

# Improving the innovative development mechanism of the trade sector

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## ABSTRACT

The article is devoted to the development of approaches to improving the mechanism of innovative development in the trade sphere. The novelty of the research lies in the development of the concept of knowledge management. According to it, knowledge must be identified and disseminated for it to become an integral part of the mechanism for ensuring the competitiveness of a trading company. The leading role in this should be played by modern information technologies, due to which knowledge becomes a source of competitive advantages for a trading enterprise. The innovative development of a modern trading enterprise should provide for intellectual capital, which determines the competitiveness of its economic system. In such conditions, the differences of a modern trading enterprise are revealed, such as flexible workforce, human resources, the network structure of the organization of activities, and employees. Promising areas that increase the innovativeness of the trade sector include new technologies that allow to open up additional opportunities for differentiating strategies in the service sector of trade organizations, as well as information and communication technologies for studying and considering the individual characteristics of the buyer. The research prospects include conducting marketing research, including researching the sales market, marketing tools, internal and external environment, and the goods market. In a unique selling proposition for the consumer, retailers should focus on strategic differentiation from competitors in such areas as price, quality, enjoyment of the shopping process, quality of service, breadth of assortment, unattended purchases, and the latest achievements.

**Keywords:** Competitiveness, Economy, Innovation, Mechanism, Organization, Trade sector

## Introduction

Currently, innovation is the driver of economic development, contributing to the emergence of new technologies, and, as a result, improving the quality of goods and ensuring the competitiveness of all sectors of the national economy [1, 2]. At the same time, the implementation of innovative solutions requires business entities to constantly improve their

competitive advantages, which contributes to better satisfaction of consumer requests [3].

In the current business conditions, enterprises are simply obliged to quickly adapt to all the changes that are taking place and use the latter to actualize their competitive advantages and further development. Concerning trade, the use of various types of innovations can be one of the mechanisms to overcome the pressure on the part of competitors. But it is necessary to take into account the fact that not all commercial enterprises are ready to implement innovations.

The study of trade development has been reflected in the works of Aldabergenov & Temirkulova (2019) [4], Aliyeva (2020) [5], Belyaev & Chaikina (2019) [6], Dudin & Omarova (2019) [7], Minchenko *et al.* (2020) [8], Shmatko & Lin (2020) [9], and others. At the same time, many issues related to the innovative development of trade enterprises remain unsolved. In particular, it is necessary to improve the innovation strengthening mechanism, that is, the ability of enterprises to

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develop, produce, and sell competitive products that are in demand in the market, to ensure the activation of innovative activities, which will contribute to the sustainable development of both the trade sector in general, as well as individual trade enterprises.

## Materials and Methods

The theoretical and methodological basis of the study included an abstract-logical method, methods of induction, deduction, analysis, synthesis, and systematization, used to justify the approach to the study of the innovative development mechanism in the trade sector, as well as the graphic method employed to study levels and variation trends of parameters reflecting the development of innovation system in the trade sector.

The information base of the article included statistical data of state bodies, legislative and normative documents regulating the functioning of the trade sector, approaches to innovation regulation in the commercial sector, the mechanisms of interaction among the main participants in trading activities, as well as results of conducted studies [10-12].

In the course of the study, it is planned to consider options for implementing innovations in the trade sector, to justify the development directions of the innovation management system to confirm the parameters of its development in the current conditions, as well as to systematize the functions of the innovation system at trade enterprises.

## Results and Discussion

The practice has shown that developed countries implement new sales technologies (electronic price tags, energy-saving technologies, and barcode technologies) and methods to develop new trade formats (online stores). They provide high-quality retail services, as well as apply innovative logistics and managerial solutions, and develop information innovations.

Such innovations are supported on the part of the state through investments, benefits, and regulatory and legislative initiatives in the field of innovative trade. The best practices of successful companies show that innovations, various information technologies in trade increase the efficiency and quality of the process of bringing the product to the consumer, minimize costs, and reduce the level of losses in commercial circulation due to the influence of the human factor, create the necessary working conditions for staff to improve performance and building security system.

