

# THE IMPACT OF INNOVATION STRATEGIES ON BUSINESS PERFORMANCE: EVIDENCE FROM SUPERMARKET CHAINS IN ALBANIA

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**Abstract:** *Innovation is a key driver of competitiveness and business performance, particularly in the retail sector. This study examines the impact of innovation strategies on supermarket chains in Albania, focusing on product, organizational, technological, and digital business model innovations. A quantitative methodology is employed through structured questionnaires administered to supermarket managers and consumers, enabling a comparative analysis of perceptions regarding innovation effectiveness and its influence on performance and customer experience. The findings reveal a strong positive relationship between innovation and business performance. Specifically, 95% of consumers reported improved convenience from online ordering and delivery, 90% were attracted by regularly updated product assortments, and 70% of managers confirmed a positive impact of innovation on performance. Technological and customer-oriented innovations have the greatest effect on customer satisfaction and competitive differentiation, while organizational innovations enhance operational efficiency and long-term sustainability. The results provide practical insights for managers and policymakers in transitional economies.*

**Keywords:** *innovation strategies, business performance, technological innovation, customer experience, supermarkets, Albania.*

## 1 Introduction

In today's rapidly evolving business environment, innovation is critical in determining the success and competitiveness of businesses across industries. This study investigates the impact of innovation initiatives on the performance of supermarkets in the Albanian market, specifically exploring how creative approaches to product offerings, marketing techniques, and customer experiences influence consumer behavior, satisfaction, and ultimately corporate performance. Schumpeter (1934) defines innovation as the creation of new production methods or products, while Davila et al. (2013) frame it as a structured strategy for creating value through change. In a globalized competitive landscape, companies must prioritize innovation to remain competitive and adapt to changing dynamics, with Pisano (2015) noting that the absence of a defined innovation strategy is among the most significant barriers to sustained performance improvement.

The retail sector in Albania is undergoing a significant transformation driven by technological advancements, shifting consumer tastes, and intensifying competition. Supermarkets must implement creative strategies to remain relevant and survive in the market. This study, which examines the relationship between innovation strategies and business success, provides important insights for Albanian supermarkets seeking to improve their strategic decision-making. Additionally, the findings can help policymakers, industry

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stakeholders, and business leaders understand the need to cultivate an innovative culture and invest in technology to support retail growth and competitiveness. The study aims to address gaps in the literature on the impact of innovation on business performance in Albanian supermarkets, with the expectation that the findings will offer practical implications for supermarkets navigating the complexities of the modern market landscape.

**Research Question:** *How do innovation strategies such as self-payment systems, expanded product assortments, reverse vending machines, marketing strategies, and improved customer experience influence the performance of supermarkets in Albania?*

**Hypothesis:** *Supermarkets in Albania that adopt innovative practices such as self-checkout systems, expanded product assortments, bottle recycling machinery, innovative marketing strategies, and improved customer experiences will perform better financially.*

## **2 Literature review**

### **2.1 Innovation strategy: conceptual framework**

Research within the field reveals considerable disparities in innovation strategies among firms, visible both within specific sectors and over time. An innovation strategy can be understood as a structured plan comprising consistent policies and actions aimed at achieving specific competitive objectives, as articulated by Davila et al. (2013). Sheth and Sinfield (2022) further elaborate that an innovation strategy consists of context-dependent options that serve as management levers for innovation within an industry. These strategies are essential for companies to remain relevant, adapt to market changes, and capitalize on emerging opportunities, encompassing a broad spectrum of activities from product development to process improvement and business model innovation.

Without a defined innovation strategy, companies often rely on a mix of recognized best practices without considering how well they align with broader business objectives. Pisano (2015) underlines the challenge companies face in improving innovation due to the lack of such strategies. Research by Karlsson and Tavassoli (2015) highlights the performance benefits of adopting complex innovation strategies that encompass multiple aspects, such as product, process, organizational, and marketing innovations. They found that companies employing such comprehensive strategies outperform those without innovation initiatives or with simpler strategies focused on individual aspects.

