

Do digital marketing innovations outperform non-digital marketing innovations in profitability? The landscape of European retailing

Irma Agárdi

Corvinus University of Budapest

Zombor Berezvai

Corvinus University of Budapest

Mónika Alt

Babeş-Bolyai University

Cite as:

Agárdi Irma, Berezvai Zombor, Alt Mónika (2024), Do digital marketing innovations outperform non-digital marketing innovations in profitability? The landscape of European retailing. *Proceedings of the European Marketing Academy*, (122624)

Paper from EMAC Regional Conference, Lisbon, Portugal, September 25-27, 2024



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Abstract

This paper provides valuable insights into the impact of non-digital and digital marketing innovations on the profitability of retail companies. Drawing on a robust database of marketing innovation outcomes between 2007 and 2021 from 18 large European grocery retailers, our study employs dynamic panel data models for analysis. Our research findings reveal that digital and non-digital innovations have a significant, negative quadratic effect on retail profitability. This implies that as retailers introduce additional digital and non-digital marketing innovations, the profitability increases, but at a diminishing rate, eventually reaching a turning point where further marketing innovations negatively influence the retailer's net profit margin. Surprisingly, our findings highlight that digital marketing innovations demonstrate a higher diminishing return on profitability than non-digital marketing innovations, providing practical implications for retail companies.

Subject Areas: *Diffusion of Innovations; Marketing Strategy; Retailing; Technology, innovations, robotics*