Because trade is characterized by sufficient mobility, high susceptibility to innovations of various forms (new trade and production technologies, modern equipment, and management systems), their use makes it possible to increase labor productivity indicators. Trade has become one of the testing grounds for constant innovation, where new sales technologies are being implemented at an accelerated pace, information

systems are being actively developed, on which leading companies spend significant resources.

At the same time, the retail sector is characterized by several changes due to notable main trends, such as duty-free retail, mobile retail, experimental retail, and innovative retail. Among the most important economic issues affecting the trade sector globally, one can note the change in monetary policy, slowing investment growth, changing demographics, as well as the impact of the consequences of using new technologies and the internet.

It is established that in the current context, only large companies can make large-scale investments in innovative technologies and working procedures, such as reducing costs, increasing the efficiency of the distribution system, putting pressure on suppliers to reduce prices, improving product quality, increasing the efficiency of innovative business processes that generally lead to increased competitiveness of the economy, which is an important condition for the implementation of innovative activities in trade companies.

The study allows identifying global trends in the implementation of innovative strategies of multinational trading companies. These trends include making a conscious choice of the need to form an innovation strategy through the merger of science, technology, and production into a single whole; creating strategic alliances; making the strategy of intellectual capital management a key one in the overall innovation strategy of corporations; the presence of significant barriers in the formation of corporate innovation systems; and availability of unique innovative strategies of individual corporations.

At the same time, the globalization of technological development leads to increased competition between companies on a global scale. As a result, trading companies around the world are forced to focus on the best technical solutions when organizing trading processes, adapting them to the conditions and needs of local markets. This creates significant incentives for technology trade and deepening international cooperation based on the principles of strategic partnership.

Therefore, the competitive advantages of commercial enterprises in the current context are created due to unique knowledge and competencies. This actualizes the problem of managing them within the framework of implementing innovative approaches to this process and makes it necessary to develop a comprehensive scientific problem of forming a knowledge management mechanism in trading companies.

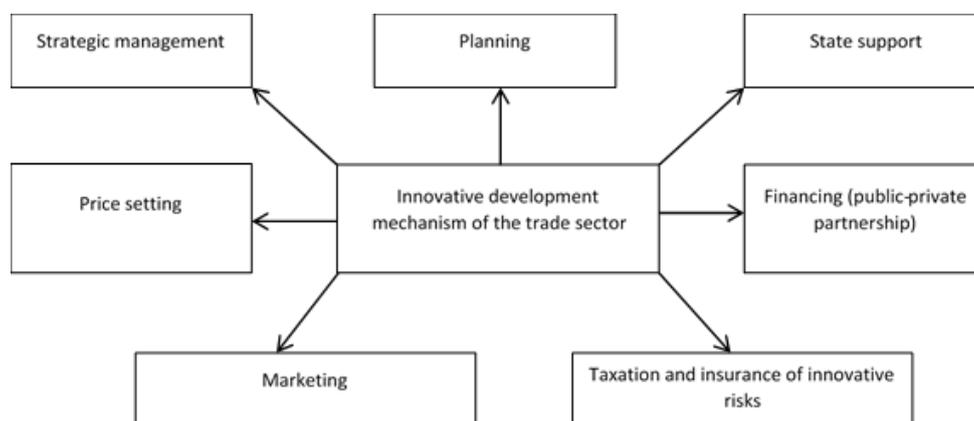
At that, the feature of an innovative trading company is the availability of a developed learning process based on both experience and skills of employees and other sources, including external ones, as well as the use of the accumulated intellectual potential in the course of improving performance. In this case, advanced trading enterprises need to use types of knowledge, such as the professional experience of employees, individual understanding and practice, and creative solutions.

To do this, they should implement the knowledge management concept, according to which knowledge must be identified and disseminated so that it becomes an integral part of the

mechanism for ensuring the competitiveness of a trading company. The leading role in this should be played by contemporary information technologies, due to which knowledge becomes a source of competitive advantages of a trading enterprise.

