Chapter 11
Radical and Incremental Innovation Effectiveness in Relation to Market Orientation in the Retail Industry: Triggers, Drivers, and Supporters

ABSTRACT
The retail industry market environment is very competitive; thus, in order to maintain their competitive advantage retailers are required to continuously come up with innovative offerings and systems. This chapter aims to provide useful insights for the retailers regarding the correlation between market orientation and innovation. The chapter illustrates the differences in start-up and mature companies, and reveals new insights with regard to market orientation and its constituent elements, and its relationship with both incremental and radical innovations. Readers learn that strong competitor orientation, a key ingredient of market orientation, has a positive relationship to incremental innovation for start-up companies, but it is counterproductive for mature companies, where a strong customer orientation is associated with radical innovation. The focus is to understand the dynamics of the entrepreneur versus manager during the transition process as a company grows.

INTRODUCTION
The business demands of a decentralized, networked, globalized, post-industrial environment forces enterprises to respond dynamically, and to continuously adapt their innovation style to not only prosper, but to survive. The first objective of this chapter is to evaluate the current level of technology innovation and the components of market orientation in general, and within the
retail sector specifically. The second objective is to empirically investigate and discuss the link between market orientation and innovation within the context of start-up and mature companies. The final objective is to provide solutions and recommendations as to how retail companies can enhance their performance and encourage innovation. The chapter acknowledges that innovators improve competitive advantage, foster growth, and create opportunities in new markets, thus it investigates the transformation process in the growth of innovative companies by analyzing the effects of different parameters of market orientation on radical and incremental innovation. Finally, it looks at the influencing factors that change during implementation of different innovation styles.

Background

This study investigates the effects of different parameters of market orientation on radical and incremental innovation in both start-up and mature companies. This contrasts to other research in this area, as distinguishing between start-up and mature companies yields new insights about the transformation process in the growth of innovative companies. Market orientation is generally recognized as part of the business strategy of companies and it is considered as an important strategic orientation in literature (Gatignon & Xuereb, 1997; Hunt & Lambe, 2000). Studies identify that market orientation is an important determinant of firm performance and positively affects retail performance (Chung, 2013; Liu & Davies, 1997; Panigyrakis & Theodoridis, 2007; Theodoridis & Panigyrakis, 2011). The concept of market orientation as a business strategy includes the collection of market relevant information. The information is distributed within the organisation with the aim to align products and services to customer needs. The foundation of this is based on the “marketing concept” (Drucker, 1954; Levitt, 1960). However, market orientation goes beyond the concept and it is associated with the implementation of this approach (Wren, 1997).

To be market orientated implies that the firm embraces a strategy to obtain and use information about the environment and to disseminate this information throughout the firm. As mentioned before, the foundation of the marketing discipline is the “marketing concept” and the origin of this concept is in the focus by the firm on the customer and their needs (Drucker, 1954; Levitt, 1960).

In the context of this study innovation is measured by three categories: counts of incremental, radical and overall innovation. Incremental innovations are the improvements/expansions of existing products, services, processes, technical or administrative conditions. Incremental innovation does not cause a significant departure from the status-quo. In contrast, radical innovations in products, services, processes, etc. are breakthroughs that fundamentally change a product or service or process. Overall innovativeness is the total of all innovations put into practice, both radical and incremental in all typologies. These categories have been clearly identified as measures of innovatory activity by a number of authors (Garcia & Calantone, 2002; Gatignon et al., 2002; Tidd et al., 2003; Utterback, 1996).

Market orientation can be defined as the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for customers and, thus, superior performance for the business (Narver & Slater, 1990). The term market orientation has been used in many directions and often the terms customer focused, market driven, and customer centric have become terms associated with market orientation (Deshpande, 1999). Within this study market orientation is considered to consist of four pillars (a) customer centric, (b) customer intelligence, (c) competitor orientation, and (d) market dynamism. A more comprehensive definition of each dimension of market orientation is outlined later.