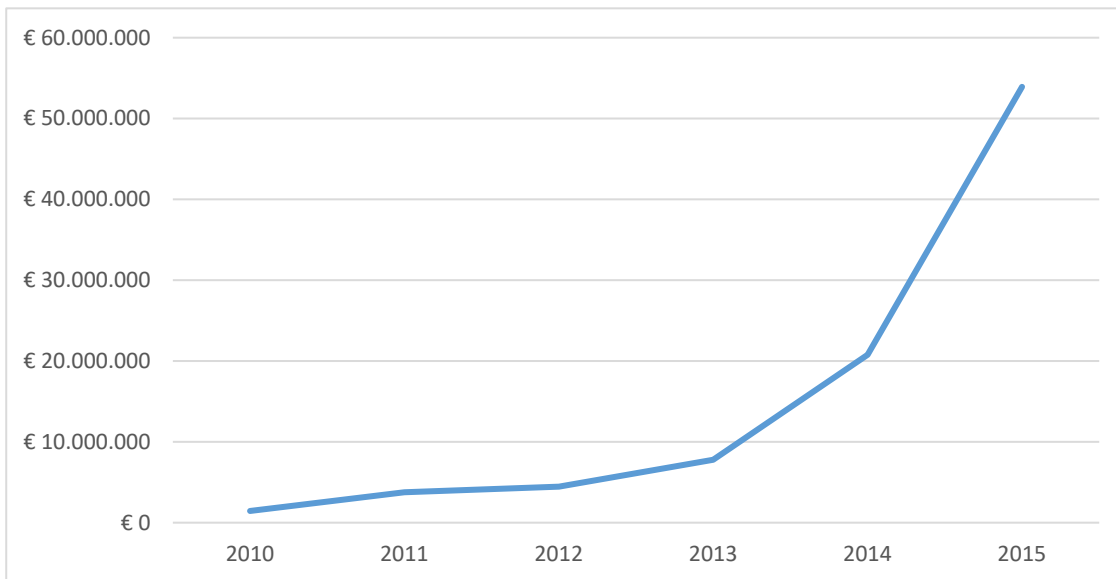
In the following table are presented some important figures about the company financial performance.

Index	2010 EUR	2011 EUR	2012 EUR	2013 EUR	2014 EUR	2015 EUR
Revenue	1.448.515	3.753.143	4.451.725	7.784.112	20.769.384	53.918.139
EBIT	32.923	123.719	377.600	761.248	3.570.150	4.232.067
Net income	18.899	83.291	257.070	479.723	2.374.287	2.775.959
Total Assets	755.768	1.421.039	2.265.314	4.410.831	9.696.224	30.503.697
Shareholder's equity	38.900	122.293	380.075	860.651	3.236.384	6.009.229
Return on sales (ROS) (%)	2,24	3,24	8,34	9,53	16,98	7,78
Return on assets (ROA) (%)	4,36	8,71	16,67	17,26	36,82	13,87
Return on equity (ROE) (%)	48,58	68,11	67,64	55,74	73,36	46,19
Debt/Equity ratio	0,28	0,94	0,23	0,46	0,10	0,05
Dipendenti	n.d.	5	5	10	19	31

**Table 04.** Full Spot - Financial performance

Source: (<https://aida.bvdinfo.com>)

Revenues have increased substantially, from 2010 to 2015, as shown into the graph number 1. (Source: Aida database and Orbis directory). This means that the developing a strong physical retail network and the introduction of the e-commerce in 2015, has proven to be a successful strategy. The starting point of this huge increase of revenues generated from sales is 2013, where the revenues generated are more than doubled compared to the year before, revenues are tripled from 2013 to 2014 and then again doubled in 2015. So revenues generated in 2015 are twelve times bigger compared to 2012. Precursory date on 2016, estimate a revenue bigger than 55 million euro and are expected to increase up to 90 million euros in 2018 (Source: <http://www.repubblica.it/economia>).