Besides, the trading business should also quickly master the general concept of a customer-oriented service focused on the consumer, as well as make the service style, the entire process of interaction with the buyer, customer, and client more

attractive. The transformation should affect not only the commercial service sector but also the public and mixed sectors. All this should lead to the fact that innovations in the trade sector should take the form of social innovations, which can sometimes be incompatible with the existing structure of society. At the same time, the innovative development mechanism of the trade sector requires considering strategic management, planning, state support, financing processes, taxation, and insurance of innovative risks (**Figure 1**).



**Figure 1.** Innovative development mechanism of the trade sector

In trade, as in the economic activity sector, it is necessary to improve the economic activity of commercial enterprises by implementing innovations, using more effective methods of customer service, expanding trade services, using new methods of pricing and sales, forming new approaches to the management of sales channels and personnel management, and implementing new labor automation tools. Besides, the development of innovative activities in trade can significantly increase competitiveness, financial stability, as well as meet all the needs of customers.

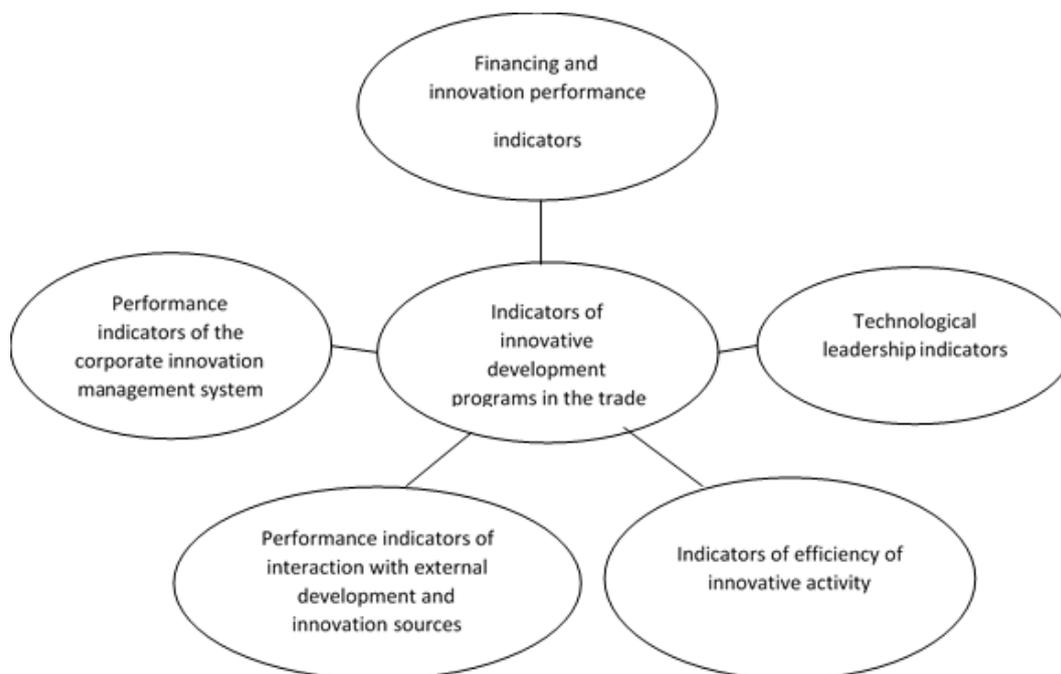
However, when studying the issue of innovation in the trade sector, it is necessary to take into account certain features. Thus, innovations in trade are mainly associated with the emergence of a new or improvement of an existing service or technology for its delivery, they appear as a result of competitive analysis and benchmarking rather than a result of scientific research. In this case, it is necessary to implement innovations at trade enterprises, related to the emergence of new elements of the trade and technological process or marketing.

The practice has shown that most innovations have marketing, process, product or assortment, and managerial focus. Such innovations are associated with the promotion of sales of goods and services, the display of goods, their promotion and advertising, and the opening of innovative stores. Besides, innovations in trade are inseparably associated with other economic sectors, which interact with each other and quickly respond to entering new markets and promoting their products.