### **2.2 Innovation in retail and food stores**

A growing body of literature highlights the central role of innovation in the retail and food industry. Supermarket retailers rely primarily on three areas of innovation: multi-channel sales, supply chain efficiency, and information management. Retailers predominantly pursue incremental rather than radical innovation, favoring non-technological approaches such as online shopping, electronic shelf labels, and automated checkout systems (Pantano & Vannucci, 2019). Dynamic capabilities — the ability to integrate, build, and reconfigure internal competencies in response to market changes — have been identified as critical for sustaining this innovation trajectory, particularly in the food retail context (Teece, 2018). Recent research published in AIJES highlights that intelligent packaging technologies are increasingly reshaping retail product communication and supply chain sustainability, a trend directly relevant to supermarket innovation strategies (Gigauri & Palazzo, 2023). Similarly, augmented reality and AI-driven personalization tools are emerging as next-generation retail innovations with significant implications for customer engagement (Zimmermann et al., 2023). At the macroeconomic level, Abbes (2025) demonstrates that innovation has a statistically significant positive effect on economic growth in developing economies, reinforcing the strategic importance of innovation adoption in markets such as Albania.

Digital business model innovation in the food retail sector has traditionally been dominated by brick-and-mortar models, which have remained largely untouched by digital disruption until recent years. However, there has been a notable shift towards integrating digital technologies into traditional business models, leading to a closer integration between physical and digital channels. The COVID-19 pandemic further accelerated the adoption of digital technologies in food retail, as retailers were forced to rapidly reorganize their in-store and online operations to minimize physical contact and manage panic buying. The adoption of a genuine digital culture within organizations has been identified as a key enabler of sustainable competitive advantage, linking innovation capacity directly to human capital and talent management practices (Serafimova & Vasilev, 2024).

The Balkan supermarket market is one of the most significant sectors in the services and trade industry of the Western Balkans, encompassing Albania, Kosovo, North Macedonia, Montenegro, Bosnia and Herzegovina, Croatia, and Serbia. Supermarket chains were established late in Albania because, unlike the rest of Yugoslavia, which had a mixed economy, Albania's economy was rigorously planned. Only in the mid-2000s did supermarket chains emerge, with two of the main chains being multinationals (Spar and Conad) (Gërdoçi et al., 2016).

### **2.3 Barriers to innovation and the Albanian business environment**

Supermarkets in Albania face various challenges and barriers in implementing innovation strategies. These include limited access to financing, as many supermarkets — particularly small and medium enterprises — struggle to secure sufficient funds to invest in new technologies, equipment, and research and development. Regulatory constraints also pose significant challenges, as Albania's regulatory environment is complex and bureaucratic, imposing heavy compliance requirements and administrative procedures. Cultural resistance to change is another barrier, as traditional attitudes and norms within the workforce may resist changes to established practices and routines (Albanian Institute of Statistics, 2020).

Furthermore, limited infrastructure and technological capabilities present challenges for supermarkets seeking to innovate. Insufficient access to reliable electricity, internet connectivity, and transport infrastructure in some regions of the country can hinder the adoption of advanced technologies and digital solutions. The Albanian government has recognized the importance of innovation in driving economic growth, implementing initiatives such as the National Strategy for Science, Technology, and Innovation (2014-2020) and the Albanian Investment Development Agency (AIDA) to support businesses in overcoming barriers to innovation (Council of Ministers of Albania, 2014).

### **2.4 Consumer behavior and innovation adoption**

Consumer behavior and preferences play a significant role in shaping the retail landscape in Albania. A prominent trend in the Albanian retail market is the growing demand for convenience. Consumers increasingly value time-saving solutions and seamless shopping experiences, leading to innovations such as online shopping platforms, click-and-collect services, and mobile payment options. Sustainability has also become an important consideration for Albanian consumers, with growing awareness of environmental issues prompting demand for eco-friendly products and sustainable retail practices (European Commission, 2021). The growing influence of digital and social media marketing on consumer decision-making further reinforces this trend, with recent evidence confirming that digital channels significantly shape purchasing behaviour in retail contexts (Kaur, 2023).