**Graph 01. Full Spot - Revenues**

Source: ( <https://aida.bvdinfo.com> )

It's important to point out that almost 70% of the total revenue is generated in Italy and abroad the most profitable markets are France, Spain, United States of America, United Kingdom, and Swiss. However international markets have a low percentage in the total sales, and that's why the company aim in the years to come is to increasing the presence in China, Saudi Arabia and Mexico. Other important and helpful information in order to evaluate the financial performance of the company are indexes like ROA, ROE, ROS and Debt/Equity ratio which are further explained in the following.

**EBIT/OPERATING INCOME:** measures the amount of profit realized from a business's operation, after deducting operating expenses (cost of goods sold, wages, depreciation and amortization). It shows how much of a company's revenue will eventually become profit.

$$\text{EBIT} = \text{Gross income} - \text{Operating expenses} - \text{Depreciation} - \text{Amortization}$$

**ROA: Return on Assets,** measures the profitability of a company relative to its assets. It's a useful index to understand the efficiency of management at using the assets to generate revenue.

$$\text{ROA} = \frac{\text{EBIT (Earnings before interest and tax)}}{\text{Total assets}}$$

**DEBT/EQUITY RATIO:** measures the quantity of debt a company uses to finance its assets relative to the shareholder's equity.

$$\begin{aligned} \text{Debt / Equity Ratio} &= \text{Total Liabilities} / \text{Shareholders' Equity} \\ &= \text{Total Liabilities} / (\text{Total Assets} - \text{Total Liabilities}) \end{aligned}$$

ROS: Return on sales is a ratio used to evaluate a company's operational efficiency. It measures the performance of a company, showing how much profit a company is producing for every euro of sales.

$$\text{ROS} = \frac{\text{EBIT}}{\text{Sales}}$$

ROE: Return on equity is the amount of net income returned as a percentage of owner's equity or how much profit a company generates with the money the shareholders have invested.

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

As it can be seen from the table and also from the graph 2014 is the year with the better financial performance since the company foundation. ROA, ROS and ROE ratios have their maximum values in 2014 and then have a slow decrease in 2015.

#### **6.4 Social responsibility**

**O bag** supports an innovative, sustainable and ethical fashion, opting for new animal friendly and cruelty-free commercial strategies. The company goes green and makes the decision to completely abandon the use of animal fur in its products. For this reason, adhered to the Fur Free Retailer Program developed by the Fur Free Alliance. Starting from the Fall/Winter 2016/17 collection, all the O bag products will not contain animal fur, instead of real fur the company will be using a top quality eco-fur. As Mr. Zanella, General Director of Full Spot company explains *“The autumn-winter 2016/2017 the O bag collections will be entirely fur free. This is a huge step for our company and testifies as to our tangible commitment towards animal welfare. Our choice stems from a strong request on the part of some of our customers that, though they love our bags, weren't comfortable with the use of certain materials. Our customers come first and that is why we always listen to what they have to say. It's word-of-mouth that made the success of O bag, alongside a continuous dialogue with our customers and the collective sharing of personal experience.”* (Source: <http://corporate.obag.it>).

Fur Free Alliance (FFA) is trying to put a stop to the killing and exploitation of animals for their fur, Mr. Pavesi, head of LAV's Animal Free Fashion department says that *“O bag is a symbol of Italian creativity and its designer products, from watches to bags to bracelets and*

*glasses, and now shoes as well, all made from innovative materials, delight customers around the world. This decision has been long-awaited and reinforces the mission LAV has set for itself to promote ethical, responsible and sustainable fashion that doesn't exploit animals"* (Source: <http://corporate.obag.it>). The decision is also an answer to customers' request, at least 12% of customers demand only for eco-friendly products and numbers are expected to increase (source: LAV).

## **6.5 Braintropy S.R.L: Company profile & philosophy**

Braintropy is a start-up company founded in 2014 in Florence, Italy. Innovation is base of the company since its foundation, the company was created around the idea of a modular bag that gives to every women the possibility to create unique and personalized bags, in terms of style and use. Innovative patented products, the use of high quality materials, and the Made in Italy design of Braintropy seem to be characteristics that guarantee success to this new fashion brand. FullSpot having the same commitment to innovation, style and quality understood from the beginning that Braintropy will be the bag par excellence, so in 2015 acquired it.

