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# The Formation of Customer Experience Through Offline-Online Channel Integration

A Study on Customer Experience in a New Physical Retail Format

by

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# Abstract

The rise of e-commerce has a dramatic effect on physical stores and has also changed customer needs and behaviours with customers requiring both online and offline benefits in the shopping context. Offline-online channel integration, where online features are implemented in the physical store, has been introduced as a means for physical stores to react to the rise of e-commerce as it addresses the changed customer needs.

The aim of this thesis was to investigate how customer experience is formed within an offline-online channel integrated retail format. In order to reach this goal a theoretical framework illustrating the customer experience formation process was developed. Data for the qualitative research were obtained from expert interviews, observations, individual interviews and focus group discussions, with focus groups being the main contributor of data. The results revealed that customers have not yet fully adapted their behaviour towards a channel integrated format, instead they still follow a multichannel approach by using channels separately. Nevertheless, tendencies towards a channel integrated customer thinking can be identified through customer awareness of channel integration benefits. However, customers are not yet educated in the practical application. Thus it was concluded that a high level of service and support is required in order to condition customers. Furthermore, it was found that the cognitive, pragmatic and emotional dimension play an essential role within the customer experience formation process of this context.

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# 1 Introduction

The first chapter of this thesis illustrates the current trends and developments within the retail industry, specifically regarding the topics of customer experience and channel integration. Furthermore, this chapter covers the study's problem formulation, research purpose, research questions as well as contributions and delimitations.

## 1.1 Background

Recent concerns about the future of bricks-and-mortar retailers have generated a considerable body of research. Increasingly, academic literature is examining the growth of e-commerce and its dramatic effect on the retail industry. This development is characterised through a shift from bricks-and-mortar, which represents the traditional retailing concept of physical stores such as department stores, to an increase in purely online retailers that solely market online through internet stores (Heckmann, Kesteloo, Schmaus & Huisman, 2012). In Europe alone, online sales are predicted to increase by 18.4% in 2015, whereas physical store sales are predicted to record a negative growth rate of -1.4%, see figure 1 (Statista, 2016). Confronted with the growing competition from purely online retailers, the bricks-and-mortar stores are facing an identity crisis (The Economist, 2016).



Figure 1: Offline and online retail sales forecast in selected European countries in 2015 (Statista, 2016)

Changed customer needs have contributed to a new retail landscape. Influenced by the rise of e-commerce and technological advancements, customers' shopping behaviour has changed (Rigby, 2012). Today's customers require all online benefits, such as great variety of products, rich product information and customer reviews, simultaneously with the offline shopping

advantages of personal service, the possibility of touching the products and the enjoyment of shopping as an experience (Rigby, 2012). This has significantly affected the purchase process: It starts by researching online, followed by a visit to the physical store to take advantage of the personalised service and possibility of seeing and touching the products, which contributes to the enjoyment of shopping as an experience (Rigby, 2012). In many cases the customers will also want to share the product with their social group, to get their friends' opinion on a product (Rigby, 2012). The actual purchase then often takes place on the internet as the customer compares prices and decides to buy the cheaper product online.

The struggle of bricks-and-mortar retailers as well as the evolution of customer needs call for a solution for physical stores to stay competitive. In order to achieve differentiation, researchers advocate an increasing focus on the customer (Gentil, Spiller & Noci, 2007). Solely promoting products by highlighting price and quality is no longer sufficient as customers are seeking experiences for added value (Palmer, 2010). The shopping activity then exceeds the plain transaction of satisfying one's needs and instead becomes an experience that among other sensations involves emotions. Faced with the growing competition from internet stores, physical retailers are moving beyond simply selling commodities (The Economist, 2016). Therefore both academic researchers as well as business managers are identifying customer experience as a means to generate a competitive advantage (Gentil, Spiller & Noci, 2007).

Soudagar, Iyer and Hildebrand (2012, p.3) define customer experience as *“the cumulated impact - both emotional and practical - of all of the encounters and interactions that a customer has with a company”*. Customer experience is further described as a psychological construct in which the customer's contact with a company results in a holistic and subjective response that can include various facets of customer involvement (Gentile, Spiller, and Noci 2007). These facets of customer involvement, also described as customer experience dimensions, include sensorial, emotional, cognitive, pragmatic, lifestyle and relational dimensions (Gentil, Spiller & Noci, 2007). The response takes the form of a *“take-away impression”* that will influence the customer over time as it is saved in the long-term memory of the customer (Carbone and Haeckel 1994). Gentil, Spiller and Noci (2007) even go further and believe that experience can determine customers' preferences and therefore impact their buying decision. The impression the customer forms of a company is extremely personal as it is created through the customer's individual interpretation (Carbone and Haeckel 1994). Understanding the impact the customer's stored impression has on their behaviour is extremely important for both online and offline retailers and has significant practical implications (Rose, Clark, Samouel & Hair, 2012).

### 1.1.1 Problem Formulation

In order to capture the rising trend of e-commerce and the changed customer needs, companies have started following a multichannel strategy, which means adding channels to their retail channel mix (Rigby, 2012). New research developments emphasise that online and offline shopping are no longer solely oppositional (Bodhani, 2012; Rigby, 2012). Whereas there has been a long standing argument that e-commerce would annihilate traditional bricks-and-mortar stores, new developments in research argue that the traditional retailing landscape will be redefined and that online and offline channels will increasingly be combined (Verhoef, Kannan

& Inman, 2015). It is important to note that the majority of customers still purchase in physical stores, but more than 70 % additionally research online (Krueger, 2015).

While many retailers are already offering multiple sales channels to their customers, including both online and offline stores, in many cases these channels are seen independently and run parallel with no integration or collaboration (Schramm-Klein, Wagner, Steinmann & Morschett, 2011). Today customers increasingly demand channel synergies and research has identified a move from multichannel strategies to omnichannel strategies, with the latter seen as an evolution of the former (Piotrowicz & Cuthbertson, 2014). *“While the multichannel implies a division between the physical and online store, in the omnichannel customers move freely between the online (PC), mobile devices, and physical store, all within a single transaction process”* (Piotrowicz & Cuthbertson, 2014).

Although omnichannel retailing encompasses various retail channels such as catalogues and mobile devices, this thesis specifically focuses on the two channels of physical and online stores as these play the leading role in companies offering various sales channels (Herhausen, Binder, Schoegel & Herrmann 2015). The omnichannel strategy is based on the concept of channel integration which is defined as *“the degree to which different channels interact with each other”* (Herhausen et al., 2015, p.310). An illustrative example of this strategy is offering a customers the option of picking up purchases in the store that were made online. The goal of integrating different channels is to offer a seamless customer experience across all channels (Piotrowicz & Cuthbertson, 2014).

This integrated channel strategy is facilitated through the advancements made in technology which enable retailers to integrate different channels and therefore interact with customers in an innovative and engaging way (Zhang, Farris, Irvin, Kushwaha, Steenburgh & Weitz, 2010). Herhausen et al. (2015) identify two approaches of channel integration: ‘offline-online’ channel integration and ‘online-offline’ channel integration. This study is concerned with the offline-online channel integration which encompasses the integration of online elements in the physical store. Examples of integrated online elements include access to the entire stock, product information and customer reviews via tablets and other mobile devices in the store. This is often facilitated by retailers offering free WIFI in the stores additionally allowing customers to research and share the product with friends. Offline-online channel integration provides new opportunities for physical stores to adapt to the growing world of e-commerce by integrating elements in the physical store that have previously been associated with online shopping (Bodhani, 2012). It is further suggested that by integrating online elements in a physical store the traditional shopping experience is kept relevant (Bodhani, 2012).

Based on new technological developments and the resulting change in customer needs, researchers such as Rigby (2012) agree that channel integration is the future for the retail industry. Companies are slowly starting to apply such measures and implement online elements with the goal to enhance the customer experience. However, even though there is a high awareness of and interest in the topic, this development is fairly slow. This is confirmed by Herhausen et al. (2015) who argue that the integration of offline and online channels is a recent phenomenon, as only very few retailers have actually started using integration activities.

As highlighted above the current literature on channel integration offers considerable ground for the growing interest in the topic for both research and business. Motivated by the media coverage regarding purely online performing companies opening physical stores, such as Amazon (Ruddick, 2015), the focus of the thesis is on offline-online channel integration. This form of channel integration has obtained little consideration in the academic literature. A second topic of interest regarding the retail industry is customer experience, described above, as researchers claim it can have a positive impact on both customers as well as companies (Gentil, Spiller & Noci, 2007).

Particularly the consideration of customer experience within the context of channel integrated retail formats is a rare occurrence. Literature concerned with a connection of the two fields of research has mainly been focusing on customer experience outcomes. Schramm-Klein et al. (2011), for example, analyse how channel integration affects customer loyalty and customer behaviour, whereas Bendoly, Blocher, Bretthauer, Krishnan and Venkataramanan (2005) focus on the impact of channel integration on customer satisfaction regarding product availability. However, little attention is put on the customer's perception of channel integration measures and the formation of customer experience itself. This might be partly due to the fact that the actual integration of such measures is lacking behind and that customers have seldom been able to experience this integrated retail format. Nonetheless, it is important to consider the customer's perception, as a growing number of researchers believe that a customer-centric approach is essential in order to stay competitive (Gentil, Spiller & Noci, 2007). It is therefore evident that a deeper understanding of the customer's view on such channel integration is required. Especially, as it can have "*a potential impact both on the traditional performance measures (i.e. market share, sales, and profitability) and on a set of intangible assets of the company (brand equity and customer equity)*" (Gentil, Spiller & Noci, 2007). There is a need to understand how the integration of online elements in a physical store affects customers and therefore forms the customers' experience.

In order to successfully design a beneficial customer experience, first a deeper understanding of the customers is required, specifically what exactly they are looking for and how they perceive their shopping experience. Additionally, there is a noticeable lack of research regarding the formation of customer experience within channel integration retail formats. While conceptualisations of the formation of customer experience exist in general (e.g. Gentil, Spiller and Noci, 2007), there has not been an in-depth analysis of such a formation, specifically in this context. Thereby a contribution to the existing literature regarding the formation of customer experience is provided.

It becomes evident that a combination of the two topics of customer experience and channel integration is highly relevant for businesses as well as research. Empirically, the contribution of the thesis lies in providing an understanding of how channel integration is implemented in practice and how customers react to this, based on findings generated through personal insights directly from customers.

## 1.2 Research Purpose

The purpose of this thesis is to provide a comprehensive study of the formation of customer experience within an offline-online channel integrated retail store, as this retail format is growing in importance. Specifically, the authors of this thesis want to analyse how the integration of online elements in a physical store forms customer experience and which specific dimensions of customer experience are addressed. Therefore the focus of the thesis is on understanding the customer's perception of this new integrated retail format.

## 1.3 Research Question

The described research purpose amounts to the following research question:

- How does the integration of online elements in physical stores form customer experience?

Sub - questions in order to answer the research question:

- How is offline online channel integration implemented in practice?
- Which dimensions of customer experience are addressed by offline-online channel integration
- Are customers ready for a new integrated retail format?

## 1.4 Contribution

This study aims to solve a theoretical as well as a practical problem. In terms of the theoretical contribution, the focus lies explicitly on the customer's view on the retailer's measures of the offline-online channel integration. While previous studies have provided insights into the importance of integrating different channels from the retailers' perspectives as well as its outcomes, this study aims to provide a deeper understanding into the customer's perception of an integrated retail format, specifically about which dimensions of the customer experience are affected through the channel integration.

The practical contribution derives from the analysis of the customers' insights on their experience and preferences within the offline-online channel integrated retail format. Understanding the formation of the customer experience based on the customer's perception of the shopping experience enables the retailers to create the best value for their customers and therefore provides a form of guideline for future research as well as business managers. Enriching the understanding of what creates positive experiences for customers is essential for businesses as it will allow retailers to target these aspects specifically and more tailored to the customer needs, therefore differentiate themselves from competitors.

## 1.5 Delimitations

Customer experience is a broad concept that can include various phases of the purchasing process as well as different elements influencing the purchase decision, such as the product, service and brand (Verhoef, Lemon, Parasuraman, Roggeveen, Tsiro & Schlesinger, 2009). The focus of this thesis lies on the shopping experience that occurs within the physical store and not on other phases of the purchase process such as the pre- and post-purchase.

The thesis focuses solely on the offline-online channel integration, which includes the integration of online elements in the offline channel. Therefore, this study entails exclusively the channels of the physical and online store. Any online elements of the retailer not included or accessible through the physical store are therefore disregarded.

Additionally, the empirical research took place in Germany. Therefore a focus on this market is evident in the thesis. Furthermore, the empirical research was conducted within the context of the apparel industry. All customer-related research was based on an apparel store and the interviewed experts all work within this industry. This could have the effect that findings made from the research are not applicable to other industries, however, the authors feel that some findings and insights can be helpful for other industries.

## 1.6 Outline of the Thesis

The thesis is divided into six main parts. Following the introduction the second chapter reviews existing literature in the field. This theory chapter aims to present the concept of customer experience, including such aspects as how it is developed and what it is influenced by. Thereafter a clarification of channel integration as part of the bigger concept of omnichannel retailing is provided. Chapter three describes the research methodology approach, followed by the fourth chapter which presents the findings of the empirical research. The subsequent chapter analyses the findings. The last part is dedicated to the conclusions and contributions drawn from the research.

## 2 Literature Review

### 2.1 Customer Experience

The aim of this chapter is firstly to give a profound overview of the literature in the field of customer experience and secondly to define central models that will later be used in the empirical process in order to systematically answer the research question.

#### 2.1.1 Definition of Customer Experience

In order to elaborate on the formation of customer experience, a clear understanding of the term is required. Therefore first a definition of the term is provided followed by an introduction of the different theoretical approaches to the explanation of customer experience.

As described earlier, customer experience can be seen as *“the cumulated impact - both emotional and practical - of all of the encounters and interactions that a customer has with a company”* (Soudagar, Iyer & Hildebrand, 2012, p.3).

There are several main aspects that characterize customer experience. These include that the impact of an interaction with a company is both personal and subjective (Carbone & Haeckel, 1994; Meyer & Schwager, 2007). Furthermore, customer experience can be formed through contact, both direct and indirect, at different touch-points (Meyer & Schwager, 2007). While direct contact is usually initiated by the customer, indirect contact occurs unplanned and includes encounters with a company's representatives, products, services or brands (Meyer & Schwager, 2007). The cumulated impact, resulting from the interaction with a company, originates from the entire set of interactions a customer has with a company or its products and is of a holistic nature (Addis & Holbrook, 2001; Gentil, Spiller & Noci, 2007; Harris, Harris & Baron, 2003; Schmitt, 1999; Verhoef et al., 2009). Hence customer experience is built over time (Verhoef et al., 2009). This also means that previously made experiences influence future experiences (Rose et al., 2012; Verhoef et al., 2009).

Summarising all these characteristics Gentil, Spiller and Noci (2007) provide both a definition and a clear view of the concept of customer experience which will be used as the leading definition of customer experience for the course of the thesis.

*“The Customer Experience originates from a **set of interactions** between a customer and a product, a company or part of its organization, which provoke a reaction. This experience is strictly **personal** and implies the customer's **involvement** at different levels. Its evaluation depends on the comparison between customer's **expectations** and the **stimuli** coming from the interaction with the company and its offering in correspondence of the different **moments of contact or touch-points**”* (Gentil, Spiller & Noci, 2007, p. 397).

Two different theoretical approaches for the explanation of customer experience can be identified: an economic approach and a behavioural science approach. Renowned researchers following an economic approach to the explanation of customer experience include Pine and Gilmore as well as Prahalad and Ramaswamy. With their theory of an experience economy Pine and Gilmore (1999) argue that the experience oriented perspective, which can also be described as the hedonistic perspective of consumption, is valuable for all industries and predict that many economies are facing a transition from a service economy to an experience economy. The authors are of the opinion that companies in the experience economy generate economic value through the production of customer experiences and that raw materials, commodities and services become less important for the economic value creation (Pine & Gilmore, 1999). They view services and products solely as facilitating means for creating a unique customer experience. These experiences themselves are seen as an independent economic offer (Pine & Gilmore, 1999).

Prahalad and Ramaswamy's (2004) theory on the 'co-creation' of experiences goes even further than Pine and Gilmore's theory, because they view customer experience as the driver for the entire value creation. According to Prahalad and Ramaswamy (2004), value is no longer created solely by the company, the product or a service, but rather co-created through the collaboration with the customer. This means that customer value is no longer generated through the company offer alone, but is increasingly created through the cooperation with customers. Thus the focus of this theory is on the joint value generation (Prahalad & Ramaswamy, 2004).

The second theoretical explanation approach is based on behavioural science, with some researchers considering the computational theory of mind (Brakus, Schmitt & Zarantonello, 2009; Gentil, Spiller & Noci, 2007; Schmitt 1999). This theory argues that the human mind consists of different specialised areas, so-called mental modules, which people require for the experience of their environment (Bruhn & Hadwich, 2012). A prominent researcher in this field is Pinker (1997) who identifies four mental modules: the perceptual module (perception), the intellectual module (reasoning), the relational module (social relations) and the emotional module (emotion). A holistic customer experience is created through the interaction of the individual experiences called forth by the different mental modules (Bruhn & Hadwich, 2012). Leading researchers trying to explain customer experience based on the theoretical view of behavioural science include Holbrook and Hirschman, whose contribution is often seen as a starting point in the scientific research of customer experience. Their theory on the hedonistic consumption states that experiences of customers correlate with the human desire for experiences (Holbrook & Hirschman, 1982). According to the authors, the customer can no longer solely be seen as a rational decision maker but in fact as an individual having hedonistic, symbolic and aesthetic goals and motives regarding consumption (Holbrook & Hirschman, 1982). Consumption will therefore provoke fantasies, feelings and fun for the customer.

While acknowledging the economic value a customer oriented marketing approach can have, this thesis takes a behavioural science approach for the explanation of customer experience. This is mainly due to the described purpose of understanding the customer's perception of channel integrated measures introduced to form their experiences with a company. Nevertheless, the concept of experience co-creation introduced by Prahalad and Ramaswamy (2004) is considered again at a later point, see 2.1.2.



To summarise, the thesis adapts the view that customer experience is personal and subjective and is a reaction to a set of interactions with a company. Customers are seen as following rational as well as affective and hedonistic goals, thereby experiencing at different levels such as cognitive, emotional and social levels.

#### *2.1.1.1. The Role of Emotions*

A growing body of literature has dedicated importance to the role of emotions in buying behaviour, as well as the customers' desire for enjoyment and fun (Allen, Machleit & Kleine, 1992; Arnould & Thompson, 2005; Oliver, 1993; Palmer, 2010; Richins, 1997). Many researchers specifically highlight the importance of emotions when it comes to customer experience (Shaw, 2007; Shaw, Dibeehi & Walden, 2010), thereby following a behavioural science approach to the explanation of customer experience. For the course of the thesis it is important to acknowledge that emotions play an essential role in the creation of customer experience.

Shaw (2007, p.10) argues that “*emotions drive our daily lives... [and] are at the core of our being*”. The vital role of emotions becomes evident when analysing a consumption process. A good example is the purchase of a car. While the car is bought to transport the owner from A to B, this is not the main purchase reason for the specific model. Rather, aspects such as the enjoyment of the ride, or the social status portrayed with owning such a model influence the buying process. Similarly, customers do not simply buy clothes to keep them warm; they will consider emotional factors such as what the clothes say about the person and group belonging. In these examples, emotions are actually the root cause for the actions customers take.