Examining Irish food shopping habits and their potential implications for the Albanian market reveals considerable connections and illuminating insights. The shift in consumer

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behavior in Ireland from weekly or monthly grocery trips to more frequent, smaller shopping excursions, driven by changing food consumption patterns and a growing preference for fresh and nutritious items (Turčínková & Stávková, 2009), implies a complex reconfiguration of consumer behavior that may resonate in the Albanian context. Albanian retailers could benefit by prioritizing easy store navigation and quick checkout processes to meet the growing demand for convenient shopping options.

### **3 Methodology**

This study employs a quantitative research approach to investigate the relationship between innovation strategy and business performance in supermarkets and markets in Albania. Data collection was carried out during the period November–December 2023. The target population comprised (i) supermarket executives and managers employed in Albanian supermarket chains that had recently undertaken innovation initiatives — including self-checkout deployment, product assortment expansion, digital marketing campaigns, or installation of reverse vending machines — and (ii) adult consumers who regularly shop at Albanian supermarket chains. Structured survey questionnaires were designed for each respondent group to collect quantitative data using 5-point Likert-scale items (1 = Strongly Disagree, 5 = Strongly Agree) and one open-ended question per questionnaire to capture qualitative insights.

Two distinct questionnaires were administered: one targeting business executives and managers (n=30) from supermarket companies that had recently undergone innovation, and a second targeting consumers (n=100). The business leaders sample comprised respondents holding roles such as Business Leader (50%), Manager (40%), and Market Development Responsible (10%), drawn from small (27%), medium (50%), and large (23%) supermarket companies. The consumer sample was predominantly female (70%), with the 33–44 age cohort being the largest (35%), and 60% holding a university degree. The business questionnaire covered demographic information (role, years of experience, company size), innovation strategy assessment, and financial management practices. The consumer questionnaire examined demographics, perceptions of innovation strategies in supermarkets, and experiences with shopping innovations, including loyalty programs, store design, pricing strategies, and digital platforms. Data were analyzed through descriptive statistics and thematic analysis of open-ended responses.

To test the research hypothesis inferentially, composite scores were calculated for each respondent by averaging their responses across the relevant Likert items. For business leaders, two subscales were constructed: an innovation strategy subscale (5 items) and a financial management subscale (3 items), yielding a full composite of 8 items. For consumers, an innovation strategy perception subscale (6 items) and a shopping experience subscale (5 items) were aggregated into an 11-item composite. Internal consistency was assessed using Cronbach's alpha ( $\alpha$ ). One-sample t-tests were conducted to determine whether each composite mean was significantly above the neutral midpoint ( $\mu_0 = 3.0$ ), corresponding to a rejection of the null hypothesis that perceptions of innovation are neutral or negative. Effect size was reported as Cohen's d. Spearman rank-order correlations were computed among subscales to examine relationships within the construct. A significance threshold of  $\alpha = 0.05$  was applied throughout.