Among the factors influencing the formation of innovative trade policy in the Russian Federation are antitrust regulation of their activities; the state policy of the internal market formation; development of information technologies; concentration of retail spaces in some regions; the supply of innovative equipment for commercial structures and industrial enterprises; qualified personnel; the availability of financial resources; the adaptation of innovations to the organization of trade; and the development of contemporary trade infrastructure. At the same time, it is necessary to take into account indicators for assessing the effectiveness and efficiency of innovative activities of commercial enterprises (**Figure 2**).

At the same time, the solution to problems of increasing customer loyalty, expanding the number of sales channels, and increasing the competitiveness of trading companies is impossible without the implementation of contemporary information technologies. In this case, the main trends in the informatization of the Russian trade sector are mainly related to meeting the needs of the business, i.e. implementing online stores, mobile applications, strengthening the role of high-quality information outsourcing and service, as well as business analytics.

With the business growth, trading companies should pay significant attention to optimizing management and reducing costs, and, accordingly, increase investment in digital infrastructure, since it is information technology that is one of the main factors ensuring the development of trade.



**Figure 2.** Indicators for assessing the effectiveness and efficiency of innovation activities in the trade sector

However, the complexity of the informatization problem of the trade sector in the Russian Federation is determined by the fact that, characterized by a large dimension, a variety of connections, it must be implemented in conditions of instability of economic mechanisms caused by permanent political internal challenges and external geopolitical factors.

As a result, integrated technological modernization of the communication system and information infrastructure becomes a problem for the network participants, and its solution requires nonstandard approaches. At that, the pace of solving this problem should correspond to the world dynamics of global informatization of network interaction, whose distinctive feature is rapid integration through telecommunications.

It is the latest information and communication technologies, and internet technologies and their integration into the commercial enterprises functioning system that allows bringing to a new level the automation of costly processes, providing a significant increase in the level of satisfaction of consumer requests, reducing labor consumption, increasing performance indicators and improving working conditions of personnel, conditions for the implementation of an effective pricing policy, opportunities for finding new buyers and partners, minimizing the geographical barrier to market entry, creating conditions for the availability and efficiency of using commercially valuable information.

All this requires forming a contemporary information technology infrastructure as an integrating subsystem for ensuring effective network interaction of a commercial enterprise. The practice has shown that at present, the volume of expenses of commercial enterprises is increasingly dependent on the amount of intangible investment directed to research and development, the acquisition of patents and licenses, education and training, software, engineering, and consulting services, marketing, advertising, and improving the management structure.

Therefore, one of the key criteria of the innovation economy is a technological transfer, which can be understood as a system of transferring the results of scientific and technological activities to use various objects of the intellectual process, namely, inventions, and software applications. Besides, in the trade sector, a direct transfer channel should be used more widely, which will promote the diffusion of technologies, and provide a stimulating indirect effect on mutually beneficial cooperation between trade enterprises towards information exchange concerning existing technologies between companies from different countries, the interaction of labor resources with managerial experience and knowledge on technology adaptation.

The research results indicate that the development of trading companies has entered a phase of transnationalization. A growing number of large companies appear in the industry sector, which significantly changes the structure of not only trade but also the industrial production of consumer goods, the structure of consumer preferences, and even the buyer behavior model. Under the influence of large companies, the penetration of modern trade formats is increasing, the structure of trade channels, standards, and principles of organization of trading companies are changing.

At the same time, competitive pressure from large trading companies forces national operators to change the organization and approaches to business. This makes it extremely important to study the main development trends of multinational corporations in retail trade. In such conditions, retail chains should form a technology transfer strategy aimed at developing contractual relationships that are not related to participation in the capital, which is mainly represented by service outsourcing operations.

In turn, for Russian companies that seek to acquire the status of a large trading company with the expansion of their affiliate network and their presence in foreign markets, it is advisable to

use the transfer of technology packages, to focus on countries that have a small technological gap with the Russian Federation with a relatively equal level of socio-economic development. It is also necessary to take into account the specialization of trading companies and their affiliated structures operating in the country.