Shaw, Dibeehi and Walden (2010), have compiled a list of reasons why emotions actually play a more important role in the buying process than rational aspects:

- 1) Customers make decisions based on their preconceived expectations of what an experience will be, not on what it actually is in the moment. This expectation is formed based on the customer's “*value proposition and feedback from other customers*” (Zafar, 2015, p. 75).
- 2) Customers do not consider all elements of an experience, only those most noticeable.
- 3) Customers identify a moral code in what companies do, even if it is not directly relevant to the purchase in question (e.g. ethical concerns about the company).
- 4) Sometimes customers do not know about the aspects that influence them; they just subconsciously perceive them.
- 5) Emotional twinges affect their ‘in the moment’ decision making and their behaviour.
- 6) Customers are prone to be wary of anything that threatens their well-being.
- 7) What customers say they want is often not what they actually want.
- 8) The customer’s memory of an event is not perfect but subject to manipulation.
- 9) People like to follow the herd and to be seen as part of the group.
- 10) Customers get bored with what they already know, therefore innovations for the sake of innovation can be important.

O'Shaughnessy and O'Shaughnessy (2003) note that what people get emotional about can be seen as an indicator of what is of particular importance to them.

Nonetheless, it is important to highlight that customer experience can be both emotional as well as cognitive. Therefore, when comparing customer experience with other brand and consumption concepts, a clear distinction has to be made. In contrast to, concepts such as brand attachment and brand involvement which solely focus on the emotional bond with a company, customer experience includes both the emotional and cognitive experience with a company. Thus customer experience considers both feelings and emotions, as well as associations of a company (Brakus, Schmitt & Zarantonello, 2009; Skard, Herbjørn & Pedersen, 2011). Customer experience is understood as a preceding construct in terms of customer loyalty, such as brand trust, brand personality and brand equity (Bruhn & Hadwich, 2012).

As described above, emotions play an essential role in the formation of customer experience, which will be researched by the thesis. Nevertheless, it is important to highlight that customer experience is also concerned with further mental modes, such as cognition.

#### *2.1.1.2. Different Understandings of the Term Experience*

For a more profound understanding of customer experience the following will clarify the understanding of the term experience taken by the thesis. This is necessary as there is an ambiguity regarding the term.

In pertinent literature the term *experience* is understood in different ways. Bruhn and Hadwich (2012) differentiate between two different views of experience, with one view focusing on experience in the sense of knowledge or enlightenment and the second on experience in the sense of an incident. A customer's experience in the sense of knowledge is based on separate encounters with a company. This means that separate encounters with the retailer will create the full customer experience. The customer experience in the sense of knowledge is then also influenced by the acquisition of knowledge, skills and capabilities in relation to a product over a period of time. This view is mainly used when product-experience is researched as customers create know-how and skills regarding a product in the process of using it. The customer thereby becomes an experienced customer. The view of customer experience in the sense of an incident is predominantly used in research regarding customer experience in general but also specifically for consumption-/ shopping-experience research. This view is not concerned with knowledge regarding a product or service but rather a personal and subjective experience of the consumption. Customer experience in this view therefore focuses on a more short-term, emotional experience that the retailer offers the customer, thus the consumption encounter is the centre of attention. This view can be related to the field of research of experience marketing (Bruhn & Hadwich, 2012).

In most cases an incident perspective on customer experience is taken, especially as this view places emotions at the centre of its construct (Bruhn & Hadwich, 2012). Accordingly, this thesis understands experience in the sense of an incident. This approach is an essential aspect of the

thesis as the study's focus is on the customers' perception within the physical shopping environment and concentrates on the shopping encounter with the retailer in the physical store.

### 2.1.2 Dimensions of Customer Experience

This section aims to identify the dimensions of customer experience. These dimensions describe the customers' reaction to their experience. They therefore show what aspect of the customer's perception is addressed through the customer experience, describing the effect the customer experience has on the customer. Identifying the dimensions is highly relevant for the thesis as a behavioural science approach to the explanation of customer experience is taken. Furthermore, the dimensions support the empirical research analysing the formation of customer experience in channel integrated retail stores.

Only little research deals with the conceptualisation and the dimensions of customer experience. In this context, research often refers to the situational and multidimensional construct of customer experience which is influenced by the interaction of a customer and a company and consists of various experience dimensions (Bruhn & Hadwich, 2012). Basically, it can be assumed that an experience affects customers at different levels, as described by this thesis' leading definition of customer experience by Gentil, Spiller and Noci (2007). Several studies have identified the influence of the psychological concept of cognition and affect on customer experience and on customer behaviour (Frow & Payne 2007; Puccinelli, Goodstein, Grewal, Price, Raghuram & Stewart, 2009; Tynan & McKechnie 2009, Verhoef et al., 2009). Further, some researchers believe that affect may have an influence on customers' attitudes and evaluations regarding a retailer (Cohen, Pham & Andrade, 2008).

A major contribution towards identifying the dimensions of customer experience is made by Schmitt (1999). He uses insights from the field of cognitive science and considers the psychological concept of modularity of mind to identify five experience dimensions. Schmitt (1999) calls these five dimensions 'Strategic Experiential Modules' which include sensory experiences (sense), affective experiences (feel), creative cognitive experiences (think), physical experiences including behaviours and lifestyle (act) and social experiences (relate).

These dimensions were further developed by Gentil, Spiller and Noci (2007) who view customer experience as a holistic phenomenon and differentiate between six experience dimensions, which will be considered for the purpose of the study. These dimensions are:

- 1) **Sensory dimension** relates to the absorption of stimuli through the sense organs. This dimension is suitable for deploying well-being, excitement and satisfaction in the customer by stimulating the customer's senses such as hearing, touching, seeing, smelling and tasting.
- 2) **Emotional dimension**, also called affective dimension, triggers reactions such as emotions and moods in the customer. A relationship with an offer, a company or a brand can lead to positive emotions. This dimension targets the sentimental and emotional level.

- 3) **Cognitive dimension** targets the intellect of customers and addresses their faculty of thought. Aspects stimulated by this dimension include the customers' problem solving behaviour and creativity.
- 4) **Pragmatic dimension** targets the rational behaviour of customers over the complete span of usage. This includes the user-friendliness of experience artefacts.
- 5) **Lifestyle dimension** offers arguments for the affirmation of the values and opinions of a customer.
- 6) **Relational dimension**, also referred to as the social dimension, focuses on the relevant social context of an experience. It thereby considers a person's relationship with other social actors as well as the person's ideal self.

Successful companies use these dimensions in accordance with the characteristics of their products or services to create unique customer experiences (Embert, 2015). Companies such as Starbucks and Swarovski mainly target the sensory and lifestyle dimensions, while Disney, for example, mainly targets the emotional dimension. In order to generate a holistic customer experience, companies should try to stimulate as many of the six dimensions as possible through the different touch-points with the customers (Mayer-Vorfelder 2012).

In accordance to Prahalad & Ramaswamy (2004), Reckenfelderbäumer and Arnold (2012) reason that companies cannot create experiences without the co-creation with customers. They can simply offer artefacts in the situationally relevant context of consumption which will be transformed into experiences by the customer. This is supported by Carù and Cova (2007), who argue that rather than selling experiences, companies provide artefacts that guide customers in the co-creation of experiences. These experiences are then unique to the customer. The artefacts are perceived by the customer as a stimulus which targets one or more of the six dimensions.

The thesis similarly adopts a co-creation approach, viewing an effective customer experience as the alignment between the customer's expectations and the companies' offering. Customer experience can therefore be understood as an artefact transformation. The figure 2 below highlights the process of the described phenomenon.

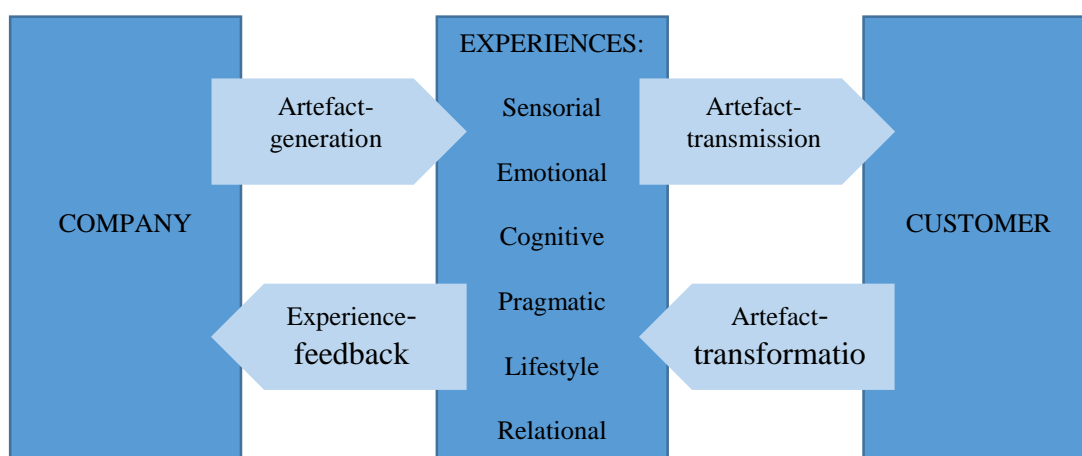


Figure 2: Experience Artefacts (Reckenfelderbäumer & Arnold, 2010, p. 90)

### 2.1.3 Determinants of Customer Experience

In order to understand how customer experience is formed in offline-online integrated channels, it is not only important to understand the effect of customer experience on the customer (dimensions) but also what influences the effect. This is done by looking at the determinants of customer experience, which describe factors that can influence the expectations of customers as well as their capability to perceive customer experience stimuli.

As described in the definition of Gentil, Spiller and Noci (2007), customers evaluate their experience with a company when an existing expectation is met by a stimulus through the interaction with a company. Different experiences that a customer has had in the past, can influence and thereby change their expectations (Verhoef et al., 2009).

There are numerous determinants that influence customer experience and many of the determinants identified by past researchers show high heterogeneity, and a clear sorting of these determinants is quite hard (Bruhn & Hadwich, 2012). Bruhn and Hadwich (2012) offer a classification of these determinants based on the categories customer-related, company-related, offer-related, situational and environmental, as can be seen in the table 1 below.

*Table 1: Classification of Determinants (Bruhn & Hadwich, 2012, p. 18)*

Classification of determinants that influence customer experience				
Customer related	Company related	Offer related	Situational	Environmental
Intrapersonal: - Attitude - Involvement - Openness - Personality structure - Age - Gender - etc.  Interpersonal: - Belonging to a reference group - Social class - Interaction with other customers - Interaction with the personnel - etc.	- Friendliness of the service personnel - Reliability of service personnel - Store layout - Technology - Assortment - Product and service offering - Degree of interaction - Degree of customisation - etc.	- Complexity of the product - Price level - Quality - Uniqueness of products - Brand strengths - Use of technologies - Events - Clubs - Worlds of experience - Special experience environment - etc.	- Time pressure - Presence of other customers - Social environment - Atmosphere - Discounts - etc.	- Economic situation - Social development - Technological possibilities - Legal frameworks - Service environment - Retail layout - etc.

Determinants can have both a positive and a negative impact on customer experience. While, for example, time pressure can have a negative effect on customer experience, spontaneous discounts can positively affect customer experience (Bruhn & Hadwich, 2012).

Further determinants are offered by Lemke, Wilson and Clark (n.d.), who identify eight key factors that play a dominant role in the evaluation of holistic customer experience from a

customer perspective. These key factors can best be allocated to the category of company-related determinants.

- **Accessibility:** The degree of accessibility of the staff and the company's digital and analogue facilities are of great importance. Companies that are not, or only poorly, accessible via certain communication or distribution channels, risk losing new as well as existing customers.
- **Competence:** The staffs level of knowledge and competence regarding their job as perceived by the customer. The attitude of employees can be an important signal for service quality (Baker, Parasuraman, Grewal & Voss, 2002). Additionally, a customer's perception of an employee's behaviour can alter his or her expectations (Cowley 2005).
- **Customer Recognition:** The feeling of being recognised and acknowledged is essential to customers when initiating contact with a company.
- **Helpfulness:** The degree to which customers see staff as helpful. A customer that feels like an employee is listening to them will be more likely to develop trust (Stock & Hover, 2005).
- **Personalisation:** A personalised and individual customer approach by the staff or the possibility of personalisation of a product or service are essential, especially as customers increasingly have the opportunity to choose from a vast range of products in saturated markets.
- **Problem Solving:** The degree to which customers feel that the staff is willing to solve their problem.
- **Value for Time:** The company should act time-effective to customer inquiries in order to demonstrate to the customer that his time is considered valuable. The customer gets the feeling that his or her individual problem is of highest priority to the company.

Solely sticking to a key factor does not lead to a positive customer experience and the relevance of the different determinants needs to be evaluated based on the specific industry and target group in question (Lemke, Wilson and Clark, n.d.). An example of this is that high expertise of staff is required when purchasing technically complex products. However, it is not required when purchasing simple products for daily needs.

Additionally, the determinants can be seen as moderating factors of customer experience. These factors moderate the relationship between customer experience and the effect the perceived experience has on the customer. Foscht and Schloffer (2012) identify three types of moderators: situational moderators, social moderators and customer-related moderators. The situational moderators include economic conditions, competition, the season and type of sales' channel. Customers, for example, might have a different attitude towards a product in times of economic expansion than in times of recession. Social moderators include the influence of sales staff and referencing group as well as the influence of family and friends. The majority of literature focuses on the interaction of the sales personnel with the customer (Tsiros & Parasuraman 2006), but it is important to also consider the influence of interaction among customers (Verhoef et al., 2009). Among the customer-related moderators customer involvement, price

sensibility as well as purchase intention can be counted. Task-oriented customers therefore value assortment significantly more in terms of creating customer experience than experience oriented customers (Verhoef et al., 2009).

The thesis similarly sees determinants as moderating factors and will take these into consideration for the empirical research. The research therefore mainly differentiates between social, situational and customer-related moderators. However, additionally company-related determinants are considered.

#### 2.1.4 Customer Experience as Means of Differentiation

Even though the thesis focuses on the customers' view, it is still important to understand the value for businesses in understanding customer experience in order to provide relevance and a holistic picture.

In many cases researchers have emphasised the importance of experiences as a means of differentiation (Grewal, Levy & Kumar, 2009; Pine & Gilmore, 1999; Shaw, Dibeehi & Walden, 2010). This is not a new thought. In 1955 Abbott, cited in Holbrook (2006, p.40), argued that “[. . .] what people really desire are not products, but satisfying experiences”. Rather than looking for functional values, customers are increasingly looking for experiences that provide “*sensory, emotional, cognitive, behavioural and relational values*” (Schmitt, 1999, p. 26).

Palmer (2010) highlights the development of competitive differentiation. While during the 1950s and 1960s companies competed based on tangible products, the competitive differentiation moved to services in the 70s (Christopher, Payne & Ballantyne, 1991). This development was followed by relationships as a differentiator in the 1980s. Christopher, Payne and Ballantyne (1991) then propose experiences as the next level of competitive differentiation.

One reason why customer experience serves as a differentiation tool is that it is hard to replicate, especially in comparison with product features and services which are becoming increasingly homogenous (Soudagar, Iyer & Hildebrand, 2012). Shaw, Dibeehi and Walden (2010) therefore stress that the traditional marketing mix consisting of the four P's (price, products, place and promotion) are no longer sufficient, and that instead companies must focus on emotional aspects rather than rational ones. This can be done by looking into how customers feel and perceive different things.

Shaw, Dibeehi and Walden argue that the companies that survive and prosper are the ones that embrace, understand and manipulate the customers' experience. It is important to design “*experiences that stay in the mind, either consciously or subconsciously, as alluring, memorable or engaging - recognising that in today's world customer relationships are no longer just about the transaction*” (Shaw, Dibeehi & Walden, 2010, p.9). Shaw (2007) even goes as far as saying that “*those who deliver memorable Customer Experiences consistently create superior value and competitive advantage*” (Shaw, 2007, p.xix).

Some researchers also highlight the use of customer experience as innovation by redesigning a customer's interaction with a company across all touch points (Sawhney, Wolcott & Arroniz, 2006). In order for customer experience to work as an innovation tool, a company needs to reconsider all touch points between them and the customer. This includes everything the customer experiences in relation to a company including what he or she sees, feels and hears (Sawhney, Wolcott & Arroniz, 2006).

Measures introduced by companies with the goal of increasing customer experience can positively affect the customer's experience and in turn positively affect customer satisfaction and the relationship the customer has with the company (Bruhn & Hadwich, 2012). Based on these research insights, businesses are engaged with the management of experiences, called Customer Experience Management (CEM). An example of a CEM activity is the personalisation of commodities, which brings joy to the customers and increases the perceived customer experience. Customer experience management can be defined as "*the process of strategically managing a customer's entire experience with a product or a company*" (Schmitt, 2003, p. 17) with the main focus being on the creation of unique and remarkable experience (Bruhn & Hadwich, 2012, p. 23).

Examples of companies that are successful due to a positive customer experience include (Schmitt, 2003):

- Singapore Airlines: offering outstanding service
- Amazon.com: online ordering made easy
- FedEx: web-based shipping tools (easily done from home)

In summary, it can be stated that customer experience can be a valuable means for differentiation and therefore offers economic value for the company. Companies that have understood the benefits of customer experience, regularly highlight its importance in their organisation (Embert, 2015). The next part will look into the influence of technologies on customer experience.

### 2.1.5 The Role of Technology in Customer Experience

This thesis looks at customer experience in the context of offline-online channel integration. It is therefore important to look at how technologies influence customer experience, as these are an integral part of the online channel.

There are two ways in which technology plays a role in the formation of customer experience. Firstly it influences the customers' behaviour and expectations and secondly it changes the companies' possibilities of delivering a positive customer experience (Goodman, 2014).

First a look at how technology has changed customers' expectations and behaviour. Today customers are increasingly accustomed to using technologies and the internet, and it has become an essential part of their lives (Watkinson, 2013). A new development brought forward by the



technological developments is user contributed content (Watkinson, 2013). The internet allows customers to review and discuss products they have bought, learn from other people's experiences and make choices based on recommendations of their peers (Watkinson, 2013). Such insights gained from the customer-to-customer interaction can be very influential and can be seen as a new form of traditional word-of-mouth communication (Hagel and Armstrong 1998; Kozinets 1999). Mittal and Tsiros (2007) found that virtual communities formed by customers can enrich the customer experience and help generate customer loyalty. User generated content shifted power towards the customer, which was further enhanced through the introduction of social media. Watkinson (2013) argues that social media provides customers with a *“means to hold businesses to account for disappointing or dishonest behaviour”* (Watkinson, 2013, p. 19).

The second way in which technology influences customer experience is through offering companies new possibilities to drive positive customer experience. Parasuraman (2000) points out the likelihood for the interactions among companies, their staff and customers to become increasingly mediated by technology. Soudagar, Iyer and Hildebrand (2012) argue that apart from changing a company's culture towards a passionate customer centric view, companies need to integrate technologies in order to deliver a holistic and positive customer experience. When managed properly, technologies can make a customer experience memorable through a proactive service (Goodman, 2014).

Bäckström and Johansson (2006) found that retailers increasingly use technology to enhance the in-store experience. Technologies such as computers, display screens and the opportunity to use the internet are implemented to educate the customers in the store (Bäckström & Johansson, 2006). Technological development can also lead to new challenges for companies. One major challenge is the creation of new digital touchpoints, such as websites and mobile devices. Companies are now required to join these touchpoints in order to guarantee a consistent experience (Watkinson, 2013).

An information technology used by companies is augmented reality, which aims to combine the physical world with computer-generated content (Nigay, Salembier, Marchand, Renevier & Pasqualetti, 2002). An information system can be classified as an augmented reality concept when, firstly, the physical world is overlaid with virtual objects, secondly, the interaction between objects and the user are carried out in real time, and thirdly, the virtual objects are connected to the objects of the physical world (Azuma, 1997).

All the aforementioned scenarios highlight that technologies play an essential role in the lives of customers and therefore should not be ignored when aiming to create positive customer experiences.

## 2.1.6 Customer Experience in Retailing

This thesis analyses the formation of customer experience in a retailing environment, specifically in offline-online channel integrated retail formats. This part therefore aims to describe customer experience in this industry and introduce the retail channels considered for the research.