The actual distribution channel of Braintropy is wholesaling. It's present in nearly 200 multi brand stores (resellers) around Italy. Some of the brick-and-mortar stores that actually sell Braintropy bags are: La Rinascente in Milan, Padua and Florence; Manzetti Concept store in Rome; Evolution Luxury Calzature in Bari; Formentini in Udine ect. Among on-line retailers are popular names like Amazon and Yoox. The company philosophy is *'If you change one thing, you change everything'* based on the so called 'butterfly effect' according to which the slightest flutter of a butterfly is able to cause a hurricane on the other side of the world. Braintropy is a neologism with etymological roots with the man in one side and the universe on the other: *Braintropy = Brain + Entropy*

The brain a representation of the human commitment and creativity; the entropy, an order of magnitude that measures the energy of the universe chaos. Joined together into one term that represents the power of ideas, the constant change and the infinite variations that a random impulse generates on a complex system of thoughts.

## **6.7 Innovative products and marketing strategy**

The Braintropy collection, a Made in Italy collection, gives to every women the possibility to create unique and personalized bags, in terms of style and use. Different shapes, colors and



materials permit you to change bags every day, more precisely to change and transform the bag every day! The It-bag of Braintropy is Patty Toy, a modular bag. The main difference of Patty Toy from other modular bags is the possibility to change different components of the bag as many time as you want, even several times a day depending on the occasion and the mood. Components of Patty Toy bag are: the bags' body, the flap and the handle. by changing one of them you change everything and give a new personality to your bag. The bag assembly is super easy! A zip on the back side of the bag's body allows you to change the flap any time you want, keeping the main part of the bag unchanged and also solving the 'big problem' of content transfer from one bag to another. The Patty Toy is bag created for those who wants to be the center of attention, and want to show themselves to the world every day in a different way! The brand Bubble has eleven different models including purses and bags. Differently from the Braintropy brand, these bags are not modular, but are offered in a big variety of colors.

### Bibliographic data: WO2016055960 (A1) — 2016-04-14

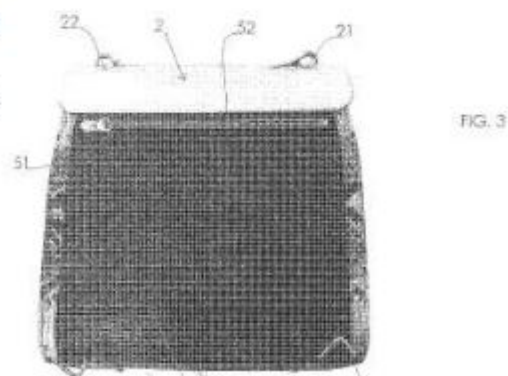
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<b>ASSEMBLABLE BAG</b>			
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Inventor(s):	ROLLO SALVATORE [IT] ±		
Applicant(s):	BRAINTROPY S R L [IT] ±		
Classification:	- international: <a href="#">A45C3/08</a> ; <a href="#">A45F3/04</a> - cooperative: <a href="#">A45C3/08</a> ; <a href="#">A45C9/00</a> ; <a href="#">A45F3/04</a> ; <a href="#">A45F4/02</a> ; <a href="#">A45C2009/007</a> ; <a href="#">A45F2004/023</a>		
Application number:	WO20151B57893 20151008	📄 Global Dossier	
Priority number(s):	<a href="#">IT2014FI00059U 20141008</a>		

### Abstract of WO2016055960 (A1)

Translate this text into

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A bag that can be easily converted into a backpack, and vice versa, with removable parts (2) that provide multiple combinations of a plurality of elements having different functions and aesthetic appearances. Due to its sectional nature, the bag may be used in different ways, such as a clutch bag, a handbag, or a shoulder bag. The conversion from one condition of use to another is facilitated by the provision of strap adjustment means (33).