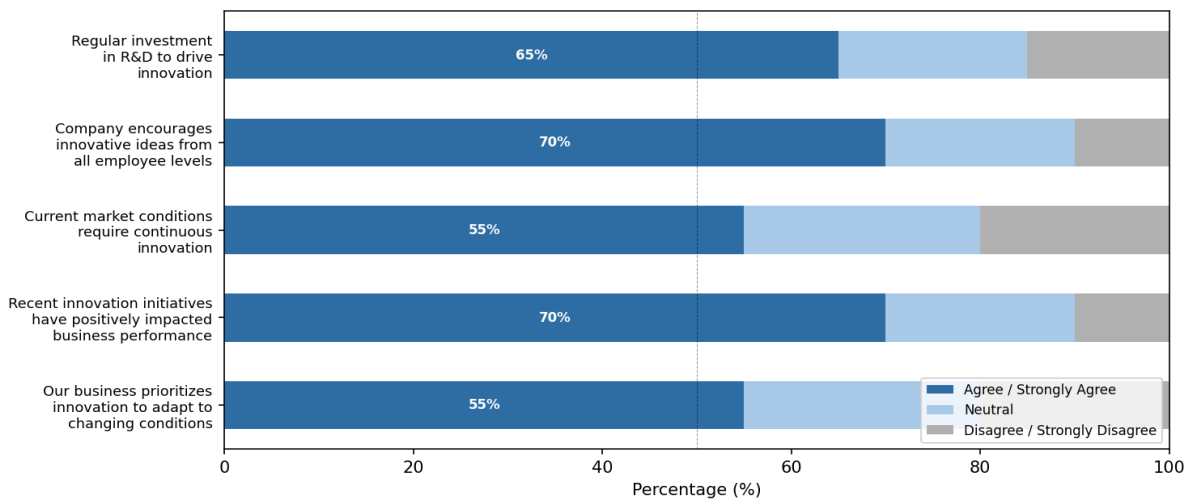
### **4 Results**

#### ***4.1 Business Leaders' Perceptions***

The innovation strategy assessment among business leaders revealed strong positive perceptions of innovation adoption. Key findings included: 55% agreed or strongly agreed that

their business prioritizes innovation to adapt to changing socio-economic conditions; 70% agreed that recent innovation initiatives positively impacted business performance; 70% indicated that their company actively encourages innovative ideas from all employee levels; and 65% reported regular resource investments in research and development. Regarding financial management practices, 70% effectively tracked the ROI of innovation projects; 65% had financial resources specifically allocated to innovation; and 70% reported close cross-departmental collaboration to ensure innovation projects were adequately funded. Figure 1 presents business leaders' perceptions of innovation strategy and financial management dimensions. A particularly notable qualitative finding emerged from the open-ended question regarding Reverse Vending Machines (RVMs) for bottle recycling. Opinions ranged from enthusiastic approval to cautious skepticism. One manager noted: "From a managerial perspective, I believe that implementing bottle recycling machines is a strategic move that can differentiate our supermarket from competitors and attract environmentally conscious customers. While presenting some initial obstacles, the long-term benefits in terms of sustainability and customer loyalty outweigh the challenges." Another expressed concerns about practicality: "I am somewhat skeptical about implementing bottle recycling machines. While I understand the importance of recycling and sustainability, I am concerned about the practicality and effectiveness of these machines in the Albanian context."

**Figure 1.** Business leaders' perceptions of innovation strategy and financial management (n=30)



Source: Authors' own elaboration.