Bruhn and Hadwich (2012) identify four types of research directions when it comes to customer experience: Product-experience, service-experience, brand-experience and consumption experience. Leischnig, Schwertfeger and Enke (2012) introduce a further type of experience, namely the shopping-experience. This type of customer experience is the focal point of the empirical research of this thesis. While the consumption-experience mainly concentrates on the post-purchase phase, the shopping-experience is concerned with the purchase situation within a retail environment. The in-store experience is especially relevant as the thesis seeks to understand a new and changed retail format. Based on the fact that the thesis specifically focuses on the in-store experience, the view on retailing taken by this thesis follows the definition of Lusch, Dunne and Carver (2011). They see retailing as the final activity needed to provide customers with a product or service. It therefore encompasses the act of selling.

Within retailing the different touch points through which customer experience is formed can include multiple retail channels (Verhoef et al., 2009). The following two parts are aimed at providing insights into the two retail channels taken into consideration in this thesis, specifically how customer experience is developed in these channels.

### *2.1.6.1. Customer Experience in the Physical Store*

The main channel considered in the research is the physical store, which represents traditional retailing. Therefore, this part will examine the characteristics and benefits of this channel in the context of customer experience.

By operating physical stores, retailers achieve closeness to their customers. This is especially valued by non-tech savvy customers who prefer a sales channel that offers traditional face to face interaction and aspects such as cash payment (Piotrowicz & Cuthbertson, 2014; Zhang et al., 2010). Additionally, customers value physical stores as they offer a form of instant gratification by allowing customers to receive their products directly without having to wait for them (Agatz, Fleischmann & van Nunen, 2008; Grewal, Iyer & Levy, 2004). Another benefit of a physical store is the opportunity to provide a personalised and multi-sensory experience through the sales staff as well as the actual presence of products, thereby allowing customers to feel and try the product (Herhausen et al., 2015; Rigby, 2012; Webb, 2002). Further benefits of physical stores include the ease of returning products, the assistance during the decision-making process and the support with aspects such as setup and repair (Grewal, Iyer & Levy, 2004; Rigby, 2012).

An advantage of physical stores is the ability to affect all senses through atmospherics (Goworek & McGoldrick, 2015). Kotler (1973) describes atmospherics as factors in a store that the retailer can design and manipulate in a way to create behavioural and emotional responses in the customer. These factors can be tangible, such as decorations, and intangible, including aspects such as music and scents (Hoffman & Turley, 2002; Puccinelli et al., 2009). Hence, one way to achieve atmospherics is through the retail layout. The retail layout and the design of a store are crucial when it comes to communicating a certain image to the customers (Davies & Ward, 2005). An effective layout can increase the likelihood of customers visiting a store as it provides an attractive environment for the customer. Goworek & McGoldrick (2015) emphasise the importance of a store design that is compatible to the products or services offered by the retailer in order to portrait a consistent image.

Bäckström and Johansson (2006) argue that in order to offer an experience to customers, a positive store atmosphere is imperative. Atmospherics are increasingly used as a way for bricks-and-mortar stores to differentiate themselves from their online competition (Goworek & McGoldrick, 2015). Through a well-designed atmosphere retailers can become part of the so called ‘third place’ which describes an environment where customers choose to spend their leisure time, other than at home or at work (Goworek & McGoldrick, 2015). A good example for a company providing such a third place is Starbucks.

The above highlights the benefits and important characteristics of physical stores such as atmospherics and personalised service. Nevertheless, customers are increasingly choosing a different channel, namely the online store. Therefore, the next part is concerned with the introduction of this second channel considered in the research.

#### *2.1.6.2. Customer Experience in E-Commerce*

Electronic-Commerce (E-Commerce) is understood as the initiation and execution of economic transactions via the internet (Meier & Stormer, 2009). Online retailing, also called *etailing*, is done through websites of either multichannel retailers, which offer various channels to their customers, or websites of pure players, which only offer products online (Goworek & McGoldrick, 2015).

The online customer experience has become increasingly important due to the progress of technological developments and the increasing importance of online aspects (Elliot & Fowell, 2000). Customers benefit from online platforms by saving time and the offer of high flexibility, especially due to the round-the-clock accessibility (Agatz, Fleischmann & van Nunen, 2008; Demmelair, Most & Bartsch, 2012; Rigby, 2012). A specific benefit of online stores in regard to customer experience is the fact that customers can consider, make and reflect the purchase in the comfort of their own home (Zhang et al., 2010). Retail channels other than the physical store can therefore often be a better match for customers’ lifestyles (Goworek & McGoldrick, 2015). A specific advantage of online stores over physical stores is the wide product selection (Agatz, Fleischmann & van Nunen, 2008; Rigby, 2012). Grewal, Iyer and Levy (2004) state that customers shop online mainly for economic reasons. Retailers on the other hand benefit

through time and cost reductions as well as the facilitated reach of new customers (Demmelmair, Most & Bartsch, 2012).

Positive user experiences play an important role for online sales, as the cost of switching from one retailer to another is heavily reduced in the online environment, compared to physical stores. While switching physical stores is very time-consuming and can include longer journeys, search engines facilitate the switch of online stores (Watkinson, 2013). When it comes to creating customer experience through stimulating the senses of customers, online retail channels are at a disadvantage. These retail channels are more restricted in terms of atmospherics compared to physical stores, and mainly focus on visual elements to stimulate the customers' senses (Goworek & McGoldrick, 2015, p. 238). Rose et al. (2012) found that in the online customer experience aspects such as connectedness, customisation and ease-of-use play an important role. These aspects enhance the customer's feeling of control, which Rose et al. (2012) identified as one of the most important factors for customers.

Both offline and online retailing provide clear benefits for the customer. The next section will introduce ways in which companies try to meet all customer needs and provide all benefits described above.

## 2.2 Omnichannel Strategy and Channel Integration

The aim of this part is to present different retail strategies, involving multichannel and omnichannel approaches. Furthermore this section provides a thorough understanding of the process of integrating channels, along with its advantages and challenges.

Customers do not specifically recognise their shopping behaviour or experience, nor do they deliberate about terms such as multichannel or omnichannel strategies (Cook, 2014). Nevertheless it is crucial to not only understand these two strategies but also to be able to differentiate between the two terms.

While the phrase multichannel has become a solid and often discussed topic within the existing literature, the term omnichannel has only recently emerged and emphasises a new development within the retail literature (Verhoef, Kannan & Inman 2015). The expression omnichannel is perceived as an extension or evolution of the term multichannel among renowned researchers in this field (Piotrowicz & Cuthbertson 2014; Verhoef, Kannan & Inman 2015). Due to this, the following section will firstly discuss and define the concept of multichannel, and secondly evaluate and define the term omnichannel.

## 2.2.1 Definition of Multichannel

Retailers following a multichannel strategy offer their customers a multitude of channels such as physical stores, mail order catalogues or websites in order to promote their products (Wallace, Giese & Johnson, 2004). The retailer's motivation behind this can originate from a variety of reasons (Wallace, Giese & Johnson, 2004). Retailers are either aiming to increase legitimacy with their main customers, are reacting to their competitors or endeavour to gain market coverage (Wallace, Giese & Johnson, 2004).

One of the most acknowledged studies according to Verhoef, Kannan and Inman (2015) within the literary field of multichannel is the paper by Neslin, Grewal, Leghorn, Shenkar, Teerling, Thomas and Verhoef (2006). Whereas the previously mentioned definition by Wallace, Giese and Johnson (2004) focuses on the variety of sales channels, the following definition by Neslin et al. (2006) has developed a different focus. The authors define multichannel customer management as the concept of "*deployment, coordination and evaluation of channels through which firms and customers interact, with the goal of enhancing customer value through effective customer acquisition, retention, and development*" (Neslin et al., 2006, p.2). With this definition Neslin et al. (2006) accentuate the customer within the value creation process for the firm, whereas previous sales channels studies have put emphasis on the company and its distributors. At the same time, the authors exclude one-way communication channels such as TV commercials, as the focus is on the channels that provide interaction with the customer (Neslin et al., 2006, p.2). The authors thereby define channels as customer contact points that enable firms to engage with their customers (Neslin et al., 2006). The various studies within the field of multichannel retailing have included different channels into their consideration. Most studies have primarily emphasised three main channels, which are physical stores, online stores and direct marketing channels such as catalogues (Verhoef, Kannan & Inman, 2015). Highlighting these three channels stems from the growth of e-commerce, which has mainly caused the advent of multichannel strategies for retailers (Verhoef, Kannan & Inman, 2015). This study specifically focuses on two channels, the physical and the online store, which Herhausen et al. (2015) argues play the leading role in companies offering various sales channels. Customers using these two channels can be referred to as 'research-shoppers', searching for information in one channel and purchasing in another (Verhoef, Neslin & Vroomen, 2007).

As the aim of this study is to analyse how the integration of online elements within the physical store's setting form customer experience, this study follows the argumentation of Herhausen et al. (2015) and also involves the physical and the online store. Furthermore, this study's focus is on the customer's experience and therefore follows the definition on the customer-centric multichannel strategy by Neslin et al. (2006).

Within the multichannel environment, the channels have mainly been established and handled separately, with constrained integration of the various channels (Verhoef, 2012). The focus on performance growth for each individual channel represents the typical multichannel strategy (Pophal, 2015). Renowned researchers have suggested expanding this separated view by a more

channel integrated approach (Neslin et al., 2006) in order to use synergies and channel spillover effects (Verhoef, 2012) or to meet customers altered needs (Rigby, 2012). This broadened view is called omnichannel and will be introduced and differentiated from a multichannel view in the next part.

### 2.2.2 Definition of Omnichannel

The aim of this section is to provide a profound literary overview on omnichannel theories in order to define and elaborate the expression omnichannel for the course of this study.

As suggested by Rigby (2012), today's customers require all online benefits, such as great variety of products, rich product information and customer reviews, along with the offline shopping advantages of personal service, the possibility of touching the products and the enjoyment of shopping as an experience. These benefits are increasingly required simultaneously (Rigby, 2012). This and the further developed digitalisation, including technologies such as smartphones, tablets and social media, have changed the retail landscape and the needs of the customers (Pophal, 2015; Verhoef, Kannan & Inman, 2015). This development moves the multichannel approach, where channels are managed in silos, to an omnichannel strategy where channels are managed in an integrated way with the goal to offer customers a seamless shopping experience (Neslin et al. 2006; Rigby, 2012). Moving away from a multichannel strategy where channels are managed separately (Pophal, 2015) is recommended as this strategy does not reflect the customers' need of using various channels simultaneously according to their preferences (Rigby, 2012).

Rigby illustrates the synergies between channels and argues that "*physical stores boost online channels*" (Rigby, 2012, p.29), implying that an offline channel can be a successful addition to an online channel and in reverse an online channel can be complementary to a physical store (Herhausen et al., 2015). Therefore, Rigby defines the term omnichannel as a complete fusion of the e-commerce benefits with the advantages of the physical stores (Rigby, 2012).

Adding to the definition by Rigby (2012) Brynjolfsson, Hu and Rahman (2013) argue that physical stores provide the unique experience of touching and feeling the products and immediate fulfilment, whereas the online stores attract customers through broad product assortment, offer better prices and product reviews. As customers desire to use these two channels interchangeably, the division between physical stores and online stores will be blurred hence "*turning the world into a showroom without walls*" (Brynjolfsson, Hu & Rahman, 2013, p. 1), which further illustrates the linkage of on- and offline channels in the aforementioned omnichannel definition.

Verhoef, Kannan and Inman (2015) also argue that channels are employed interchangeably and seamlessly during the buying process. The authors introduce the term 'showrooming' which refers to an omnichannel setting where customers search for information online while being in the store in order to obtain more information. This phrase acknowledges that customers, driven by mobile and social media, not only move between channels, but also use these channels at

the same time. They define omnichannel as *“the synergetic management of the numerous available channels and touch points, in such a way that the customer experience across channels and the performance over channels is optimized”* (Verhoef, Kannan & Inman, 2015, p 3). Pophal (2015, p.2) further supports this and adds that omnichannel retailing is about *“understanding how to eliminate effort from the customer experience”*.

Piotrowicz and Cuthbertson (2014) argue that while the multichannel approach clearly detaches the physical from the online store, the omnichannel concept enables the customer to move independently between the different channels. This approach should provide a fluid, seamless and unified customer experience throughout all channels being used (Piotrowicz & Cuthbertson, 2014). Since the channels are managed in a unified manner, the customer engages with the whole brand, instead of with each individual channel (Piotrowicz & Cuthbertson, 2014).

Over the course of this study the term omnichannel is used in the sense of Piotrowicz and Cuthbertson (2014) and focuses on the integration of online elements within the physical store, which enables the customer to use these channels freely and simultaneously. There is no clear distinction between the online and offline store, but rather a seamless integration of e-commerce benefits and physical store benefits as suggested by Rigby (2012). Furthermore the optimisation of customer experience across channels (Verhoef, Kannan & Inman, 2015) and the elimination of customer efforts (Pophal, 2015) is at the core of omnichannel.

As the omnichannel strategy is based on the degree of channel integration, the next part will define and illustrate the process of channel integration in order to provide an in-depth understanding of the process itself and will also outline which kind of channel integration will be assessed in the course of this study.

### 2.2.3 Channel Integration

The central subject of channel integration is the seamless management of multiple channels in order to build a customer experience (Binder, 2014). Bendoly et al. (2005) define the term channel integration as the intensity of interaction between the various channels. Along with this definition Herhausen et al. (2015) identify two main ways of integrating channels. The integration can either appear from the physical store to the online store or vice versa from the online store to the physical store. The former approach is called ‘offline-online channel integration’ and is defined as *“providing access to and knowledge about the internet store at physical stores”* (Herhausen et al., 2015, p.2). In contrast, the latter is defined as *“providing access to and knowledge about physical stores at the internet stores”* (Herhausen et al., 2015, p.2). Concrete examples for the offline-online integration can be seen in a company’s offer of in-store pick up possibilities for products that were ordered online (also called click & collect), or self-service stations such as tablets to access the firm’s complete online product assortment (Bendoly et al., 2005; Krueger, 2015). A company providing information about its physical

stores and about specific product availability in its physical stores (Samat, 2014) illustrates a generic example for the online-offline channel integration approach.

Both channel integration approaches clearly underline that in an omnichannel environment it is irrelevant in which channel the sale is made, but more importantly that the retailer offers and integrates a variety of channels that reflect their customers' individual preferences at each purchasing moment (Samat, 2014). Bendoly et al. (2005) therefore understand channel integration from the customer's viewpoint as an approach to create and manage channels that cooperatively support the customer in all purchasing actions. Furthermore, Emrich (2011) adds that services have to be accessible across all channels.

As this study analyses the effect of the integration of online elements within the physical store on customer experience, this paper focuses on the offline-online channel integration as suggested by Herhausen et al. (2015). The customer-centric view provided by Bendoly et al. (2005) is especially important as this study's focus is on the customer's experience.

Even though the importance of channel integration has been recognised by several researchers as stated above, most retailers still follow the multichannel approach where the physical store and the online store are often divided and managed independently (Bell, Gallino & Moreno 2014; Rigby 2012). The following parts will illustrate reasons to implement channel integration as well as challenges that retailer face within the implementation of channel integration measures.

## 2.2.4 Reasons for Channel Integration

This part aims to provide an overview of the reasons for channel integration. While the last section focused on the offline-online channel integration, this section of the thesis examines reasons and advantages on a more generic level and makes no differentiation in terms of the direction of the integration. Three main reasons for channel integration are discussed in detail

### 2.2.4.1. *Customer Needs & Customer Loyalty*

Meeting current customer needs through a seamless channel integrated shopping experience is perceived by the majority of literature on this subject as a vital reason for channel integration.

As explained by Rigby (2012), customers nowadays desire all online and offline benefits at the same time and require accessing them through different channels whenever they need to. These altered customer-needs require a seamlessly integrated purchasing experience throughout the complete purchasing process (McCormick, Cartwright, Perry, Barnes, Lynch & Ball, 2014). The authors suggest that customers should be capable of combining channels according to their preferences (McCormick et al. 2014). Samat (2014), who argues that customers collect information and shop at the pace and location that matches their preferences the best, further supports this. The author argues that this altered customer behaviour requires changes within



the local retail environment (Samat, 2014). Bell, Gallino and Moreno (2014) brings forward the argument that this change is required in order for businesses to thrive. According to Zhang et al. (2010) customers require everything from the opportunity of click & collect, personal support from the sales staff as well as online self-service stations. In this context Nunes and Cespedes (2003, p.98) argue that the channel integration approach provides "[...] customers what they need at each stage of the buying process - through one channel or another [...]".

By offering a channel integrated approach, retailers are able to increase customer satisfaction and the customer experience in general (Krueger, 2015; Zhang et al., 2010). Thus channel integration can be seen as an approach to increase the value proposition within the omnichannel-shopping concept. It strengthens the relationship between the company and their customers (Grönroos 1994; Gronroos 1996). Binder (2014, p.23) further supports this relational aspect and believes channel integration "*is about creating customer lock-in between the stages of the purchase process and to build a long-lasting and profitable customer relationship*". These lock-in effects are seen as measures to avoid that the switching of channels additionally leads to a switch of the vendor (Bendoly et al., 2005). Bidirectional information integration, such as physical store opening hours on the website or information on product availability online within the physical stores, significantly lowers the risk of purchasing at an alternative vendor (Bendoly et al., 2005). This is the reason why the channel integration should be as seamless and simple as possible for the customer (Heckmann et al., 2012). In addition to the enhanced customer relationships, Zhang et al. (2010) argue that channel-integrated strategies may impact the customer's loyalty, as the retailers are able to collect data about the customers via the various channels, and in turn offer a customised shopping experience. Srinivasan, Anderson and Ponnavaolu (2002) also believe in an impact on customer loyalty through customisation and convenient experiences throughout the different channels. Wallace, Giese and Johnson (2004, p. 258) evolve the argumentation that a "*synergistic combination of service outputs*", creates a wider base to satisfy customer needs, which in consequence enhances customer loyalty. Oh and Teo (2010) determine within their study that channel integration measures increase the information quality for customers as well as service activities in terms of convenience.

#### *2.2.4.2. Brand Image & Brand Loyalty*

Another reason supporting the channel integration approach within the retail-mix can be seen in the enriched brand image or brand loyalty. Jarvenpaa, Tractinsky and Saarinen (2006) provide evidence that trust is being transformed from physical stores to online stores, particularly when there is a high product uncertainty level. Furthermore, Hahn and Kim (2009) also build upon the customer's trust and argue that trust will be maintained through the different channels if the switching between the channels is seamless and without effort for the customer.

Badrinarayanan, Becerra, Kim and Madhavaram (2012) question this benefit of channel integration since they claim it is only valid within certain cultural settings. However, Doong, Wang and Foxall (2011) highly support the idea that brand loyalty established within the physical store also influences the trust regarding online store purchases. Kwon and Lennon (2009) further support this and even determine that the brand image of one channel forms the

brand image of additional channels. The brand image can also remain identical between the different channels if the advertising and brand messages are not only consistent across these channels but also put the customer in the focus instead of the channel (Schoenbachler & Gordon, 2002).

#### *2.2.4.3 Increased Sales & Access to New Markets*

While the previous mentioned reasons for channel integration mainly represent the customer's perspective, this section will briefly analyse the retailer's monetary goal behind the channel integrated retail approach. This contributes to the wholeness of the topic of channel integration, but the focus throughout this thesis is clearly on the customer.

According to Zhang et al. (2010) the motivation for retailers to implement a channel-integrated approach is based on the attempt to increase sales and improve operations in terms of efficiency and synergies between channels. This belief stems from the argumentation that with more channels the retailers increase their opportunities to reach more customers with diverse customer needs and thereby a retailer "*expands both the quantity and possible combinations of service outputs available to its customers*" (Wallace, Giese & Johnson, 2004, p. 251). The increased availability and accessibility for customers to purchase or return products along with the seamlessly integrated channels can be seen as the cause of growth in sales (Capgemini Consulting, 2014; Lewis, Whysall & Foster, 2014).