At that, the presence of production and warehouse structures of large trading companies in the domestic market can become an objective basis for the development of outsourcing companies' network to perform the functions of business processes, provide services with incoming and outgoing logistics, as well as marketing services and after-sales services.

However, several factors hinder the development of the innovation policy of commercial enterprises:

- insufficient activity of the business sector caused by a certain limitation of the economic freedom of private business, which is manifested through tax pressure, the priority of state regulation in pricing policy, and the administration of the activities of private ownership organizations;
- low level of the research base, unwillingness of the majority of trade enterprises to implement the latest scientific and technical achievements, insufficient and untimely development of information about new technologies, and competitive sales markets;
- lack of own funds of trade organizations, high risks, long payback periods for innovative projects in the trade sector;
- low research intensity of innovation costs, whose reasons are the limited mechanism for stimulating research activities, the loss of cooperation between scientific, industrial, and trade spheres of activity, especially at the level of economic entities;
- the unreadiness of personnel to perceive technological innovations, support them, implement and promote them in the trading process, and therefore evaluate the advantages of new technologies.

The reliability of the presented approaches is confirmed by the fact that, despite the rapid growth of trade enterprises, the general development trends in the Russian Federation are mainly extensive. By increasing the scope of activity, the owners of commercial enterprises seek to increase the profitability of economic activity at the expense of volumes, while reducing fixed costs. From the standpoint of management, such a measure is considered to be quite justified, but in the competitive struggle, more radical measures of innovative nature are needed [13-15].

At the same time, an obligatory component of innovation processes in the practice of commercial enterprises is the implementation of marketing research, including research of commodity market, marketing tools, internal and external environment, and merchandise market. To meet the expectations of customers, trade organizations must offer them solutions in the form of a specific product. In a unique trade offer for the consumer, trade enterprises should focus on strategic differences from competitors in areas, such as price,

quality, getting pleasure from the purchase process, service quality, assortment range, making purchases without the assistance of staff, as well as the latest achievements (fashion, novelty).

Thus, in the current context, the problem of coordinating the efforts of innovative development by creating an innovative marketing service of a commercial enterprise is quite relevant. Within the framework of this problem, one of the key tasks is to improve methodological approaches to investment management in the creation and development of an innovative marketing service of a commercial enterprise.

Therefore, in the context of increasing competition in the market, such measures of innovative development are not enough. In this case, the executives of commercial enterprises need to create innovative services – long-term development units, which should operate in parallel with marketing services. However, the analysis of the activities of innovation and marketing services has shown, firstly, that the content of practical tasks solved by these services is often duplicated, and secondly, the practical solution of these tasks is often mutually exclusive, which leads to irrational use of investment resources, and hinders the progressive development of trade enterprises.

## Conclusion

The problems identified in the course of research involve the following tasks within the framework of the formation and implementation of trade policy of enterprises: improving legal regulation of economic relations in the innovative sector that will promote the increase of legal culture of innovation activity participants; developing a unified methodological approach to the definition of innovation in trade and their classification; consolidating financial resources of investors, attracting potential investors to the financing of innovation; training of specialists to implement innovative projects.

At that, employees should be encouraged to actively participate in projects aimed at the preparation and implementation of innovations. Without a systematic approach to strengthening the motivational component, without forming an appropriate attitude to the tasks set, and without an organizational culture that supports innovation, it will be impossible to achieve success. Therefore, the innovative development of a contemporary commercial enterprise should provide for intellectual capital that determines the competitive ability of its economic system. In such conditions, the differences of a contemporary trading enterprise are revealed, such as flexible labor force, human resources which are the main value of the company, the network structure of the organization of activities, and staff members as an investment resource.

Among the promising areas that increase the innovativeness of the trade sector, one can distinguish new technologies that allow opening up the additional opportunities for differentiating strategies in the service sector of trade organizations; information and communication technologies for studying and considering the individual characteristics of the buyer, assessing

the values of the client; information technologies, the Internet, which allow interacting with the client in any place and at any time, carry out promotion, sales promotion in the trading business of higher level due to the creation of a modern online trading system.

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