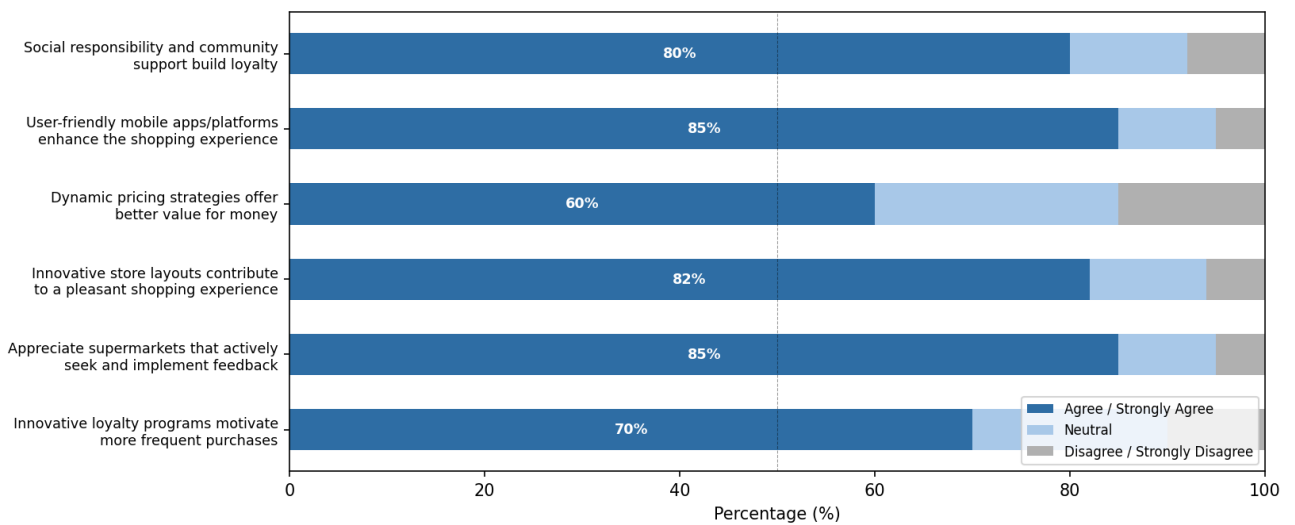
## 4.2 Consumer perceptions

Figure 2 presents consumer perceptions across shopping experience and innovation dimensions. Regarding shopping experiences and innovations: 70% reported that innovative loyalty programmes motivate them to shop more frequently; 85% appreciated supermarkets that actively seek and implement customer feedback; 82% agreed that innovative store layouts contribute to a more pleasant shopping experience; 85% valued supermarkets with user-friendly mobile applications and online platforms; and 80% showed appreciation for supermarkets that demonstrate social responsibility and support for local communities.

Regarding RVMs, consumer responses were predominantly positive, with the majority expressing a willingness to shop more at supermarkets equipped with these machines. One consumer stated: "Absolutely! I am all for sustainability, and knowing that a supermarket has reverse vending machines makes me more likely to choose it over others. Plus, earning points that I can convert into discounts or products? It is a win-win!"

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**Figure 2.** Consumer perceptions of shopping experiences and innovation (n=100)



*Source: Authors' own elaboration.*

Table 1 provides a consolidated overview of the key survey findings across both respondent groups, summarising the percentage of respondents who agreed or strongly agreed with each innovation-related statement.

**Table 1.** Summary of key survey findings (business leaders n=30; consumers n=100)

| Category                                  | Key Indicator                                                     | % Agree / Strongly Agree |
|-------------------------------------------|-------------------------------------------------------------------|--------------------------|
| Business Leaders: Innovation Strategy     | Prioritizes innovation to adapt to changing conditions            | 55%                      |
|                                           | Recent innovations positively impacted business performance       | 70%                      |
|                                           | Encourages innovative ideas from all employee levels              | 70%                      |
|                                           | Regular investment in R&D to drive innovation                     | 65%                      |
| Business Leaders: Financial Management    | Effectively tracks the ROI of innovation projects                 | 70%                      |
|                                           | Dedicated financial resources allocated for innovation            | 65%                      |
|                                           | Cross-departmental collaboration for innovation funding           | 70%                      |
|                                           |                                                                   |                          |
| Consumer Perceptions: Innovation Strategy | New products/services improve the shopping experience             | 70%                      |
|                                           | Innovative marketing raises awareness of products & promotions    | 80%                      |
|                                           | Online ordering/delivery services improve convenience             | 95%                      |
|                                           | Eco-friendly packaging positively influences purchase decisions   | 80%                      |
|                                           | Regular product range updates attract customer attention          | 90%                      |
|                                           | Technology investment in checkout processes is valued             | 80%                      |
|                                           |                                                                   |                          |
| Consumer Perceptions: Shopping Experience | Innovative loyalty programs motivate more frequent purchases      | 70%                      |
|                                           | Supermarkets that actively seek and implement feedback are valued | 85%                      |
|                                           | Innovative store layouts contribute to a pleasant experience      | 82%                      |
|                                           | User-friendly mobile apps/platforms enhance shopping              | 85%                      |
|                                           | Social responsibility & community support build loyalty           | 80%                      |

*Source: Authors' own elaboration.*

### 4.3 Statistical test of hypothesis

To test the research hypothesis inferentially, one-sample t-tests were conducted for each composite scale against the neutral midpoint ( $\mu_0 = 3.0$ ). The results are presented in Table 2.

**Table 2.** Statistical test results: one-sample t-tests vs neutral midpoint ( $\mu_0 = 3.0$ )

| Scale                                   | n   | M    | SD   | 95% CI       | t (df)           | d    |
|-----------------------------------------|-----|------|------|--------------|------------------|------|
| Manager: innovation strategy (5 items)  | 30  | 3.61 | 0.69 | [3.36, 3.87] | 4.88<br>(29)***  | 0.89 |
| Manager: financial management (3 items) | 30  | 3.82 | 0.61 | [3.60, 4.05] | 7.45<br>(29)***  | 1.36 |
| Manager: full composite (8 items)       | 30  | 3.69 | 0.50 | [3.50, 3.88] | 7.52<br>(29)***  | 1.37 |
| Consumer: innovation strategy (6 items) | 100 | 4.16 | 0.56 | [4.05, 4.27] | 20.60<br>(99)*** | 2.06 |
| Consumer: shopping experience (5 items) | 100 | 4.19 | 0.58 | [4.08, 4.31] | 20.73<br>(99)*** | 2.07 |
| Consumer: full composite (11 items)     | 100 | 4.18 | 0.40 | [4.10, 4.25] | 29.64<br>(99)*** | 2.96 |

Source: Authors' own elaboration.