Through channel variety and combination, retailers are additionally able to enter new markets respectively reach new customers as Zhang et al. (2010) point out. A slightly different focus is provided by Brynjolfsson, Hu and Rahman (2013), who argue that not only new customers are reached, but also that customers are confronted with new products that have not been in their attention before.

Even though this section has shown that the channel integration approach entails several opportunities for both customers and retailers, there is also a considerable amount of challenges within this strategy.

#### **2.2.5 Risks Within the Channel Integration Strategy**

The aim of the following part is to provide a profound overview on potential risks that can occur within the channel integration approach. Highlighting the potential risks of channel integration is especially important for this study as the authors gained the insight that offline-online channel-integrated retail formats still remain rare within the German retail landscape.

Although a customer that uses multiple channels from one retailer is perceived as being more valuable in terms of satisfaction and loyalty (Wallace, Giese & Johnson, 2004) a switch of channels oftentimes also leads to a switch of retailer (Binder, 2014). Chiu, Hsieh, Roan, Tseng and Hsieh (2011) define this behaviour as 'cross-channel free riding' and emphasise the

involved loss the retailer records, as the customers use the retailer's service but do not generate any revenue. Berry, Bolton, Bridges, Meyer, Parasuraman and Seiders (2010) mention the possible risk of customer confusion and distrust if the integration of channels is not performed strategically, adequately or if the concept is not clear for the customers. Another fact in terms of potential risks can be perceived by the channel cannibalisation (Kollmann, Kuckertz & Kayser, 2012). Binder (2014) supports this potential risk and argues that channels do not necessarily support each other and instead run the risk of substituting, instead of correlating each other (Binder, 2014). Van Baal and Dach (2005) note that this is especially the case if the demand is fixed and if the channels are aiming for the same customers. In that case the integration of multiple channels could cause redundant complexity and high distributions costs, which counteracts a growth in sales (Van Baal & Dach, 2005). From the customer perspective, and according to Falk, Schepers, Hammerschmidt and Bauer (2007), channel integration might even lead to channel 'dissynergies' if, for example, a high offline contentment reduces the usefulness of using an online channel for the customer, which could even raise the customer's risk awareness.

Furthermore, customer loyalty can also be negatively affected by simplification and channel integration, for example through self-service stations or tablets that have access to the firm's website. These technological advancements in fact add value for the customer in terms of convenience, but since the personal contact and interaction with the company is missing customer loyalty might suffer (Selnes & Hansen, 2001). Schögel and Schulten (2006) even go as far as arguing that the profit contribution through the integration and combination of multiple channels is rather small and risky. Binder (2014) limits this statement and argues that the effect of channel integration and interactivity of customers with the channels has to be considered over time. In this context Avery, Steenburgh, Deighton and Caravella (2012) explain that the extension of a physical store channel to an online channel lowers the sales online in the short run, but in contrary supports the growth in sales within the physical store on a long-term basis. However, creating a seamless customer experience through channel integration, requires a vast amount of effort in terms of coordination across various functions (Pophal, 2014), does not always lead to higher sales, and could even have a negative influence on a firm's performance (Binder, 2014). Due to the fact that customers utilise channels interchangeably and seamlessly throughout the purchase phase, the firm's ability to control this procedure is very low (Verhoef, Kannan & Inman, 2015). Therefore, channel integration should not be used as sole strategy when aimed to increase the number of sales, but rather as complementary measurement that helps to effectively match the customer's current needs, allowing for the creation of long-lasting relationships between company and customers (Binder, 2014).

As highlighted, the channel integration approach entails several risks and might even have a negative effect on the company's performance (Binder, 2014). Nevertheless, authors such as Rigby strongly represent the necessity of channel integration, as retailers that do not adapt to current customers' needs of using channels interchangeably and simultaneously will not survive (Krueger, 2015; Rigby, 2012; Saman, 2014). This section provides considerable ground for the purpose of the research as a retail format that follows a channel-integrated approach constructs the context of this study.

## 2.3 Theoretical Summary

After having illustrated the broader theoretical view on customer experience and the context of channel-integrated retailing the following part provides the central key takeaways. The main concepts identified in the theory and applied in the analysis are highlighted in bold.

### 2.3.1 Key Takeaways of Customer Experience

- Customer experience describes a customer's personal and subjective response to a set of interactions with a company.
- Customer behaviour is not only influenced by rational decisions but also heavily influenced by emotions.
- **Customer experience is co-created by the company and the customer. The company offers artefacts which are perceived by the customers as stimuli. The customer's interpretation of those stimuli will determine the customer experience.**
- **The customer's reaction to the stimuli (and therefore the effect of the stimuli on the customer), can be divided into six different dimensions: the sensory, emotional, cognitive, pragmatic, lifestyle and relational dimension.**
- **The process of customer experience creation can be influenced by moderating determinants. These include social, situational, customer-related and company-related determinants.**
- **Previously made experiences can influence the formation of new experiences.**
- Customer experience has been identified as the main competitive differentiator by many authors and can have positive customer outcomes such as brand loyalty and trust. In order to make use of customer experiences companies are involved in the practice of customer experience management.
- Technological developments and digitalisation influence the customers' behaviour and expectations as well as the enhanced companies' opportunities to create positive customer experiences.
- The thesis is concerned with the shopping-experience, which describes the customer's experience in the store. Both channels considered in the research, physical store and online store, have clear benefits and key characteristics that are valued by customers.

The key customer experience concepts highlighted above in bold are integrated into a corresponding theoretical model that serve as the framework for the empirical research.

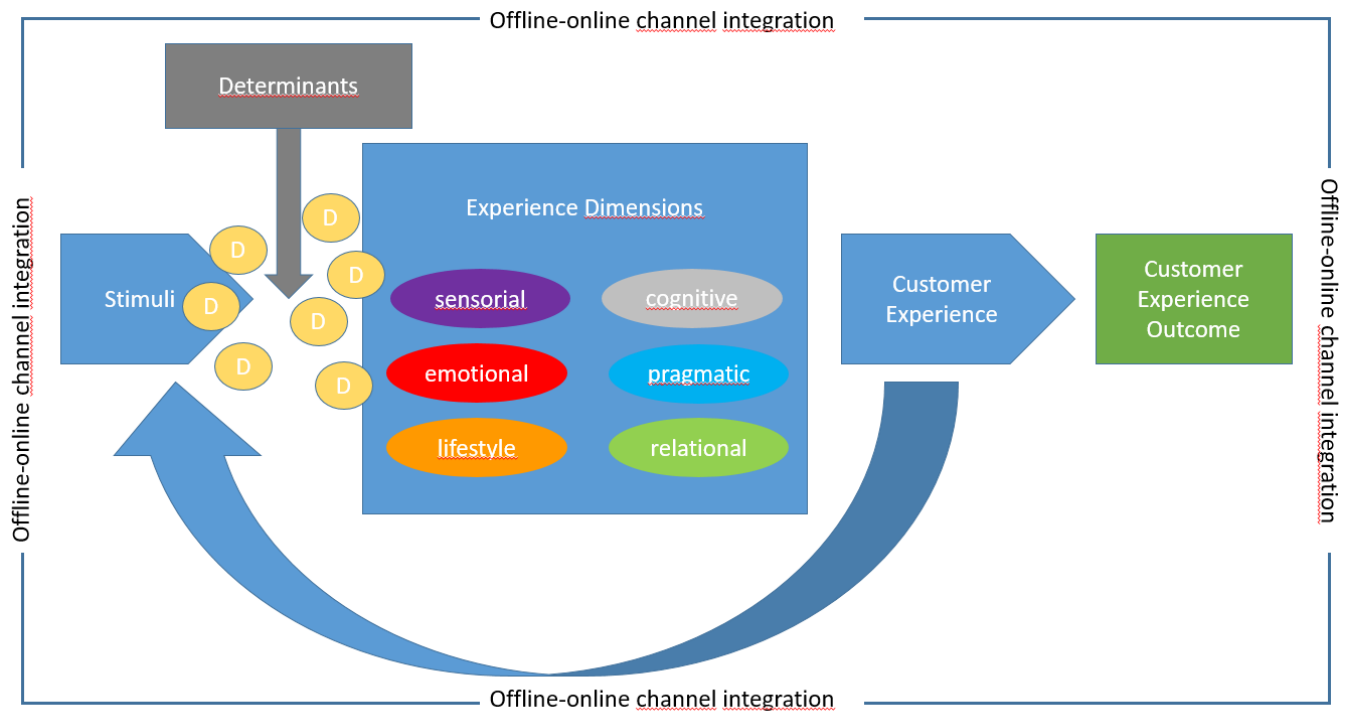


Figure 3: Theoretical framework of customer experience formation in offline-online channel integration

For the entirety of the framework the customer experience outcomes (highlighted in green) have been included but will not be analysed by the thesis, as this has been the focus of several other studies. While the framework presents the generic process of customer experience, in the present research it is seen in the context of an offline-online channel integrated retail format as demonstrated by the outlines. The key takeaways and concepts of channel integration can be found below.

### 2.3.2 Key Takeaways of Channel Integration

- **Omnichannel strategy is seen as an extension of the multichannel approach, where customers use channels interchangeably and simultaneously.**
- **Omnichannel retailing is based on the intensity of channel integration and combines the benefits of online and offline channels.**
- **This study analyses an offline-online channel integration retail format where online opportunities are made accessible for the customer in the physical store.**
- Online elements can entail mobile devices, click & collect opportunities and interactive dressing rooms.
- **Retailers that create a seamless customer experience through channel integration better meet the current customer's needs and can increase sales and brand image.**
- Even though the channel integration approach entails several risks, **the channel integrated retail format is highly attractive for retailers and customers and seen as a necessity within the continuously changing retail landscape.**

## 3 Method

This chapter describes the choices made regarding the applied methodology. After clarifying the philosophical orientation, a description and justification of the research strategy, design, methods and analysis approach follows.

### 3.1 Research Philosophy

Before the actual research method is discussed, first the philosophy of the thesis is presented. This philosophical classification is especially important as it outlines in which way the researcher of this thesis analyse and create knowledge. It thereby influences the research methods for the data collection (Saunders, Lewis & Thornhill, 2009).

Smith (1991) illustrate two main oppositional philosophical viewpoints: positivism and interpretivism, which belong to the superior philosophical category of epistemology (Bryman & Bell, 2011). The epistemological stance entails the researcher's perspective on what creates acceptable knowledge (Saunders, Lewis & Thornhill, 2009) and specifically addresses the concern if a social world can be explained through natural sciences. The epistemological approach taken by the study is interpretivism, which supports the researcher's opinion of studying the social world through the focus on people and their social groups rather than plain objective observations (Bryman & Bell, 2011; Williamson, 2002). This approach puts an emphasis on the individual's understanding of the world they are involved in and focuses on the uniqueness of humans (Bryman & Bell, 2011). Researchers following this approach are convinced that certain events can only be understood through the individuals and groups that are part of the social setting (Grint, 2000, cited in Bryman & Bell, 2011) and rely on their composed meanings (Williamson, 2011). This view on the creation of knowledge is mirrored in the present study's focus which is heavily based on the customer's experience and perception of the channel integrated retail format. In order to understand the customers' perceptions in-depth, the authors seek to understand the customer's behaviour and meanings within this specific social setting.

Another philosophical aspect that influences the research strategy and design involves the researcher's view on the nature of reality and is called ontology (Saunders, Lewis & Thornhill, 2009). It determines the researcher's opinion on how the world functions (Saunders, Lewis & Thornhill, 2009). There are mainly two perspectives within the philosophical orientation of ontology: objectivism and subjectivism (Saunders, Lewis & Thornhill, 2009). While objectivism refers to the position that social constitutions are pre-existing in reality independently from its involved social actors, subjectivism holds the view that social properties are established through their social actor's behaviours and beliefs (Saunders, Lewis & Thornhill, 2009). Bryman and Bell (2011) define this philosophical orientation with the term

constructionism and point out that the meaning of social entities “*is constructed in and through interaction*” (Bryman & Bell, 2011, p.22).

As this study argues that the changing retail landscape and the newly formed channel integrated retail stores are seen as an evolution derived by the altered customer’s needs and behaviours, it clearly follows a subjectivism (constructionism) position regarding the ontological stance. This customer-centric view reflects upon the philosophical belief that social properties are constructed through its social actors’ interactions. Consequently, in order to address the research purpose this present study requires in-depth insights on the customers’ interactions within the channel integrated retail store (social entity) directly from the customers. The specific methods on how to obtain these in-depth insights will be assessed in more detail within the method section 3.4.

### 3.1.1 Research Approach

When deciding on a research approach, a clear choice between deductive and inductive reasoning was found to be difficult. The thesis is not aiming to test existing theories and rather focuses on building theory, which clearly signifies an inductive approach (Saunders, Lewis & Thornhill, 2009). However, regarding the present research a distinction in terms of the use of literature and existing theories is not as clear. While in an inductive approach theory follows the data collection, in the deductive approach data follows theory (Saunders, Lewis & Thornhill, 2009).

According to Creswell (2002) thinking about the nature of the research topic can be helpful when choosing a research approach. For topics on which there is a large amounts of literature from which the researcher can conduct theoretical frameworks as well as hypotheses, a deductive reasoning approach is more fitting. Topics with little literature, that are new and therefore exciting, have a better fit with an inductive approach where theory is generated based on the themes the data is suggesting (Saunders, Lewis & Thornhill, 2009). While the concept of customer experience is quite well researched and there exists a wealth of literature on it, the topic of channel integration, specifically offline-online channel integration, is quite new and there is only little practical implementation. This suggests using a combined reasoning approach, where a framework of customer experience is used to guide the research, therefore following a deductive approach, and new theories regarding customer experience in the context of offline-online channel integration are generated based on the theoretical themes suggested by the data, therefore following an inductive approach. However, as there is no aim of generalising the findings and the main objective of the study is to gain an understanding of the meanings and behaviours of customers (Saunders, Lewis & Thornhill, 2009), the focus is rather shifted to an inductive approach. This can be described as the thesis taking on an inductive tendency (Bryman & Bell, 2011). Although a theory framework is used, it does not impose pre-existing expectations (Patton, 2002), regarding the findings.

The research follows an iterative approach which means that the development of one research element influences decisions about other elements (Williamson, 2002). The research therefore collects data throughout the project and not just at the end of the research. Hence, “*a weaving back and forth between data and theory*” is involved (Bryman & Bell, 2011, p.13) and the different research stages are interconnected (Williamson, 2002).

### 3.1.2 Nature of Research Purpose

At this point it is important to clearly state the purpose of the research as this influences the choices made regarding methodology. The purpose of this thesis can be summarised as a descripto-explanatory study according to Saunders, Lewis and Thornhill (2009). This classification of the purpose describes a combination of both the descriptive and the exploratory study, where the description of a certain person, event or situation is seen as a forerunner to explanatory research (Saunders, Lewis & Thornhill, 2009). Thereby a description of a phenomenon based on an observation and expert interviews is followed by an explanatory research to establish a causal relationship between variables (Saunders, Lewis & Thornhill, 2009). In this study the causal relationship described is between firstly the companies’ artefacts present in an offline-online integrated channel and secondly the actual customer experience as described in the framework developed in the theory chapter.

## 3.2 Research Strategy

The choice regarding the research strategy is heavily influenced by the study’s objective as well as the philosophical stance of the research. Therefore this part is aimed at offering an explanation of the choice made by linking it to the research objective and philosophical considerations.

The most basic differentiation between quantitative and qualitative research is made in regards to the use of measurements. While quantitative research applies measurement in the collection and analysis of data, qualitative research does not and rather emphasises words (Bryman & Bell, 2011). Hoepfl (1997), argues that quantitative research mainly focuses on causal determination and generalisation of the findings and emphasises that qualitative research is more concerned with the elucidation and understanding of situations. Hence, qualitative research provides a more in-depth understanding. The main objective of the thesis is to understand how the customer experience is formed in offline-online channel integration, thereby the objective clearly matches the focus of qualitative research as described by Hoepfl (1997). Watkinson (2013, p.xvi) argues that customer experience is a qualitative aspect based on the fact that “*an experience is perceived by an individual’s sensory and psychological faculties: it is not something that can be measured quantitatively like profit, cost, weight or task completion times*”. Furthermore, the qualitative method enables the researchers to interact with a certain phenomenon and also reveals how this phenomenon occurs in a specific context



(Mason, 2011; Patton, 2002). A qualitative research focuses on the real world setting of the phenomena and does not try to interfere in the creation of the phenomenon (Patton, 2002). In addition, qualitative research facilitates to provide meaning and relevance to a social phenomenon through the interpretation of its social beings and thereby puts the individuals in the centre of attention (Mason, 2011). This is particularly relevant for the phenomenon of customer experience that is described as subjective and personal. Thereby the interpretation of the customer's behaviour and insights is highly relevant.

However, a differentiation should also be made based on the research philosophy (Bryman & Bell, 2011). The three parts of the research philosophy that influence the choice of research strategy are the research approach, the epistemological foundation and the ontological orientation (Bryman & Bell, 2011). Choosing a qualitative research strategy matches the researches inductive reasoning approach, as the generation of theory is targeted. This thesis follows the epistemological orientation of interpretivism which supports a qualitative research strategy and seeks to understand the social world through humane considerations and intuitions (Saunders, Lewis & Thornhill, 2009). When considering the ontological orientation of the research, a qualitative research strategy again is most fitting as qualitative research *“embodies a view of social reality as a constantly shifting emergent property of individuals’ creation”* (Bryman & Bell, 2011, p. 27). This is supported by the constructionist ontological orientation.

Aside from the rich quality of information, the qualitative strategy also allows the use of different types of data collection techniques, which is necessary in this case. This estimate is explained in more detail throughout the method section.

### 3.3 Research Design

Due to the limited theoretical literature regarding the customer experience within channel integrated retail formats, a deep understanding is needed. This thesis has certain elements of a case study research design as it focuses on the investigation of a phenomena in a real-life setting and allows for the understanding of the context of a phenomenon (Saunders, Lewis & Thornhill, 2009; Williamson, 2002; Yin, 1994). It thereby allows for an understanding of the phenomenon of customer experience within the context of channel integration. Similar to case study research, the experiences of individuals are of importance (Williamson, 2002), as customer experience is described as highly personal and subjective. Saunders, Lewis and Thornhill (2009) suggest that case study research is worthwhile when exploring existing theory in a new context. This is the case for the present research as customer experience is quite well researched however there exist only limited research on customer experience in channel integrated formats as well as only very few practical realisation of integrated retail formats.

However, the store chosen for the research of this study is not used as a case but rather as a setting for the research. Therefore an extensive description of the actual case was not relevant. The shop is used as an exemplary setting for offline-online channel integration. Due to the fact that offline-online integration is quite unique within the German market only one store is used

as the research setting. The selected store shows clear characteristics of the subject analysed. Apart from the insights gained in the setting of the store, further insights were gained through expert interviews and observations in other stores. Multiple sources of data are used in a triangulation approach in order to evaluate if the different methods provide similar findings and results (Saunders, Lewis & Thornhill, 2009). Using various methods is also recommended by Knights and McGabe (1997) as this will avert researchers from relying on a single source of evidence.

Following this explanation of the chosen research design that is used as a framework to assess the data collection process, the next part focuses on the specific techniques used to collect data.

### 3.4 Research Method

This thesis follows a qualitative multi-method study approach as described by Saunders, Lewis and Thornhill (2009). This research choice is characterised by the use of various methods, all falling within the same research strategy, in this case qualitative research (Saunders, Lewis & Thornhill, 2009). Using multiple methods, also described as triangulation, can provide better opportunities for answering the research question and helps to evaluate to which extent data is consistent and can be trusted (Saunders, Lewis & Thornhill, 2009).