**Figure 19.** Patent of Patty Toy - modular bag

Source: WIPO (World Intellectual Property Organization – International Bureau)

Patty Toy is a patented modular bag, the international publication number is WO 2016/055960 A1, international publication date 14 April 2016, inventor Mr. Rollo and applicant Braintropy srl. The modular bag of this application solves several problems of the current modular bag, and offers further advantages as described in the patent application: *'The bag of this invention comprises a closing flap that can be easily removed from the bag body due to the presence of demountable/removable connection means to easily change the aesthetic appearance and function of the bag. The bag may be equipped with at least one strap whose length may be appropriately changed to fit the bag to various condition of use: clutch bag, handbag or shoulder bag. Alternatively, the bag may be equipped with a handel that allows conversion thereof into a handbag or with another grip feature. According to a preferred embodiment, the bag comprises connection elements placed on the bag body, allowing it to be converted into a bag pack.'* (Source: WIPO (World Intellectual Property Organization – International Bureau).

**Marketing strategy:** Braintropy is an innovative start-up and its innovative not only in its' products but also for the marketing strategy. Since the beginning it used an unconventional marketing strategy, using the power of social media and virtual reality and also by creating several special events that involve the community and create long lasting memories into the customers. By creating official accounts on Facebook, Instagram and YouTube, the company has developed a strong presence on the social media. Continues posts under the hashtags #Braintropy and #PattyToy feed the internet every day, on YouTube you can find short videos showing the assembly process and various videos from events. Some of the most beautiful events organized by the company, were made to launch limited editions of Patty Toy created in collaboration with fashion blogger Chiara Biasi, Fiat Chrysler Automobiles Group and Fondazione Pangea Onlus. The special edition of Patty Toy created in collaboration with a famous Italian blogger, Chiara Biasi was launched in 2015. For the promotion of this collection the company created a special event in La Rinascente, Milano. Fans and followers were invited to participate at the event, to meet the blogger, take photographs, and were exclusively distributed Braintropy special cards that give the possibility of a special gift.

Also a limited collection was created in collaboration with Fiat Chrysler Automobiles Group. Your Optical Illusion project was entirely dedicated to modern, adventurous and fashionable women, and revolutionized the accessory concept, because for the first time the car is transformed into a unique, feminine and glamour accessory. Coordinated optical fantasies

between the iconic model for more than 50 years Fiat500 and Patty Toy flaps were promoted all around the country, through several events.



**Figure 20.** Brantropy - Optical Illusion project  
Source: <http://www.trendstoday.it>

Brantropy was placed alongside the Fondazione Pangea Onlus, to help on the Jamila Project, a charity project financing micro-credit to women's in Kabul, for the social and economic emancipation of women in Afghanistan. This micro-credit will be used for development projects, medical care and childbirth, vocational training and for starting up business activities. In collaboration with most important fashion editors in Italy created 15 unique Patty Toy Madly presented in an exclusive preview and then sold in auction. Some of the Patty Toy Madly were created by Marie Clair, Cosmopolitan, Elle, Vanity Fair and Vogue. The Fashion Change project promoted by Brantropy for Pangea Onlus, is in line with its' butterfly effect philosophy – that is, a slight flutter of a butterfly can cause a hurricane on the other side of the world. In this case- *'the beating of wings in Milan will cause a positive hurricane for women in Kabul'* (Pirré, 2015).

## 6.8 Temporary store of Padua

Braintropy set up a temporary store in via Roma, Padua on 11/19/2016 – 03/31/2017. As previously pointed out, the actual distribution channel of the company is wholesaling and the company aim is to expand the current distribution channels by adding retailing as part of the distribution strategy. The main reason to set up the temporary store is to test the market, before it makes further investments on opening permanent mono-brand stores. It represents a 'Laboratory store' to present the brand, the merchandise, visual merchandising and selling modalities.

The merchandise mix in the temporary store is wider than the merchandise mix in any of the multi-brand stores, where are usually sold only selected models of the collection. The temporary store is the only store where is present the full range of products. It includes the actual collection, a preview of the next season collection; and also a limited edition collection launched on the Valentine Day –Stupid Cupid.

There is a very pleasant and strong in-store design and atmosphere. The store interior design is characterized by an industrial and minimalist décor with few and very simple metallic shelves, neutral colors and low lightening, all that mixed with an eccentric and hyper colorful bags. The colorful Shoppy, Numbery and Vicky bags from Bubble collection are simply hanged into shelves while the different Patty flaps are hanged into the #DRESSURBAG wall.