Note. \*\*\*  $p < 0.001$ . Cronbach's  $\alpha$ : manager full scale = 0.700; consumer full scale = 0.726. All means are significantly above the neutral midpoint ( $\mu_0 = 3.0$ ), confirming the hypothesis.

One-sample t-tests were conducted for each composite scale to test whether the mean significantly exceeded the neutral midpoint ( $\mu_0 = 3.0$ ). All tests were statistically significant ( $p < 0.001$ ) with large effect sizes. The manager full composite yielded  $M = 3.69$ ,  $SD = 0.50$ ,  $t(29) = 7.52$ ,  $p < 0.001$ , Cohen's  $d = 1.37$ ; the consumer full composite yielded  $M = 4.18$ ,  $SD = 0.40$ ,  $t(99) = 29.64$ ,  $p < 0.001$ , Cohen's  $d = 2.96$ . Subscale results are reported in Table 2. Cronbach's alpha indicated acceptable to good internal consistency across all scales: manager innovation subscale  $\alpha = 0.816$ , manager full scale  $\alpha = 0.700$ , consumer innovation subscale  $\alpha = 0.828$ , consumer shopping experience subscale  $\alpha = 0.807$ , and consumer full scale  $\alpha = 0.726$ . These results provide inferential statistical support for the hypothesis that Albanian supermarkets adopting innovation strategies are perceived as performing significantly above neutral across both managerial and consumer perspectives.

## 5 Discussion

The study provides inferential statistical evidence confirming that innovation strategies are positively and significantly associated with perceptions of business performance in Albanian supermarkets. This finding aligns with Karlsson and Tavassoli (2015), who demonstrated that firms employing comprehensive multi-dimensional innovation strategies consistently outperform those with narrower or absent approaches. The present study extends this evidence to a transitional Balkan market context where such empirical validation has previously been limited. Consumer perceptions of innovation were particularly strong ( $M = 4.18$ ,  $d = 2.96$ ), suggesting that customer-facing innovations yield the most visible returns — a pattern consistent with Hristov and Reynolds (2015), who found that non-technological, customer-oriented innovations deliver the most immediate competitive benefits in retail. This

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is further supported by Varis and Littunen (2010), who found that organizations introducing more new products consistently attract higher customer engagement.

The near-universal agreement (95%) among consumers that online ordering and delivery services improve convenience is the most striking single finding of this study. This substantially exceeds equivalent figures reported in comparable Central European retail studies, suggesting that latent demand for digital services in Albanian retail is higher than previously recognized. This finding diverges from Pantano and Vannucci (2019), who found that technology diffusion in retail tends to be gradual and heterogeneous; the Albanian consumer data suggest a readiness for rapid digital adoption that may leapfrog the incremental patterns observed in more developed markets. This has direct implications for investment prioritization: digital infrastructure and online platforms should be treated as urgent rather than aspirational investments.

The strong consumer receptiveness to sustainability initiatives (80% for eco-friendly packaging) aligns with broader European consumer trends and is particularly significant in the context of Albania's EU accession aspirations. This corroborates Dabija et al. (2019), who identified sustainability-driven retail innovations as a key driver of loyalty in Central and Eastern European markets, and Ankiel et al. (2020), who documented similar convergence trends in EU-candidate food retail markets. What is new here is that this preference appears to have already taken root in a market with significantly lower average incomes than those of established EU members, suggesting values-driven purchasing behavior decoupled from constraints on disposable income.