The methods used in order to collect the data involve the tools of expert interviews, observations, individual customer interviews and two focus group interviews. These methods were subdivided into three research phases (see figure 4). The first phase was of an exploratory nature and included observations and expert interviews. The second phase consists of the research within the chosen store setting followed by the third and main phase of focus group discussions. The degree of specialisation is increased in the process of the research as insights from previous phases influence following phases.

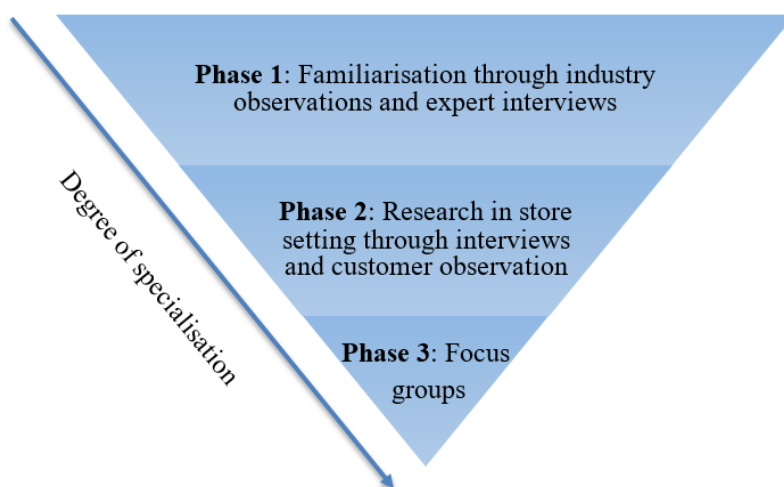


Figure 4: Phases of empirical research process

This thesis takes on an iterative approach, as described earlier. This is characterised by the fluent movement between theory, data collection and analysis. “*The interactive nature of data collection and analysis allows you to recognise important themes, patterns and relationships as you collect data*” (Saunders, Lewis & Thornhill, 2009, p. 488).

The following sections will describe the data collection and the sampling approaches used in the different methods.

### 3.4.1 Phase 1: Industry Observations and Expert Interviews

The data collection started with observations and expert interviews. The goal was to get a more in-depth look into the current retail situation, which is especially important for a research following an interpretivist approach where the researcher emerges into the social context. Therefore, the observations and expert interviews were required during the exploratory phase of the qualitative research.

#### 3.4.1.1 Industry Observations

Observations were conducted in ten different retail stores in order for the researchers to gain a familiarisation with the relevant retail landscape. Recommendations by friends and bloggers regarding stores integrating online elements in a physical stores were used as a guide to find relevant retailers. Access to stores was facilitated by the fact that shops are public spaces. The authors of the thesis first entered stores as covert observers (Bryman & Bell, 2011) in the role of a customer, thereby getting a feeling for the store concept and offer as well as the clientele. This can be described as the researchers taking on a complete participant role (Gold, 1958) and becoming a member of the research setting, hence the identity of the researcher is not known by the people in the social setting. After having gained a sufficient understanding, the researchers approached the sales staff in order to get information on the retailer's view and implementation measures regarding channel integration. Thus the researcher became an overt observer taking on the role of an observer-as-participant (Gold, 1958). In most cases the store managers or sales personnel were either unaware of the topic or had too little time to give detailed insights. Moreover, most stores did not implement any form of channel integration and no additional information was offered by the employees of the store. On average, the researchers spent around one hour in each store. Findings from the observation were taken down in note form on the researcher's phone.

#### 3.4.1.2 Expert Interviews

Four expert interviews were conducted which were used to gain insights into the relevance of the topic and the current state of development of channel integration. Thus all expert interviews were of an exploratory nature. Due to this objective an unstructured interview was seen to be most appropriate and followed for all expert interviews. The experts were chosen through a

snowball sampling approach (Bryman & Bell, 2011). While initial contact to industry experts was achieved through observations, further experts were identified based on their networks (Saunders, Lewis & Thornhill, 2009). All interviews were audio recorded and additional notes were taken by the researchers for the purpose of remembering the most important parts or noting down own thoughts.

The interview experts declared they want to stay anonymous, therefore they will be referred to in later parts by their function. All four experts work in the apparel industry. The first expert is the store manager of a big sports clothing manufacturer, in the following referred to as store manager 1. The second expert is the owner of a multi-label fashion retail chain operating various stores in Hamburg, with many years of experience in several positions of the fashion industry. This expert will be referred to as store owner. The third expert is a retail brand specialist for the same big sports manufacturer, in the following referred to as retail specialist. Lastly, the store manager of the retail store used as the research setting for the thesis was interviewed and will be referred to in the following as store manager 2.

Below is an overview of the interviewed experts:

*Table 2: Overview of industry experts*

Function:	In text referred to as:
Store manager sportswear manufacturer	Store Manager 1
Owner of a multi-label fashion retail chain	Store owner
Retail brand specialist for sportswear manufacturer	Retail specialist
Store manager retail store used as setting for thesis	Store Manager 2

The first interview with the store manager of a sport clothing company took place directly in the retail store and was held spontaneously. The interview took place as an open conversation about the current retail situation and specifically the topic of already integrated online elements in that store was in the focus. The interview partner was highly motivated and educated within the field of channel integration. The interview lasted for approximately 30 minutes and notes were taken simultaneously. Moreover, the store manager was able to arrange an additional interview with the retail specialist.

The second expert was the store owner of a multi-label retail chain. This interview started with the topic of the future of retailing and from this a conversation arose. In total, the interview took one hour and was audio recorded.

Through the contact provided by the first interviewee (store manager 1), another expert interview with a retail specialist was conducted. The referral was very helpful, as thereby a level of trust had already been established. Due to the geographical distance the interview was

held via skype and also audio recorded. In this interview the authors obtained extensive data on the current retail industry and its future. The interview lasted about one and a half hours.

The last expert interview was held with the store manager of the fashion store chosen as the setting for the further research. The authors of the thesis were made aware of the store through a post of a popular German blogger, that had blogged about the opening of the store. Besides supplying information regarding the specific store, the expert also granted insights into customer preferences in relation to channel integration. The interview was conducted in the store and was unplanned. In total the interview took about 30 minutes.

All interviews started with the researchers presenting the context of the master thesis, so that interviewees were informed about who they were talking to. This helped with gaining the trust of all experts, especially as the topic was highly relevant and of great interest to them. The introduction was followed by an initial question regarding the future of retailing and the integration of channels in order to start the interview. Due to the unstructured nature of the interview no further questions were planned and follow-up questions were developed on the go. An example of this was the question of how the particular retailer interviewed integrated the different channels and why this was important for them. As the experts were familiar with the topic, technical terms did not need to be avoided or explained by the researchers.

These two initial techniques were crucial for the identification of a store chosen as the setting for further research.

### 3.4.2 Phase 2: Observation & Individual Interviews in the Study Relevant Store

The researchers decided to conduct some detailed research within a study relevant store offering a form of channel integration. The store that was chosen is called ABOUT YOU, a fashion multi-label retailer. This store therefore functioned as the setting of the further research and was chosen after careful consideration through both observations and expert interviews. Findings from the observation and expert interviews had shown that the implementation of measures of offline-online channel integration is still quite rare. The study relevant store, was quite advanced and showed clear attributes of channel integration, therefore a purposive sampling approach, specifically a typical case sampling technique as described by Bryman and Bell (2011) was applied. The chosen store is a clothing store in Hamburg, which clearly operates in the context of offline-online channel integration. A closer description of the research setting can be found in the findings chapter.

After having chosen a setting for the further research, it was necessary to get a better understanding of the shopping process of customers within the store. Hence both participant observations as well as short interviews with individual customers in the store were conducted. The combination of these two aspects can be described as a micro ethnography (Bryman & Bell, 2011). Thereby a focus is put on a specific aspect of the store, in this case the customer experience. The aim is to get direct impressions of the integrated retail format and its customers.

Through the micro-ethnography the researchers are able to familiarise themselves with the setup of an offline-online channel integrated retail store, the customer's natural behaviour in the store and their interaction with the store's employees. An advantage of ethnographic research is the credibility it provides (Bryman & Bell, 2011).

#### *3.4.2.1 Observation*

The advantage of observations is the natural and unaltered scene that the researchers immerse into. The researchers sought access to the store used as the research setting through both an overt as well as covert observation (Bryman & Bell, 2011). While store employees were informed about the role of the researchers (overt observation) the customers of the social setting were not aware of the observation (covert observation). Researchers conducted observations in a manner that mirrored the behaviour of actual customers as to not disturb the natural shopping process of other individuals. This is described by Gold (1958) as a complete participant role, where the role as observer and researcher is not revealed. Through this given role, the researcher becomes a participant of the real-life situation and it is guaranteed that the customer's behaviour is natural and not altered as a reaction to the researcher (Bryman & Bell, 2011). Notes for the observation were taken secretly on the phone in order to not disturb the natural shopping atmosphere. In total the observation was conducted from ten am to four pm on a Saturday.

#### *3.4.2.2 Customer Interviews in Store*

Due to the focus on a customer perspective, access was only required to the physical store. As this is a public place access to customers was facilitated. Nevertheless, permission for access in regards to interviews was asked from the store manager. While the store allowed for short interactions and short enquiries with the customers, longer interviews within the store setting were denied due to the fear of a disturbance of the customers' shopping process.

The customers for the interviews were chosen based on a convenience sample (Saunders, Lewis & Thornhill, 2009). In total seven interviews were conducted, some of which were with two people at the same time as they were shopping together. The interviews were in total not longer than 10 minutes. The spontaneity revealed direct impressions from the customers. In this case notes were taken shortly after the interview. This way participants were not disturbed during the course of the interview.

Due to the fact that this research method was aimed at getting a first insight into the customers' perception of the retail format, thereby focusing on the customers' point of view, the interview was fairly unstructured (Bryman & Bell, 2011). Nevertheless, initial questions were asked in order to start the conversation. Examples include questions such as 'How do you like the store?' and 'Have you perceived any differences to other stores?'. Putting this in practice, the two researchers split between the two methods so that one researcher observed the store setting and the customers and the other one interviewed customers.

### 3.4.3 Phase 3: Focus Groups

In order to obtain profound insights into the individual's view on the shopping experience within the channel-integrated retail format, this study used two focus group discussions.

Focus groups enable the researchers to not only gather in-depth information regarding the former mentioned objective of study, but also to understand how the individuals react to and reflect upon each other's views and opinions and therefore create a more holistic outcome (Bryman & Bell, 2011). Consequently, results might be revealed that could not have been elicited through sole individual interviews (Williamson, 2002). This renders possible a more realistic view, as participants have to reconsider their answers within the interactive discussion (Bryman & Bell, 2011). Besides the interest in the personal insights and emotions regarding customer experience dimensions, the focus is also on the commonly determined composition of meaning towards this topic (Bryman & Bell, 2011). This is especially important for the course of this study as the researchers aim to analyse and understand the social phenomenon of customer experience through the perspective of the involved individuals.

Therefore the participants of the two focus groups were selected with the prerequisite that they have been involved in the social setting, respectively have visited the specific channel-integrated store used as the studies setting (Bryman & Bell, 2011). Consequently, the study follows a purposive sampling technique which focuses on participants that are particularly essential for the research purpose (Bryman & Bell, 2011). The researchers made sure that each group entails female as well as male participants which are part of the store's aimed target group (20-35 years). This specific form of purposive sampling, called theoretical sampling, is applied in order to detect categories and consistencies to answer the research question.

Due to the previously described issue regarding the access to the customers within the store, the authors of the thesis decided to send individuals that fulfil the requirements of a potential customer into the store in order to conduct a focus group discussion with them afterwards. In this way the researchers were able to collect deep insights that represent the natural setting, without having to disturb actual customers.

The researchers of this study decided to incorporate more than one focus group in order to increase the study's dependability (Bryman & Bell, 2011). In consideration of the tight timeframe and a clear theoretical saturation within the second focus group, which means that the additional focus group mainly provided the same results and also covered the same customer experience dimensions, a further focus group was not needed in order to answer the central research question and sub-questions. Both focus groups discussions lasted about one hour with the first one taking place in the morning and the second one in the afternoon. The time in between was used by the researchers to reflect upon the first discussion and to note impressions collected from the focus groups. As the first focus group discussion procedure worked very well in terms of results and lively discussions, the second one was held in the same way.

In terms of the size of the two focus groups, both groups consisted of six participants. The literature suggests rather smaller groups (six or more participants) if the involved individuals

are either very incorporated in the topic or emotionally connected to it (Morgan, 1998). This is the case for this study as all participants are in the target group of the specific store which facilitates the emotional involvement with the topic. Moreover, the topic corresponds to an everyday-situation or regular-based shopping context that all participants are clearly aware of and are able to rely to. Another supporting factor for this size of the two focus groups is that smaller groups favour the collection of participant's personal opinions (Bryman & Bell, 2011).

The groups were constructed in a way, that all participants knew other participants, but were also confronted with unknown individuals. The researchers aimed to create a surrounding where on the one hand the familiarity with other participants created trust and enabled the participants to talk freely. On the other hand the researchers intended to challenge the participants' views through new and other social groups. In addition to that, all participants of the focus group were familiar with the researchers, which allows for a high degree of trust, which is necessary when wanting to *“get insights about a particular context and better understand and interpret it from the perspective(s) of those involved”* (Saunders, Lewis & Thornhill, 2009, p. 150).

As this study specifically seeks to understand the participant's perspective, a less structured interview was found to be more suitable in order to uncover what seems to be essential for them (Bryman & Bell, 2011). However, the authors of this study determined to follow a semi-structured interview in order to make sure relevant insights are covered and to be able to compare the insights between the two focus groups. The advantage of the semi-structured interview within the focus group discussion is that it retains the *“conversational character”* of an unstructured interview, but also covers essential aspects to be able to answer the research question (Bryman & Bell, 2011, p. 467). Therefore a semi-structured approach was taken in both focus groups, with general questions in the beginning and more research specific questions towards the end (Williamson, 2002), which corresponds to a guided open interview approach (Easterby-Smith, Thorpe & Jackson, 2012). The prepared questions derived from the theoretical framework and were additionally influenced by the observations and short customer interviews. An example of a question influenced by the framework is *“In what ways was your mood affected by the store?”*, thus targeting the emotional dimension of customer experience. In the development of the question guide, the researchers applied a form of the critical incident method. This method is based on the description of a participant about a situation (critical incident) from this the researcher makes interpretations about the likely effects of such an incident (Bryman & Bell, 2011). This type of method is particularly evident in the question asking participants how they would react in a certain situation. This is an effective tool to get participants to talk freely about experiences (Bryman & Bell, 2011). Because of the fact that the described experience happened the same day, reliability and validity was increased. Moreover, the questions were open-ended and yes or no - questions were avoided, in order to make sure that the individuals set the direction and focus of the discussion. The researchers reacted flexibly to the results and deepened the understanding through further questions when specific insights were highly relevant. Follow-up questions were asked following a laddering approach, including questions that ask *“why”* or ask for specific examples. In this way the researchers aimed to receive deeper information to the answers, as well as initiating and facilitating the conversation (Easterby-Smith, Thorpe & Jackson, 2012). For example answers



such as “Yes, I have experienced other channel integrated stores and it was very helpful”, the researcher continued by asking “Why was it helpful to you and why did it stand out compared to other services?”. Nevertheless, the researchers maintained a level of distance as to let the conversation develop between participants. The question guide used for the group discussion can be found in the appendix A. Another important aspect in terms of guiding the discussion is the use of the appropriate language (Easterby-Smith, Thorpe & Jackson, 2012). As all focus group participants were in the same age range as the researchers, the language was unified and not perceived as a burden. Furthermore, the researcher made sure that specific technical terms were avoided.

In order for the participants’ impressions of the store to be fresh in mind, the discussion venue was chosen based on its proximity to the store serving as the research setting. Furthermore, the researchers also selected a venue where participants felt comfortable and relaxed. This is why the cafe next to the store seemed to provide a natural setting and was therefore the perfect location for the focus group discussion.

### 3.5 Data Analysis

This section describes how the findings of the research were recorded, analysed and interpreted, and explains the techniques used to make sense of the data.

The data analysis approach chosen by the researchers follows the template analysis as introduced by King (2004), by creating a template of data categories that represent different themes revealed in the data. While this approach falls under the category of inductive analysis procedures according to Saunders, Lewis and Thornhill (2009), it combines both an inductive as well as a deductive approach to the data analysis. A theoretical framework is used to analyse the data, therefore following a deductive approach, but the data is additionally analysed inductively. This means that further theories are developed that are grounded in the data (Williamson, 2002). While the framework provides a helpful context for the analysis, the inductive approach enables the researcher to find additional themes that would not have been considered by the framework, by allowing the researcher to consider the themes that arise from the data (Saunders, Lewis & Thornhill, 2009). Allowing for an interpretation of the data impartial of theoretical tendencies is especially important as the formation of customer experience is personal and subjective, hence, a generalisation is quite difficult. Findings conducted based on the data will then be compared to existing theory and the proposed framework. Thereby codes and categories devised for a clear understanding of the data can be both “*predetermined and then amended or added to as data are collected and analysed*” (Saunders, Lewis & Thornhill, 2009, p. 505).

The template approach offers a quite flexible approach to the analysis. The first step of the data analysis taken by the researchers is a summarisation of the data as described by Saunders, Lewis and Thornhill (2009). This follows an inductive approach, by summarising every theme or pattern occurring in the data. Due to the time constraint of the research, it was decided not to

transcribe the collected data from the focus groups and expert interviews. However, the most important findings were transcribed as to give examples of customers' reactions and to strengthen certain arguments. These transcribed important sections are in turn included into the summarisation. The researchers listened to the recordings of the focus group and expert interviews, thereby attaining understanding of the findings as a whole and a familiarisation with the data before the analysis was started. This step is supported by Williamson (2002, p.294) who argues that *"it is extremely important for researchers to have an overall understanding of an interview or an observation and to be familiar with all aspects of it before they begin to break it apart to look at the specifics"*. During a second listen of the recordings, general impressions and interesting points were noted as to provide a structure for the analysis. This helped the researchers to become *"conversant with the principal themes that have emerged from the interview or observation"* (Saunders, Lewis & Thornhill, 2009, p. 491). This summarisation is presented in the findings chapter.

Following the summarisation, the main findings were categorised in the form of a coding approach, identifying recurring themes and classifying them into categories (Williamson, 2002). Additionally to the deriving of categories based on recurring themes, the main factors of the previously developed theoretical framework were used to make sense of the data. These include all dimensions and determinants as well as stimuli. Therefore, the template approach uses a list of categories, called the template, which includes both predetermined categories and categories developed and based on the data. The importance of several aspects was evaluated based on the amount of times the category occurred (Williamson, 2002).

The template starts with all categories predetermined based on theory. Through the process of the summarisation new categories that present relevant issues in the data are inserted. Therefore the template approach can be described as an analytical procedure that is based on *"an initial conceptual framework that will be subsequently revised and then finalised as a means to represent and explore key themes and relationships in your data"* (Saunders, Lewis & Thornhill, 2009, p. 508). The initial categories derived from the theoretical framework regarding the formation of customer experience developed in chapter 2. The specific parts from the framework used are the stimuli, determinants and dimensions. The developed categories reflect the following three aspects of the framework:

- 1) Which customer experience stimuli can be identified in the store setting
- 2) Which dimensions are addressed through the stimuli
- 3) Which moderating determinants can be identified

Further information not applicable to the framework were classified as separate categories.

The template of all categories and the relevant definitions can be found below.