The store is located in a high-traffic shopping area, and the sales size space is small compared to traditional store format. The store opened on November 15th until March 31th ,a timeframe including important festivities like Christmas, New Year and Valentine day, periods where the customers are more willingness to spend and make purchases. But as the general manager Mr. Alberto Agostinacchio confirms the location, space and the timing are variables that depend on the availability of free spaces, and not fully controlled by the company. The prices are the same of wholesaling in Italy, which means that have lower prices compared to the multi-brand stores.

Promotion is totally based on viral marketing and word-of-mouth communication. Several posts on the official account on Facebook and Instagram have announced the opening of the temporary store in Padua. Braintropy created the Bon Bon Bag event on December 15th, to celebrate the opening of the mono-brand store. The event was created to present the brand, to involve the community, and to create an emotional attachment to the brand. Participants were treated with hot chocolate, praline and with a 20% discount to be used until the end of the year. On the event could participate anyone that confirmed the participation on the event launched

on Facebook. This event generated a lot of buzz and fed the social network with continues posts, creating excitement and curiosity around the brand. These non-repeating events appeal to hedonic rather than utilitarian values, and create long-lasting memories. The temporary nature of the store was emphasized, by explicitly writing it on the front door. It sends a clear message to the customers: 'visit the store as soon as possible, because tomorrow it might be too late' by creating a sense of urgency.

## **6.9 Conclusions**

In conclusion I'm going to analyze important choices made by Braintropy to set up the temporary store like: motives, merchandise mix, time, location, sales space, promotion and events; to see if they are in line with the conclusions drawn by several studies made on the temporary stores. Braintropy temporary store in Padua stayed open for almost four months, a long timeframe taking into account that some of the temporary shops stay open only few hours or days (Niehm et al., 2006; Surchi, 2011) however there are also stores that stay open up to one year (Niehm et al., 2006).

In line with the conclusions of Surchi (2011) the main reason to set up the temporary shop is to test a potential market before engaging into permanent mono-brand stores; other reasons include promoting and communicating the brand (Surchi, 2011; Marciniak and Budnarowska, 2009) and also generating sales.

According to Surchi (2011) the merchandise mix offered in a temporary store is narrow compared to the traditional store format. In discordance with this conclusion the merchandise mix of Braintropy in the temporary store is wider than the merchandise mix present in any of the multi-brand stores. On the temporary store is present the full range of products plus a preview of the next season collection and also limited edition as shown by Picout-Coupey (2014).

The store interior design is characterized by an industrial and minimalist décor with few and very simple metallic shelves, neutral colors and low lightening, all that mixed with an eccentric and hyper colorful bags. The store design is a fundamental element that intensifies the emotional connection of the customers with the brand (Spena et al., 2012), the store in itself is transformed into a communication tool (Picot-Coupey, 2014).

The store is located in a high-traffic shopping area, specifically in the city center - in line with the conclusions of Surchi (2011) and in discordance with Picout-Coupey (2014) and sales size space is small compared to traditional store format. The timeframe during which the store stayed opened included important festivities like Christmas, New Year and Valentine day.

However the time and location choice are variables that depend on the availability of free spaces, and not fully controlled by the company (Picot-Coupey, 2011).

Promotion is totally based on viral marketing and word-of-mouth communication (Ryu 2011; Surchi, 2011), generating buzz around the store and the brand is a key element of this unconventional marketing strategy (Marciniak and Budnarowska, 2010). The Bon Bon Bag event was created to present the brand, to involve the community, and to create an emotional attachment to the brand. This event generated a lot of buzz in the social network, provided an 'exciting and personalized experience' (Pomodoro, 2013), that would create 'long – lasting memories that transcended the life time of the store' (Picout-Coupey, 2014).

Braintropy emphasized the temporary nature of the store, by explicitly writing it on the front door. It's important to emphasis the temporary nature of the store (Surchi, 2011; Pomodoro, 2013) to create sense of urgency. The main driver to visit the shop will be the fear of missing a unique experience (Zorzetto and Catalano, 2010).

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