The mixed but predominantly positive managerial perceptions of Reverse Vending Machines illustrate the tension between strategic vision and operational feasibility that characterizes the adoption of innovation in developing retail markets. This echoes Pantano (2016), who showed that early retail innovators face higher risks but achieve competitive advantages; however, the Albanian context introduces additional barriers — infrastructure limitations, maintenance capacity, and consumer education — that are less pronounced in Western European settings. This is a novel contribution: the study identifies a gap between consumer enthusiasm for sustainability innovations and managerial skepticism, which policymakers and retailers must bridge through targeted support mechanisms. Teece (2018) notes that dynamic capabilities require not only the ability to sense opportunities but also the capacity to reconfigure resources accordingly; the RVM findings suggest that Albanian supermarkets are sensing the opportunity but have not yet fully developed the capacity to reconfigure resources.

Taken together, these findings confirm that innovation strategies — spanning digital adoption, product diversification, sustainability, and customer experience — constitute a coherent and measurable driver of business performance in the Albanian supermarket sector. The results corroborate Sheth and Sinfield (2022), who argue that innovation strategy must be embedded as a systemic management lever. They also advance the evidence base for transitional-economy retail contexts documented by Abbes (2025), who found a statistically significant link between innovation investment and economic growth at the national level, thereby complementing the firm-level evidence presented here. This study's contribution is therefore twofold: it provides the first inferential statistical validation of the innovation–performance link in Albanian food retail, and it identifies digital and sustainability innovations as the highest-priority investment domains for Albanian supermarket managers.

## **6 Conclusions**

This study underscores the transformative capacity of innovation to drive business performance and customer satisfaction in the supermarket industry. The findings confirm the

hypothesis that Albanian supermarkets adopting innovation strategies achieve superior performance outcomes, consistent with Karlsson and Tavassoli (2015), who demonstrated that firms employing comprehensive multi-dimensional innovation strategies outperform those pursuing narrower approaches. The centrality of digital and customer-oriented innovations in driving satisfaction aligns with Hristov and Reynolds (2015), who found that non-technological and customer-facing innovations yield the most immediate competitive benefits in retail. Furthermore, the positive consumer receptivity to sustainability initiatives reflects the growing alignment with EU market norms, echoing findings by Dabija et al. (2019), who identified sustainability-driven retail innovations as a key driver of loyalty in Central and Eastern European markets. In contrast to Pantano (2016), who noted that early retail innovators face disproportionate risk, the Albanian supermarkets in this study appear to have mitigated risk through incremental adoption — confirming that gradual digital integration is a viable strategy in transitional economies.

Investments in technology, such as self-payment systems, online ordering platforms, and mobile loyalty applications, emerge as key drivers of operational efficiency and customer satisfaction. This corroborates Sheth and Sinfield (2022), who argue that innovation strategy must be embedded as a systemic management lever rather than an ad hoc initiative. Additionally, the growing consumer preference for eco-friendly packaging and recycling programs signals convergence with broader European sustainability standards, a finding supported by Ankiel et al. (2020), who documented similar trends across emerging EU-candidate food retail markets. By embracing innovation and adapting to changing market dynamics, supermarkets can position themselves for sustainable growth and competitiveness in Albania's evolving retail landscape.

### **Practical Recommendations**

- 1 Integration of digital technologies, such as self-payment systems and mobile applications, should be prioritized across all supermarket branches, incorporating features such as online ordering, personalized recommendations, and loyalty program management.
- 2 Supermarkets should actively adopt sustainability initiatives to minimize environmental impact and connect with the values of environmentally conscious consumers, including reducing plastic use, sourcing from local, eco-friendly suppliers, and implementing in-store recycling programs.
- 3 Supermarkets should develop innovative loyalty programs tailored to individual customer preferences and shopping behaviors, leveraging customer data analytics to create personalized experiences, targeted promotions, and exclusive loyalty rewards.
- 4 Policymakers should strengthen support mechanisms for retail innovation through financial incentives, streamlined regulatory processes, and investment in digital infrastructure, particularly in regions with limited connectivity.

The study's main limitation is the quantitative nature of the data collection method, which may limit the depth of understanding regarding the underlying motivations and contextual factors driving business innovation strategies. Future research could employ mixed-methods approaches to provide richer insights into the mechanisms by which innovation strategies translate into business performance outcomes in the Albanian retail context.

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