Table 3: Template for analysis

Category	Explanation (if needed)
Stimuli	
Determinants <ul style="list-style-type: none"> <li>• Social</li> <li>• Situational</li> <li>• Customer-related</li> <li>• Company-related</li> </ul>	
Dimensions <ul style="list-style-type: none"> <li>• Sensory</li> <li>• Emotional</li> <li>• Cognitive</li> <li>• Pragmatic</li> <li>• Lifestyle</li> <li>• Relational</li> </ul>	
Service	
Assortment	
Expectations	The expectation of customers regarding on channel can influence their experience in another channel.
Inspiration	How does offline-online channel integration offer sources of inspiration and where do customers get their inspiration otherwise
Concept of the store & Layout	How has the integration of online elements changed the concept of the shop floor
Awareness	In how far are customers aware of digital possibilities and to what extent are they conditioned/used to using such possibilities.
Integrated channel behaviour	Use of offline-online channel integration measures
Offline behaviour	
Online behaviour	
Customer needs	Aspects such as convenience and time saving

Categories derived from literature framework

Categories derived from collected data

### 3.6 Criteria for the Evaluation of Qualitative Research

In many cases the credibility and integrity of a research is measured based on the concepts of reliability and validity (Saunders, Lewis & Thornhill, 2009). These concepts are closely linked to quantitative research (Bryman & Bell, 2011). This thesis follows a different measure of quality, developed for the evaluation of qualitative research by Guba and Lincoln (1994). These authors introduce the measures of trustworthiness and authenticity. While the reliability and validity concepts assume that there is an absolute truths regarding the social world, Guba and Lincoln follow a philosophy that believes that there are more than one truths to the social world (Bryman & Bell, 2011).

According to Guba and Lincoln (1994) the term trustworthiness contains the creation of credibility, transferability, dependability and confirmability. The term **credibility** refers to the strength of the connection between the researcher's empirical findings and their results, also called internal validity (Guba & Lincoln, 1994). The expression **transferability**, reflecting upon external validity, shows that the findings are adaptable in different contexts and **dependability** (mirroring reliability) illustrates that the findings are steady and repeatable (Guba & Lincoln, 1994). The term **confirmability** refers to the attribute of the researcher's objectivity towards the results (Guba & Lincoln, 1994). This thesis aims to provide a high level of credibility through the approach of assessing and analysing the data through two independent researchers. First the researchers made conclusions individually when analysing the data, which then got compared with the outcomes of the other researcher. This way only those statements that involved a high degree of congruence between the researchers' thoughts and the findings were incorporated. Additionally, a triangulation approach was applied, as described previously. This also strengthens the credibility.

As the chosen research setting solely entails the prerequisite of the integration of online elements in the physical store, which has been described in depth in chapter 4, any kind of store considering this can be used as a framework for such a study. Therefore the study can be transferred to a different context which enforces the study's transferability. In terms of dependability, the authors of the study have described the approach of the data collection techniques and participants involved in great detail. This enables other researchers to repeat the study at hand. In regards to confirmability, this thesis first provides an objective summarisation of the findings, before going into an analysis. Additionally, the researchers avoided leading questions in all interview situations and did not show their own positioning, thus staying objective throughout the interviews and discussions.

The criteria of **authenticity** suggested by Lincoln and Guba (1994) concerns the question, whether the statements and utterances have been created and treated thoroughly. In terms of the authenticity criteria of fairness, the authors of this study made sure that different viewpoints of the participants were represented. This is why, the researchers always aimed to proactively include all participants in the group discussion. Additionally, different members of the social setting were interviewed. This includes actual customers, industry experts as well as members of the focus group discussion. Moreover the researcher guaranteed that all participants understood the context of the study. Through the medium of a discussion researchers ensured that participants appreciated other member's perspectives.

### 3.7 Methodological Summary

The thesis strongly focuses on the individual's interpretation of the customer experience in the channel integrated retail format. Social interaction is essential in all three methods that were applied. The aim of this study is to represent a “*reproduction of cultural understandings*” (Sörgade, 2016, p.25), rather than generalising a universal theory across multiple social groups. The researchers of the study are aware of the fact that the reliability is problematic due to the non-random and rather small sample size. However, the strength of this study clearly lies on the credibility, which represents a strong correlation between the data collected and the evolved theories. The data collection can be divided into three phases. Firstly, a familiarisation through observations and expert interviews was achieved in the initial exploratory phase. Secondly, observations and short customer interviews were conducted in the store setting chosen for the research and finally two focus groups provided in-depth insights into customer perceptions in the final phase.

# 4 Findings

Reflecting upon the previous chapter, this chapter provides a summarisation of the research findings from the three different research phases. Thus first all findings from the industry observations and expert interviews are presented, followed by the findings from the store setting (ABOUT YOU). Lastly the findings from the focus groups are summarised. The most important statements from all methods were transcribed and included in the summarisation. The aim of this chapter is therefore to provide an overview in order to facilitate the analysis of the findings.

## 4.1 Findings From Industry Observations and Expert Interviews

### 4.1.1 Industry Observations

Ten stores were visited by the authors of the thesis in order to get an impression of the development of channel integration in physical stores. These stores all belong to the apparel industry and include Nike, Urban Outfitters, Uzwei, Adidas, Apropos – The Concept Store, Muji, Monki, ABOUT YOU, Witty Knitters and New Yorker.

One fact that quickly became apparent is that the topic of channel integration is currently highly relevant and that efforts regarding the integration have only recently been introduced. This is mainly based on the fact that no integration measures could be identified by the researchers. Further insights from store managers in the different stores supported this as they were hostile regarding the topic, due to a fear of competitors stealing ideas. When asked about their measures to implement online elements in the store a store manager responded “Who wants to know this, who are you working for?”. This clearly shows that there is a big competition regarding first movers and differentiation.

In general, the majority of stores concerned with channel integration focused on aspects such as click & collect (e.g. Adidas, Nike, ABOUT YOU), the option of ordering an item online while being in the store if a product was not available (Nike, Adidas, New Yorker, ABOUT YOU), and the offer of free WIFI (Nike, Adidas, ABOUT YOU). Nike further offers a customer membership program called Nike ID, which allows members to sign up online for services that they can use in the store, as well as workouts and events. Through the identification of the customer, Nike is able to customise the customer experience to a certain extend. Further integration measures were interactive dressing rooms (ABOUT YOU, Uzwei). Uzwei offers a mirror in a changing room that has an integrated camera and touchscreen functions. Customers can take photos of the clothing they try on and either publish them on their social media pages or send them privately to friends. The interactive dressing room at ABOUT YOU offers

customers a touch screen from which they can choose different outfit and order them into the dressing room.

#### 4.1.2 Expert Interviews

All experts highlighted the currentness of the topic of channel integration and agreed that channel integration is the future of the retail industry. The store owner emphasised that traditional multi-label retailers will not be able to survive without some form of online consideration. This is especially due to the high expenses of rent compared to online retailers among other cost advantages. At the same time the store owner believes that pure online retailers need to also establish themselves in the offline environment in order to stay competitive.

Experts agreed that traditional retailers need to make use of the online possibilities and offer the services associated with online retailing. In this context the store owner especially highlighted the importance of service by saying “The connection of online and offline can increase the service level offered to customers”. Furthermore, experts agreed that managing the offline and online channel separately will not lead to success, rather they have to be integrated. According to the retail specialist, integrating all customer touchpoints (physical, website, and apps) “will offer the best personalised experience”. Moreover the store owner highlighted the importance for physical stores to adapt to the pace of online retailers.

Store manager 2 pointed out that there are still two different types of customers, “those that like to shop offline and those that shop online”. Therefore, integration is necessary in order to provide a solution for both types of customers. Store Manager 2 argued: “for some people a barrier to online shopping is the payment”. Additionally, she pointed out that through the addition of new channels, the company is able to attract new customers. The retail specialist stated: “We recognise that customers shopping behaviour is changing: there is no more just online or just offline and the customer journey is combined in one. Customers research online, look at the products in-store and then buy online” (Retail Specialist). He had become aware that customers increasingly use both channels during the purchase process by direct insights from their customers through customer talks.

The retail specialist introduced the concept of omnichannel retailing “We refer to omnichannel as seamless and by this we mean the customer journey from one channel to another - whether it is digital, physical or social - needs to be as seamless as possible. A process or experience needs to be the same and the channel doesn't matter”. According to the retail specialist, the seamless experience includes such aspects as making it easy to find and buy products, being able to return products in all channels, and the same branding and presentation of the products in all channels.

He further states: “Customers do not recognise this trend as omnichannel, this is not how they name it, but they explain to us how they shop. They share insights such as that it is more convenient for them to shop online, but that they do feel like they have to come to the store

because this is where they feel they are getting the best service and they also say that they often don't buy the shoe in the store but often go online, for example to see what bloggers are wearing, and then they make up their mind. We find that research has become more important to customers as they have access to different channels offering information on products such as blogs, information of friends and product reviews”.

As an example of the integration of the two channels all experts named click & collect. “Click & collect gives customers the opportunity to buy something online and pick it up at the store” (Store manager 1). This is an important part of the integration strategy, named by the retail specialist, aimed at “making shopping available when customers want it and when it is convenient for them”. A further means of online integration in the physical stores described by the two experts from the sports clothing manufacturer is “the use of smartphones by the service personnel in order to have access to the online store. By scanning an item with an app on the smartphone, our employees can check availability in other branches or online and offer customers to order the product for them, including free shipping”. Store manager 1 additionally states that “customers can easily pay cash or with their credit card through the smartphone. For this no login is required, which makes customers feel safe and adds convenience”. According to him this is a very successful tool in the store and an increase in sales since the introduction of the tool was witnessed.

An additional way a retailer integrates digital means in the physical store was described by the retail specialist, is “through services in the store for which the customers have to register online”. Some services are only provided to members of the customer retention program; therefore, when wanting to use the service, customers have to register as a member online. The retail specialist adds: “By customers signing up for our membership, we can stay in contact with them and collect certain insights about them”. Store manager 1 additionally named a review tool where customers can evaluate their purchase experience online by putting in the number of their receipt and when doing so receiving a ten percent discount on the next online purchase. The retail specialist highlighted that “in the future we want to be able to connect the customer data we collect through the different channels (physical, website, and app), thus giving customers the best personalised experience”.

The retail specialist identified digitalisation and increased usage of technology as a further reason for the need of channel integration: “Customers share products they want to buy with their friends. It's all about sharing moments”. In reaction to this many stores offer free WIFI with high speed to customers.

Experts pointed out the promotional value of offering both an online and an offline channel. Store manager 2, stated “the physical store serves to increase customer awareness of our online store and thereby drives traffic to the online store”.

The store owner described the slow development of online retailing as one of the reasons why the integration of online elements in physical stores is still lacking behind. He argues “Online integration in offline stores in Europe is not as far because online is not quite as big as in the USA”. According to the store owner “the German market is quite conservative and not leading



in innovations and trends”. This is confirmed by both store manager 1 and the retail specialist who argue that compared to other countries Germany is less developed, with the UK being the leader in channel integration. The retail specialist states: “I would say that German consumers are not so fast to adapt to changes. An example of this is the problem it poses for customers to pay with a credit card in Germany. In Germany cash still rules. This also leads to fears of paying online with a credit card. If you're not comfortable paying with a credit card the whole digital within the store also doesn't really work. Customers do not feel comfortable with putting their personal data into tablets or computers in stores to order something. Germans are very particular about their privacy and personal data and because of this they are slow to adapt to changes that they feel might affect them”.

Regarding the risk of losing customers that are not interested in a channel integration, the retail specialist said: “I think we definitely have to be careful about how we do it. But as soon as you show them that the data enables you to give them the best experience, you will be able to win their minds and their hearts and thereby be able to offer the best service and product for them. They are willing to give out data if they get a better service”.

Regarding the future of retailing, the retail specialist is convinced that physical stores will stay, but that their role will change: “Stores serve more for the brand experience, to showcase the products. Basically, for me, the physical stores of the future are going to take a role of a place where the customers can meet and experience the brand but not necessarily to shop. It therefore is not about offering a full assortment but rather to present what the brand stands for”.

He further pointed out that “there is a sort of mind shift that is going to happen in the heads of customers as well as brands. For brands it can be very expensive to rent a store in a good location, so their initial goal might be to sell as much as possible and therefore to put as much products as possible in the store, in order to really make money on this. But they have to switch to this thinking that customers will have the best experience there and later buy online. And the customer will also have to shift because if retailers put less and less products in the store, therefore turning the store into more of a showroom, customers will not be able to receive the products straight away so they have to change their expectations.”

Therefore the retail specialist argued that “stores are going to take more of the role as a showroom to deliver brand experience than really a place where you purchase a product”. Moreover he declared: “The store can be an extension of online. It is not possible to have both the best experience and the biggest stock. This is where you have to find a balance, how much of the space can you use for an amazing experience and how much you use for the stock in the store. If more space is used for experiences, customers will not also be able to receive their products straight away but they can order them in the store”.

## 4.2 Findings From ABOUT YOU - Research Setting

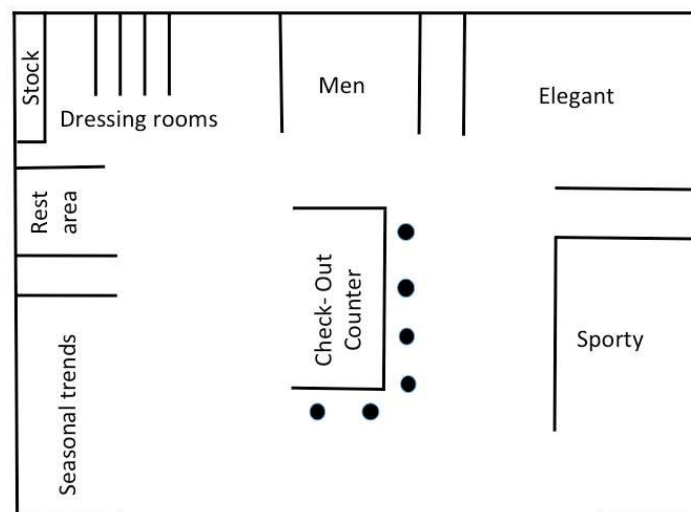
Below is a summary of the findings from the observation and short interviews in the ABOUT YOU store serving as the research setting. Additionally store-specific insights from the manager of the store collected as an expert interview are integrated.

### 4.2.1 Observation and Insights From ABOUT YOU Store Manager

ABOUT YOU is originally a multi-label online fashion retailer following the concept of offering specific styles to their customers. Therefore all products are categorised according to current trends. Additionally, ABOUT YOU collaborates with popular bloggers and celebrities by offering a ‘stars and trends’ section where customers can buy the styles of their role models. In January 2016, the online pure player opened the first physical store in Hamburg, Germany, with the main goal to increase brand awareness and reach new customers. The store is quite advanced in regards to offline-online channel integration for the German market.

#### *Setup of the Store*

Matching the online store’s concept of dividing the assortment into current trends, the store is set up in different sections along the walls. Each section has the form of a box, representing one specific style. The styles include sporty, elegant, men and seasonal trends. The figure below shows the division of the assortment and provides a sketch of the general store layout.



*Figure 5: Sketch of the ABOUT YOU store layout*

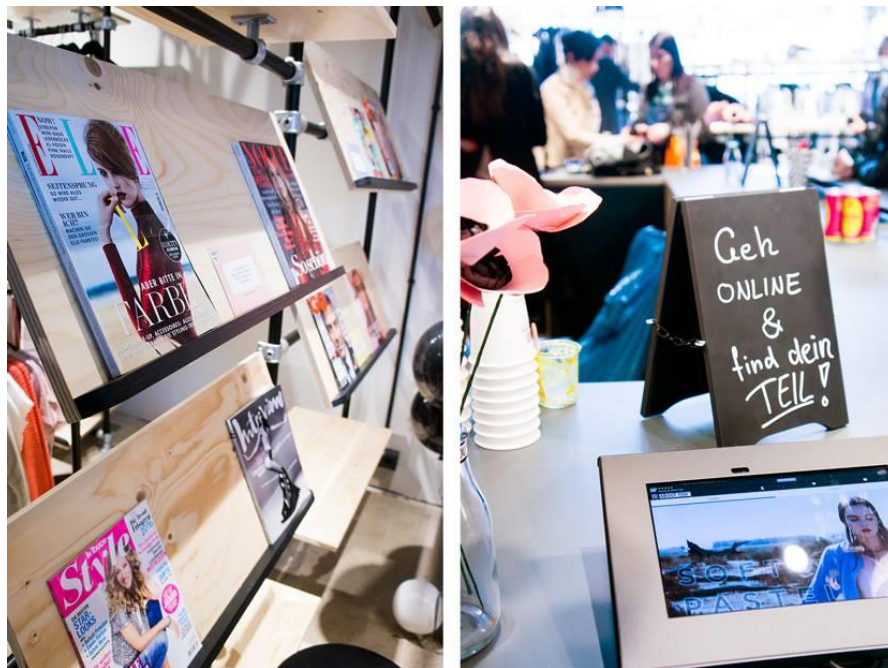
The check-out counter was placed in the very centre of the store like an island. Thus customers can walk around the counter. Along the counter there are bar stools and on the counter customers can find tablets. Additionally, the counter has a big professional coffee machine, which adds to the appearance of a cafe or bar. Two tablets are also offered in between the clothing sections. The concept of the store is based on a showroom approach. It was highlighted

by the store manager that “the assortment partially changes every week, giving our customers an incentive to visit the store more regularly”.



*Figure 6: Image of store (Belle Mélange, 2016)*

On the counter as well as next to the tablets placed within the store are signs promoting the online connection of the store via the tablets. These signs feature aspects such as, ‘login here’, ‘try out our online shop’ and ‘don't forget to sign out’, see image below.



*Figure 7: Image magazines offered in the store as well as signs featuring online connection (Belle Mélange, 2016)*

An aspect that clearly stands out in the store is the assortment. Although the store is not very big it still offers a great variety in assortment. This is due to the fact that only a few sizes per item are available, thus only two or three pieces per item are hanging on the shelves. “The categorisation of the assortment according to styles facilitates the customers’ navigation in the store and offers a form of filtering which is usually associated with online shops”. The majority of clothing is for females while only one section contains male clothing. Additionally to clothing, some shoes and accessories, such as sunglasses, jewellery and hats, are offered.

In the back there are three changing rooms right next to the stockroom. The stockroom is open and therefore visible to customers, which is quite unique. Next to the changing rooms is a little sofa with a side table and a shelf with various lifestyle and fashion magazines (see image above). This area serves as a form of rest area.

The store shows many positive atmospheric aspects such as good lighting and nice music. Furthermore, the store offers various design elements such as flowers and portrays a stylish industrial look. Additionally, the cash counter that mirrors a bar adds to the cafe feeling of the store. According to the store manager, “the aim is to extend the time our customers spend in the store and allow them to shop online while also having the chance to touch items and get inspired in the store”. She further highlighted that “some customers show a resistance towards putting in personal information into the store’s tablets”.

#### *Offline-Online Channel Integration Measures in the ABOUT YOU Store*

The tablets offered at various points in the store enable the customers to access the retailer’s website. Therefore the offline assortment is expanded by the online assortment allowing the customer access to more than 500 different brands. Examples of the brands in the store include Adidas, Vila, Moschino, Bench, Calvin Klein Jeans, Diesel, Replay and Les Specs. Further the access to the website allows customers to get inspired by the looks suggest, particularly the ‘stars & trends’ section.

Additionally to the tablets, ABOUT YOU also offers an interactive dressing room. This is the biggest of the three changing rooms and offers a form of inspiration and convenience. This interactive changing room has a screen on which customers can see different outfits to get inspired. All of the parts of the outfits are available in the store and the customer can order the items that they like in their size into the dressing room. There are two drawers in the changing room that are attached to the stockroom. When a customer orders a piece of clothing from the screen, the sales personnel is informed about the order via a tablet and will place the desired product in the receive drawer of the changing room. A light will turn on as soon as the piece is in the receive drawer, in order to inform the customer. If the customer does not like the piece of clothing, he or she can put it in the other drawer which serves as the return drawer. The customer does not have to leave the changing room in order to get a different size, as they can simply be ordered over the touchscreen. Thus, this changing room facilitates the shopping process but also offers inspiration by combining different clothing items into outfits, thereby showing customers what items would look like in a complete outfit. Suggesting matching items as well as outfit recommendations are usually rather associated with online stores.



Figure 8: Image showing the interactive dressing room (Belle Mélange, 2016)

Further measures include the offer of free WIFI and the option of sending online orders into the store (click & collect). These measures are promoted through signs in the store, see image below (delivery into the store). Further images of the store can be found in the appendix B.



Figure 9: Image of sign highlighting click & collect option

### *Customer Observations in the Store*

The observations in the store showed that only very few customers actually made use of the tablets or the interactive dressing room. Furthermore, during the time span of the observation no customer was offered a drink. It was observed that the rest area was mainly used by male

customers when waiting for their partners. The majority of customers were female, which reflects the distribution of the assortment. The only male customers entering the store were accompanying female customers. The age range of customers varied between 20 and 44 with the majority of customers being in their twenties. The customers shopping behaviour was perceived as unplanned and rather as a leisure activity. Customers would stroll through the entire store without a specific obvious purpose. During the observation phase from ten am to four pm no more than seven participants were in the store at a time. Furthermore, no customers actively approached service personnel for help.

#### 4.2.2 Customer Interviews

Some insights could be generated from the short interviews with customers; however, most customers were in a hurry or not willing to give detailed answers.

In regards to the customers' awareness of the retail brand, a customer noted: "I had heard of ABOUT YOU as an online store but never knew that they had a physical store. When I walked by I thought I should definitely check it out". A different customer added: "I did not know the store before, but liked the clothing in the window and the style of the store". It thus became evident that the visit to the store was not planned.

Talking about the purpose of the visit to the store, one customer, among others, stated: "I am just shopping for fun today, not really looking for something particular. But I like the stuff they have here in the store". This shows that customers visit the store as part of their shopping trip.

Some customers pointed out negative aspects. A male customer stated: "I found a leather jacket that I really like, but unfortunately they do not have it in my size. I checked out the online store on the tablets but it was also sold out. This was really annoying". Some customers complained about the high prices: "I did not think the stuff would be so expensive when I entered the store". Another male participant noted he "was quite disappointed with the small assortment for men, and couldn't find anything". But he also said: "My girlfriend was still looking so I sat down on the sofa and waited. That was actually a nice feature". Therefore, while the small assortment and high price can be identified as negative aspects, the rest area was perceived as helpful, particularly by men.

When asked why they did not use the tablets after not having found anything, a customer replied: "I think that this would have been too time consuming, I am just going to see what the next store offers". A further female participant highlighted: "I do not want to put my personal data into a public device, as I do not know what they will do with my data". While adding personal data would not have been necessary, it presented a barrier for her. Another customer highlighted the benefits of the tablet saying: "I thought using the tablet was cool and something new, and quite convenient as I didn't have to ask the staff for help". Other customers did not even take notice of the tablets.

Awareness of the tablets also differed in the case of a mother and daughter. The daughter stated: “Since I know the ABOUT YOU website, it is obvious that the tablets serve as the connection to the online store, but I did not check them out”. Her mother admitted: “To be honest I did not even see the tablets, but what a great idea”. Almost all participants noted the positive store layout and atmosphere with a customer noting: “I entered the store because it looked really cool and I really like the music they play”. A further customer stated: “The store kind of looks like a cafe, which is different to other stores I know”. Also customers “really like the industrial design, with modern up-to-date technologies”.

When asked if customers had used the interactive dressing room a customer said: “I did not really know how it worked so I just went into one of the normal ones”.

### 4.3 Focus Groups

From the semi-structured focus group discussions, the researchers gained several insights concerning the shopping experience within the channel-integrated store. Similar insights were grouped and will be summarised in the following chapter.

#### *Store layout / concept of the store*

An overall positive impression of the store layout can be identified: “The store has a nice appearance with a lot of light, open space, modern furniture and technical features”. Here particularly the location of the checkout counter was noted. One participant noted that while checkouts are usually placed in a corner of the store, this store’s layout differed in the sense that it had the checkout counter in the middle of the store as a central island. The checkout also was quite unconventional in the sense that it had the appearance of a bar counter, including bar stools, tablets and a coffee machine. Another noticeable fact was the couch and reading section, however, this only seemed to be relevant for the male participants: “This is really convenient, when waiting for the shopping partner”. Female participants noticed: “Why would I sit down or have a coffee in a clothing store, if I decide to go shopping? I can do that in an actual cafe or at home”.

Compared to other stores, especially the light enhanced the mood. Apart from that participants noticed the lucid and systematic way of the clothing’s divide, such as one “sporty” corner, one “elegant” corner and an area with current trends. Furthermore they added: “The atmosphere was relaxed and pleasant”. In addition, some participants pointed out, the posters, which they perceived as an inspiration and one participant also highlighted that “the posters add a stylish, young and modern image to the store”.

#### *Assortment*

In terms of the assortment it became evident that the selection of the assortment seemed to be appealing to the female customers, but insufficient for the male participants. A female participant described the assortment “as modern, attractive and well structured”. Furthermore,

the variety of brands was appreciated. On the contrary, a male participant pointed out: “The shoe selection for men was not up to date and too small, they should rather not offer any shoes”. Most participants were highly dissatisfied with the limited sizes available in the store: “I really wanted to find something new and buy it. When I found a pair of jeans I liked it was available six times in the same size, but not in mine”. In regards to the non-availability of a product a participants remarked: “if a store doesn’t have the shoes I want to buy in my size, I will most likely check out other stores if I have the time or just buy them at Zalando when I come home”.

Furthermore, a participant stated: “I was missing a sales section. This is usually the most fun part of going shopping in physical stores. I know that it is usually cheaper on the internet, but finding something on sale in the physical store is a great experience”.

### *Use of online elements in the store*

Participants stated: “It is clear that the tablets are the connection to the online assortment, which compensates the rather small assortment in the physical store“. However, the self-use of the tablets without the support of service personnel was described as unattractive: “I noticed the tablets but I did not have an incentive to use them and did not look into the tablet’s functionality”. Participants explained that they wanted a level of service and support in the store. One female participant stated that “the service personnel should have portable devices right at their hand so that they can order the product for me”. If they were interested in looking at the online assortment, they would look at it from their homes, not in the store. A scenario where the use of the tablet was described as useful was the non-availability of an item that could be ordered and sent to the customers’ home or the store. However, it was highlighted that this would only be done if offered by the service personnel. “They did not even tell me that I can just buy it online from the store”. Usually when a product was not available in a store, participants “would look it up online when at home or at work”. This is especially the case when the product is not unique to the retailer and can also be found through other retailers. Several participants added: “The tablets should be positioned differently. I would not sit at the counter to shop online. It would be better if a tablet would be available in every section. This would have made the connection to the online website much clearer”. The offered WIFI was not used by any participant.

Some of the participants who used the interactive changing room stated: “It was really hard to understand how to use the interactive dressing room. It was not self-explanatory”. The sole explanation they could find was: “Order your size directly in the changing room”. This was seen as an insufficient explanation. One participant even said: “I did not even know they had such a dressing room and I did not see any tablets”.

The integration of offline and online elements were also known from other stores. An example was given regarding furniture retailers was given, who offered the complete online assortment on their tablets within the stores. The sales personnel at that store had suggested a look on the website, where further product options could be seen and even showed it to the participants in the store. This was perceived as being helpful and influenced the participant’s buying decision:



“We ended up buying online at the same vendor who introduced us to the website in the physical store. The consultation was a major influencer in our buying-decision”.

### *Offline- online customer shopping behaviour*

All participants commented on the importance of the internet: “The internet and digitalisation in general play a firm role in my everyday life”. The usage of the internet varies from booking flights via the internet, to shopping online and a subscription models for razor blades. Eleven out of the twelve participants agreed that almost every action within their daily life is connected to the internet or their smart phone, “even for the way to the mall I used the navigation system on my smartphone”. On the contrary, only one female participant claimed that she does not use the internet much: “I do not have any accounts for any online shops or providers for shows and movies. I am too afraid of publishing my data to someone I do not know”. All the other participants were aware of the data issues and mentioned the importance of safe terms of payments, but said “the convenience and fun is worth the price”.

The group discussion showed that the shopping behaviour in terms of online and offline preferences varies between individuals. Whereas female participants tend to get inspired by blogs, company newsletters and websites on the internet, the male participants draw their inspiration from the visit to several physical stores. Female participants noticed “Not only do newsletters keep me up to date, but they also provide the opportunity of redeeming coupons, which makes me happy”. Male participants agreed that websites in fact can be seen as a source of inspiration, but said that shopping in physical stores is easier and “I can have the product right away: “For certain products it is common to buy online, such as technological devices, but in terms of fashion the physical store is the easiest solution. It is really annoying that you have to be at home in order to accept the parcel and even more annoying to bring it back to the post office if the products do not fit, therefore the physical store saves time”. The females concluded on that topic that they “rather try everything on at home and bring it back to the physical store or to the post office”. If the participants shop for a specific event, such as a wedding, both females and males first have a look online and then either shop online (females) or go to the physical store (female & male).

In terms of the reliance on others when actually buying the product, male participants mentioned: “I either rely on the service personnel or I take someone with me who can consult me”. Female participants mentioned: “I would never trust the service personnel and rather send pictures from the dressing room to my friends and rely on their feedback. Moreover, the effortless return option makes me just buy the product, so that I can show it to people when I am home”. Furthermore, one female participant adds: “The return option also makes me buy more products than my budget allows”. Both gender groups do not rely on online reviews when it comes to clothing. They remarked: “Online customer reviews are only relevant for example for technological purchases (e.g. washing machine)” and the majority thought: “Price comparison is not relevant within the purchasing process of apparel”. Furthermore, the participants revealed: “Why would I go to a store in order to shop online, which I can do at home?”. When they are going shopping in a physical store, none of the participants has felt the

need of simultaneously shopping online. One participant specifically mentioned: “I do not look at my phone once, while going shopping”.

All participants enjoy touching and feeling the products and see the tablets only as an extra of the normal shopping process and only needed when a product is unavailable. Participants disclosed that if they found, if the participants find a product of a specific brand in a multi-label physical store, and the needed size is not available, they would rather shop at the specific brand’s online store in order to potentially get price discounts through coupons: “I really like that online stores offer a really broad range of different products. The assortment is a lot bigger than in physical stores so my chances of finding something I like is pretty high”. Most participants agreed that the big assortments of online stores is highly attractive.

One participant described her dissatisfaction of the visited store: “I had the feeling that the physical store does not match the image of the online store. The online store is more stylish than the physical store”. On the other hand other participants stated: “I really like the assortment and style of the store, so I will definitely check out their online store next time I am shopping online”.

All participants also decided that the physical store stays relevant: “We have to touch the products and check the quality. This is what online cannot offer. Also the colours of products are not presented well online, blue is not just blue and it is really annoying to always order two sizes. Therefore the physical store is important”.

### *Service*

The service personnel mediated an overall friendly, cool and stylish impression. One participant noticed the personnel’s good mood, which increased his mood in a positive way: “The sales personnel was funny and we had a great and fun conversation”. The service personnel was very involved in terms of offering help. However, the service staff did not highlight the opportunity to buy the unavailable products online and then have it delivered to the store (click & collect) or to the participant’s homes which would have been possible. One male participant also noticed that there was “a lot of staff in relation to the few customers in the store”. Customers describe service personnel as “highly relevant in physical stores”. Some participants noted: “The service should always be motivated and encouraging; also questions can be answered quicker than online”. One participant even stated: “The service personnel should conduct the online orders for the customers. This way the offline store would gain an extra feature, compared to the online store where I have to find relevant articles among millions of products”.

### *Awareness of channel integration measures*

The majority of participants agreed: “This store concept does not provide a wow- effect, it is just like a normal store”. The rudiments of the channel integration approach were noticed and all participants see potential in terms of these improving their physical store shopping excitement. However, in regards to the knowhow on actually using the perceived integration tools the participants noted: “If someone would have explained that garments can be bought online within the store, it would have made more sense. It has to be done right and the customers

have to be introduced to these opportunities and the store concept”. Participants also argued: “Now that I have understood the concept of the store and how the interactive dressing room works, it could simplify my usual shopping process. Ordering a different size directly into the dressing room, makes shopping so much easier. It is really annoying to get dressed and undressed all the time” and “if the store was closer to where I live I would have definitely made use of the click & collect possibility”.

Moreover, the group was in general aware of click & collect possibilities where products can be ordered to the store and see this as a great feature: “Click & collect is really convenient, as I think returning products via the post office is too much of a burden. The option of ordering it online but sending it to the store where I can leave it right away if it does not fit, best combines the two channels”.

### *Customer needs*

In terms of the perfect store (with all technologies available) some of the participants noticed: “It would be nice, to not have to get undressed anymore. A screen that shows an avatar matching the individual’s measurements wearing the garments selected by the customers would be awesome. With one click it would also change the colour and the size, as in an online store”. A male participant added an aspect to this idea: “The implementation of glasses that show the outfit also on an avatar or mirror image from a 360 degree perspective”. All participants agreed: “Digital elements are inevitable and necessary to make shopping in a physical store more convenient and fun”. Even though participants noticed disadvantages in the physical store, for example that “dressing rooms are annoying, especially when it is crowded”, the participants still deemed the physical stores essential and said “mere online shopping is not an option. Sometimes just going shopping without a specific goal is a great activity that cannot and should not be done online”. Only one participant objected in this regard: “A physical fashion store is not relevant for me anymore! I can order everything from home and physical stores disappoint me regarding variety and available products”. Additionally, some participants suggested: “The whole store concept should rather be a showroom instead of an actual store where garments can be bought. The assortment should only consist of samples, which are not for sale. One exemplary item in all sizes should be available and if the garment is attractive the service personnel or the customers would order it online. This way the product I receive is always brand new and not worn by many people, which is often a very annoying factor of shopping offline”. They added that it is: “definitely worth waiting 2-3 days for a brand new product, instead of a used one from the store”. Furthermore, they suggested: “There should also be models wearing the clothing so that the customers can see the outfits from a different perspective; this is what is done online via 360 degree views”. Another factor that was relevant is the modern, friendly and open arranged store design: “The store’s appearance is important and should reflect upon the garments image. It should also match the online store’s image and performance. Music and drinks are also a great plus”.

All in all, if such a store concept is “implemented well and clear for the customers, there is a good chance that traditional stores will be transformed to these new retail formats”. A participant said: “It is really about interactivity and digitalisation, which will create a more

convenient and easy shopping process. However, this store could have made the showroom-concept clearer and should have promoted the interactive dressing room. If stores want to enhance customer experience, they should use the best available technology otherwise they will be outpaced by other new store concepts”. Based on this another participant remarked: “An interactive mirror in the dressing room could be helpful and fun, because one could send the pictures straight to friends via social media. Bloggers could even post it right away. I would definitely go and check out such a store”.

The insights gained from the group discussions can be divided into different topics of interest. These summarised topics will be transformed into study relevant categories, in order to analyse the obtained data and to answer the research question. The categories devised from these findings include: Service, assortment, inspiration, concept and layout of store, awareness, integrated channel behaviour, offline and online behaviour and customer needs. The most vital and relevant findings of this chapter will be summarised in part 4.4 and used in the following analysis chapter where the findings will be applied to the theoretical concepts used for the analysis.

## 4.4 Summary of Findings

*Table 4: Summary of findings*

<b>Methods</b>	<b>Key findings</b>
Industry Observations	<ul style="list-style-type: none"> <li>• Currentness of channel integration</li> <li>• Hostile reactions &amp; first mover competition</li> <li>• Practical implementation slowly developing</li> <li>• Measures include: Click &amp; collect, free WIFI, access to online assortment in store, interactive dressing rooms</li> </ul>
Expert Interviews	<ul style="list-style-type: none"> <li>• Currentness of channel integration</li> <li>• Channel integration seen as the future</li> <li>• Changed customer needs</li> <li>• Seamless integration: experience should be the same in all channels</li> <li>• Customers do not define their needs and behaviours as omnichannel</li> <li>• Integration measures: click &amp; collect, access to online assortment, services in-store for which to sign up online and review options</li> <li>• Importance of convenience</li> <li>• Service increased though integration, and high service needed</li> <li>• Promotional value of offering various channels</li> <li>• Slow development in Germany due to privacy and payment insecurity</li> <li>• Education and conditioning needed</li> </ul>

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	<ul style="list-style-type: none"> <li>• Highlight benefits through channel integration</li> <li>• Shift in mind required for brands and customers</li> <li>• Showroom as future retail format</li> </ul>
ABOUT YOU Observations and Insights from Store Manager	<ul style="list-style-type: none"> <li>• Store layout: industrial style and cafe atmosphere, including offer of rest area</li> <li>• Assortment categorised in ‘style boxes’</li> <li>• Channel integration measures: tablets, interactive dressing room, click &amp; collect, free WIFI</li> <li>• Store functions as online brand promotion</li> <li>• Customers rarely interact with service personal and only few made use of integration measures</li> </ul>
Customer interviews	<ul style="list-style-type: none"> <li>• Positive store appearance</li> <li>• Male assortment small (disappointing)</li> <li>• Unplanned shopping trip/ experience in focus</li> <li>• Purpose of channel integration measures not obvious to all customers</li> </ul>
Focus groups	<ul style="list-style-type: none"> <li>• Positive feedback regarding store layout</li> <li>• Concept of the store understood by customers</li> <li>• Females like assortment but to little sizes available</li> <li>• Males are disappointed by small assortment and sizes</li> <li>• Tablets understood/seen but not used</li> <li>• Interactive dressing room was used by some but functionality unclear</li> <li>• Participants tech and digital savvy</li> <li>• Price comparison in fashion context not relevant</li> <li>• Clear opinion on offline/online benefits and disadvantages</li> <li>• Importance of service in physical stores</li> <li>• Physical stores seen as relevant</li> <li>• Brand image influences expectations for other channels</li> <li>• Convenience key benefit of offline-online channel integration</li> <li>• Future retail format: showroom</li> <li>• Education on channel integration through service personnel is required</li> <li>• Feedback and opinions of friends &amp; family valued</li> </ul>

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## 5 Analysis & Discussion

From the above summarised findings various arguments regarding the offline-online channel integration and customer experience were identified which will be linked to the leading theoretical concepts. The main concepts introduced in the theoretical chapter include the customer experience formation process, illustrated in the theoretical framework and consisting of stimuli, dimensions and determinants. Further theoretical concepts discussed in the literature review in regards to the context of offline-online channel integration include the multichannel and omnichannel approach as well as the impacts of offline-online channel integration.

The analysis of the findings was conducted based on a template approach, as described in the method chapter. The categories described in the method in table 3 are used to make sense of the data but not used to structure the analysis section. Rather this section is divided into the research and sub questions defined in the introduction chapter. As the sub questions were developed to help answer the main research question, they are addressed first.

While a focus is put on findings specifically relating to the formation of customer experience in offline-online channel integrated retail stores, findings regarding customer experience that are of a more generic nature but additionally play a role in offline-online channel integration are also discussed.

### 5.1 Sub-Question 1: How is Offline-Online Integration Implemented in Practice?

In order to answer the question above, it is important to understand the **currentness** of the phenomenon of offline-online channel integration. Due to the fact that this is such a new development, the implementation is still in its beginnings and developing fairly slowly. This can be confirmed empirically as only very few retail stores were found that have started to implement online elements. Recent literature also affirms the currentness of the phenomenon, such as Herhausen et al. (2015) who argue that channel integration is a current development. It is further supported by Verhoef, Kannan and Inman (2015) who highlight that omnichannel retailing, which refers to the activity of integrating channels, is a recently emerged development.

**Reasons for the slow development** were identified through the expert interviews and include the slow development in e-commerce in Germany as well as the individuals' fear of data and payment security. This can be related to the argumentation of Shaw, Dibeehi and Walden (2010) who argue that customers are reluctant towards things that might affect their well-being. Reasons identified in the literature review include the hesitance of non-tech savvy customers in regards to technology retail measures (Piotrowicz and Cuthbertson, 2014) as well as their

preference for sales channels that offer traditional face to face interaction and aspects such as cash payments (Zhang et al., 2010).

Even though the development is rudimentary, there is a clear awareness of both the literature and the industry experts regarding the **relevance** of channel integration. The experts interviewed note that channel integration is the future of retailing. This coincides with the argumentation of Rigby (2012) who also considers channel integration as the future solution to adapt to the technological developments and changed customer needs. In this context Bell, Gallino and Moreno (2014) point out that offline-online channel integration is necessary for physical stores to thrive. Especially the observations revealed that store managers are immensely concerned with this topic, and unwilling to provide the researchers with any information regarding upcoming channel integration plans and measures. Their hostile reactions can be interpreted as a sign for both the currentness and relevance of this topic and the threat of losing a first mover advantage within the market.

The following reasons for the need of channel integration were identified:

**Change of customer needs and behaviour:** The experts stated the change of customer behaviour and argue that there is a tendency for customers to no longer either shop online or in physical stores but that they increasingly combine these channels interchangeably in terms of touching the products in-store and simultaneously searching online. They point out that this is why it is important to seamlessly integrate all customer touch points in order to create the best experience. Furthermore, the retail specialist adds that researching has become a vital part of the customer's shopping process, which is why it is important to incorporate this shopping phase in the company's offer. This empirical finding confirms the statement by Nunes and Cespedes (2003), who argue that it is important to implement a channel integrated approach in order to provide the customer with all channels they need. Changed customer needs and the resulting behaviour have been named by various researchers such as Rigby (2012), Neslin et al. (2006), McCormick et al. (2014) and Brynjolfsson, Hu and Rahman (2013), as the main reason for the necessity of channel integration. They specifically highlight the customers' requirement of moving freely and simultaneously between channels which is further supported by Piotrowicz and Cuthbertson (2014). Verhoef, Kannan and Inman (2015) refer to the simultaneous use of channels, where customers search for information online while being in the store, as showrooming.

While insights gained from experts and managers clearly agree with the changed customer needs and behaviours described in the literature, this cannot be confirmed through insights gained from the other data collection methods applied, as such behaviour was not witnessed or described by any customers interviewed individually or in a group setting. Consequently the simultaneous and interchangeable use of channels was not detected. Thus, while theoretically agreeing with the importance of channel integration in regard to the changed customer needs and behaviours, this thesis was not able to confirm these customer needs empirically in the specific research setting.

A further changed need of customers described by Brynjolfsson, Hu and Rahman (2013) who argues that customers value online stores because of product reviews. Watkinson (2013) further argues that customer contributed content such as reviews increase the customers' experience. The empirical findings show, that in the fashion context, the need for reading online reviews is rarely existent.

**Increased level of service:** The empirical findings show that the superior service of physical stores is highly acknowledged by customers. Experts argue that channel integration can further increase the level of service in physical stores. This is also pointed out by customers who see channel integration as highly important in a future perspective in regards to a higher level of services resulting in an increase in convenience. It was further found that a high level of personal service is required in order to help customers understand channel integration measures. The literature review confirms the increase in service through channel integration, by arguing that it will increase the information quality for customers as well as the service activity in terms of convenience (Oh & Theo, 2010). In this context, Srinivasan, Anderson and Ponnayolu (2002) highlight the impact of convenience on customer loyalty. An increased level of service is further promoted by Pophal (2015) who identifies the elimination of customer efforts as a main goal of channel integration. Wallace, Giese and Johnson (2004) point out that the combination of channels broadens the service outputs.

As the theoretical and empirical findings highly coincide with each other, this thesis strongly supports the described benefit of channel integration in terms of an increased quality of service, specifically in regards to convenience. The thesis contributes to the current literature by adding that service is especially important in the initial stages of development in order to condition customers.

**Sales increase & access to new markets:** The empirical findings identify the ability of channel integration to capture different types of shoppers, the customers who buy online and the customers who buy from the physical store, by providing a solution to both. Moreover experts highlighted that the addition of new channels allows retailers to attract new customers. Further experts noticed an actual increase in sales through the implementation of integration measures that stem from establishing channel synergies. In this context Samat (2014) argues that through the integration of channels, retailers are able to match different individuals' preferences. Wallace, Giese and Johnson (2004) argue that by offering more channels, retailers increase their opportunities to reach more customers with divers customer needs. Brynjolfsson, Hu and Rahman (2013) support this and further state that through channel integration customers are confronted with new products that have not been in their attention before. Zhang et al. (2010) argue that the reach of new customers can also be defined as gaining access to new markets. Increased customer reach and product availability can be seen as reasons for increased sales (Capgemini Consulting, 2014; Lewis, Whysall & Foster, 2014). Zhang et al. (2010) also name an increase in sales and improved operations in terms of efficiencies and synergies of channels as an outcome of channel integration. Berry et al. (2010) draw attention to the risk of losing customers when channels are not integrated successfully.



The thesis thus agrees with the presented literature and argues that by offering matching solutions to every type of customer, retailers can expand their reach. Thus, channel integration can be seen as a measure to increase sales and open new markets. Nevertheless, the thesis supports the argument by Berry et al. (2010) that there is a risk of losing customers and therefore sales when channels are not integrated successfully. This was seen in the empirical findings where customer confusion due to an unclear implementation of channel integration measures led to customer frustration resulting in a missed sales opportunity for the retailer.

**Prevention of switching vendors:** The customer insights gained from the empirical research showed that customers are likely to switch vendors when a product is not available. They highlight that if the service staff would order the product for them, they would most likely make use of this offer, and a switch in vendors would be prevented. This is supported by the literature review that states that channel integration can lower the risk of customers switching vendors (Bendoly et al., 2005). Binder (2014) suggests the creation of customer lock-ins in order to keep the customer throughout the purchase process.

The authors of this thesis agree with Bendoly et al. (2005), but additionally underline the need for customers to understand the channel integration measures aimed at preventing the switch of vendors. A successful creation of customer lock-ins is seen as highly important and beneficial in terms of guiding the customer throughout the whole experience with the retailer.

**Brand image:** A further reason for integrating channels illustrated in the empirical findings is the influence on brand image. Customers pointed out that the positive image of the physical store also creates a positive image of the according online store. At the same time it was confirmed that expectations formed through brand image that are not met by the retailer can lead to disappointments. In this context the interview experts stress the necessity for experiences to be the same in all channels. Kwon and Lennon (2009) confirm that brand image of one channel forms brand image of additional channels. The literature further highlights that the brand image and its brand messages should be consistent between all channels in order to be maintained (Schoenbachler & Gordon, 2002). This is supported by Watkinson (2013) who argues that a consistent experience in all channels is required.

This thesis supports the literature in terms of the influence of the brand image of one channel on another channel. It was further found that this can be both positive and negative. In this regard the thesis highlights the need to be consistent in the promotion of the brand image, thus coinciding with the opinion of Schoenbachler and Gordon (2002).

**Customisation & relevance of physical store:** The experts illustrate that an important goal of channel integration is the creation of personalised customer experiences through customisation. For the future, experts aim to use customer data collected in the different channels to customise shopping experiences. This argumentation coincides with statement by Krueger (2015) who believes that the integration of channels can be seen as a measure to increase customer experience. In terms of customer experience customisation, the experts and authors such as Zhang et al. (2010) agree that data collected online can be used to provide each customer with specifically tailored offers which results in a better customer experience offline. Lemke, Wilson

and Clark (n.d.) further argue that a personalised customer approach by the service personnel can positively impact customer experience. Further Srinivasan, Anderson and Ponnayolu (2002) argue that customisation can impact customer loyalty. Additionally, the empirical findings highlighted the importance of physical stores based on the desire of shopping as an experience. Thus the need of retailers to offer a physical channel is evident. In this context Bodhani (2012) suggests that integrating online elements in a physical store can keep the traditional shopping experience relevant, as retailers adapt to the pace and possibilities of the online channel.

This thesis supports the need for offline-online channel integration in order to keep the physical store relevant, as it still plays an important role for customers. Here the customisation of experiences is of particular importance and should be generated through the combination of customer data, thus supporting the arguments found by the literature.

Based on the described importance of channel integration some stores are already following this strategy. One of these stores is this study’s chosen research setting. Measures of implementation that were identified include:

*Table 5: Measures of offline-online channel integration*

Measurement	Explanation
Assortment	<p>The assortment can be characterised by two aspects. Firstly, the big variety of assortment and secondly, the small amount of items per products thus only providing limited sizes. The first aspect was highly attractive to customers while the limited sizes led to customer frustrations. The empirical findings further revealed that interviewees associate big assortments with online stores. Brynjolfsson, Hu and Rahman (2013) as well as Rigby (2012) note that customers when shopping online especially value the broad product assortment. The thesis supports this theoretical insight and further adds that the offer of a high product variety at limited quantities can be seen as an important measure of offline-online channel integration. In this way the physical store offers the benefit of a big assortment that was previously associated with the online channel.</p> <p>An aspect that the empirical findings add to the literature is that due to the weekly changing assortment in the research setting, the customers are confronted with constantly changing products and brands in the physical store. This is seen by the thesis as matching the fast pace of online shops, which are usually a lot quicker to adapt to new trends and change assortment than physical stores.</p>

<p>Store Layout &amp; Atmospherics</p>	<p>The empirical insights noted the clear separation of product assortment through the store layout by offering different sections to present the different styles of the assortment. The authors of the thesis support the experts view that this facilities the customers' navigation in the store and offers a form of filtering, which is usually rather associated with online shops. The thesis thereby adds to the existing literature the possibility of using the store layout as a measure of integrating channels by imitating a benefit of one channel in another.</p> <p>In order to facilitate the integration of online elements in the store and enhance its attractiveness the store offers atmospheric elements to their customers, such as pleasant lighting, music, coffee, and a rest area, as well as a cash counter that represents a bar or café, thus trying to reflect a more cosy and homey environment. This is especially important, as customers argued they would rather shop online from the comfort of their home than in a store. The literature review points out that an advantage of physical stores is their ability to affect all senses through atmospherics (Goworeck &amp; McGoldrick, 2015). According to Kotler (1973) atmospherics can create behavioural and emotional responses in the customer. Hoffman and Turley (2002) and Puccinelli et al. (2009) see music and scent as such factors.</p> <p>The empirical findings support the theory on atmospherics, thus the thesis points out the importance of atmospherics in the successful integration of online elements in the physical store. Therefore proven measures for creating customer experience were found to still be relevant.</p>
<p>Mobile devices</p>	<p>Tablets were noticed and understood by customers as the extension to the online store. The experts highlighted that the mobile devices are measures of connection of the channels, particularly by connecting the offline and online assortment. Further, the empirical findings show that mobile devices are integrated in two different ways: operated by the service personnel or in the form of a self-service station.</p> <p>The literature points out the increased use of technologies by retailers in order to enhance the customers' in-store experience (Soudagar, Iyer &amp; Hildebrand, 2012). Technology measures in the physical store can make customer experience memorable through a proactive service (Goodman, 2014). Bäckström and Johnasson (2006) argue that in-store technologies are used to educate customers. In the context of technologies Zhang et al. (2010) point out that customers require self-service stations among other aspects. In contrast, Selnes and Hansen (2001) warn that self-service stations can have a negative impact on the customers'</p>

	<p>relationship with the store through the perceived decrease in service level. Verhoef, Kannan &amp; Inman (2015) point out the benefit of mobile devices that derives from offering customers to use channels interchangeably and simultaneously and Piotrowicz and Cuthbertson (2014) note mobile devices that as one of the tools customers use in their omnichannel behaviour.</p> <p>By combining the empirical findings with the presented literature, the authors of this study agree that mobile devices are an important measure in order to make channel integration accessible to customers in the store. Moreover, the mobile devices enable the service personnel to increase customer satisfaction and reduce the risk of customers changing vendors if a product is not available as it can be ordered directly in the store, thereby also offering convenience to the customer.</p> <p>Nevertheless, the thesis also partly agrees with Selnes and Hansen (2001) regarding the risk of self-service stations, as a superior personal service in physical stores is highly valued by participants of the empirical research. Thus, the thesis argues that while mobile devices should be offered in the store, the level of service should not be neglected. It is proposed by the thesis to offer both mobile devices operated by customers as well as devices operated by the service personnel, thereby offering both a personal service as well as the ability of customers to freely make use of the integration.</p>
Interactive dressing rooms	<p>Benefits of this measure identified in the empirical findings include the improved and facilitated experience of trying on garments as well as inspiration. Furthermore, some dressing rooms enable customer to share pictures, thus targeting the need of ‘sharing moments’.</p> <p>In regards to facilitated customer experience the literature highlights that channel integration is understood as optimising (Verhoef, Kannan &amp; Inman, 2015) and eliminating efforts from the customer experience (Pophal, 2015). Regarding the topic of sharing photos with friends, Rigby (2012) points out that customers will also want to share the product with their social group, to get their friends’ opinion on a product.</p> <p>The thesis argues that the interactive dressing rooms can enhance the customers experience through facilitation and thereby agrees with the goals of channel integrations introduced by the theory. The thesis further argues that by offering outfit suggestions, the physical store offers a benefit of the online channel, by showing ideas for each product on how to combine them. This is a new contribution to the literature as it was not discussed in this context before. The importance of other people’s opinions described by Rigby (2012) can further be supported by the</p>

	empirical findings and was found to play an important role in the creation of customer experience.
Free WIFI	Free WIFI enables customers to share their shopping experience with friends or to use the online shop on their own mobile device. This measure highly correlates with the explanation made regarding interactive dressing rooms. Free WIFI thus can enhance the customer's experience by targeting the importance of sharing moments with friends described by Rigby (2012). That customers are able to use their own devices also improves convenience which correlates with the goals defined by Verhoef, Kannan and Inman (2015) and Prophan (2015) described above. Further it allows customers to move freely between channels, as described by Piotrowicz and Cuthbertson (2014).
Click & Collect	<p>A further contribution to the combination of the offline and online channel identified through the empirical findings is click &amp; collect, which follows the strategy of making shopping convenient for customers.</p> <p>This measure has been identified as important by various authors in the literature review including Krueger (2015), Bendoly et al. (2005) and Zhang et al. (2015). The increase in customer experience and elimination of customer efforts have been described in more detail in the previous two measures but also apply here as a clear focus is on convenience. This is also supported by Oh and Teo (2010), who argue that channel integration increases convenience.</p> <p>Supporting the literature on increasing convenience and eliminating efforts, the thesis argues that click &amp; collect improves customer experience by offering an additional location to pick up products that have been ordered online. Therefore it addresses a disadvantage of online shopping in regards to pick up and return of products.</p>

## 5.2 Sub-Question 2: Which Dimensions of Customer Experience Are Addressed by Offline-Online Channel Integration?

In the theory chapter, customer experience was described as considering both emotional as well as cognitive experiences (Brakus, Schmitt & Zarantonello, 2009). This can be confirmed by the empirical findings which highlight both functional and cognitive benefits of offline-online channel integration as well as emotional associations within this new retail format.

Different dimensions that make up customer experience were introduced in the theory chapter. These include sensory, emotional, cognitive, pragmatic, lifestyle and relational dimensions (Gentil, Spiller & Noci, 2007). For the analysis it is important to point out that more than one dimension can be addressed at a time due to the multidimensionality of customer experience. This can actually complicate a clear allocation to the dimensions.

The **sensorial dimension** plays an immensely important role in physical stores but is quite hard to address through online channels (Goworek & McGoldrick, 2015). When integrating online elements in the physical stores, stimuli that affect the sensorial dimension of a customer still play an essential role. The empirical findings clearly show that stimuli that address the sense of touch play a vital role, especially in comparison to the online channel. The combination of the access to the whole online assortment and the chance of touching the product in the physical store provides satisfaction. This supports the theory that customers wish to use channels interchangeably (Brynjolfson, Hu & Rahman, 2013; Verhoef, Kannan & Inman, 2015). Additional senses that can be found in the empirical findings include sight (through light, posters, store layout) and hearing (music), hence targeting the increase the atmospherics of the store. Furthermore, the offer of drinks addressed the taste sense. The atmosphere in the store was described as very attractive by the participants. This confirms the argument of Goworek and McGoldrick (2015) that state that atmospherics are a clear advantage of physical stores.

An **emotional dimension** of customer experience is negatively addressed through the lack of sizes, which led to customer frustrations. While the integration of tablets in the store that offer the assortment expansion through the online offer is meant to prevent such frustrations, this did not become evident in the store setting as the service personnel did not draw attention to this connection. The emotional dimension was positively addressed through the interactive changing room, which some participants felt was entertaining. A further emotion described by participants is the feeling of excitement resulting from experience of a novelty. As the channel integration is something new, customers are intrigued to try it out. This supports the argument by Shaw, Dibeehi and Walden (2010) who argue that customers can get bored with things they know and that innovations can lead to emotions such as excitement. Further it was found that the lack of a sales sections was perceived as disappointing and influence the customers' mood. According to O'Shaughnessy and O'Shaughnessy (2003), what people get emotional about can show what is important to them, thus aspects such as assortment and the interactive changing rooms seem to be high in importance in customers' consideration.

The new store concept also addresses the **cognitive dimension** of customer experience in the sense that it led customers to think about a new kind of retail format, thus addressing the customers' faculty of thought (Gentil, Spiller & Noci, 2007). Measures such as the interactive dressing room, mobile devices and posters allowed customers to get inspired and hence use their creativity, which is described as an aspect of the cognitive dimension. The research findings showed that especially women receive inspiration from online sources such as newsletters, websites and social media. Thus, the integration of the website and the interactive changing room especially matches their needs. A further aspect of the cognitive dimension described by Gentil, Spiller and Noci (2007) is problem solving behaviour, which is facilitated through the integration of the online assortment, thus being able to check an additional source for sizes and availability.

An important role in addressing the **pragmatic dimension** is played by the aspect of convenience. Participants expressed that measures such as click & collect, mobile devices and interactive dressing rooms could increase convenience. This supports the argumentation of Oh and Teo (2010) who state that channel integration measures are aimed to increase convenience. In terms of usability, which is often related to the pragmatic dimension, retailers still have some improvements to make, as the usage of the interactive dressing room and also the tablets was not self-explanatory to some customers. Some participants of the focus group were intrigued by the showroom model, where the assortment in the store served more as a sample and the actual purchase would then be executed through the mobile devices in the store. Through this measure customers have the chance to see and try out the actual product (quality, colour, size), but get a fresh item that has not been worn by someone else. This was perceived as practical and agreeable by the participants of the focus groups. For the future, customers imagine an even more convenient shopping process where getting undressed is not necessary anymore as the mirror in the changing rooms will place the clothing on the mirror image of the customer. This relates to the technology of augmented reality described in the theory chapter by Nigay et al. (2002).

In today's world digitalisation and technology play a major role in most people's lives (Watkinson, 2013). This is supported by the empirical findings. Through the offline-online channel integration, this lifestyle is portrayed in the shopping environment and therefore addresses the **lifestyle dimension**.

Measures such as free WIFI and interactive changing rooms with cameras affect the **relational dimension** in terms of facilitating the communication of customers with friends and relevant social groups. Theory (Rigby, 2012; Watkinson, 2013) and the empirical findings show that sharing moments, gaining opinion of friends and connecting with relevant social groups is highly relevant in the buying process. This finding correlates with the reasoning of Shaw, Dibeehi and Walden (2007), who argue that people follow the herd and like to be part of a social group. Furthermore, it was highlighted that the visit to a physical store is often a social event shared with a friend. Therefore, customer experience is formed through a shared activity. In this context the empirical findings showed that aspects such as having to wait for a friend or partner can affect customer experience. Measures such as rest areas, the offer of coffee and

tablets can serve as distractions while waiting, and thereby improve the experience of both customers in terms of the relational dimension. Thus, this also affects the emotional dimension as it reduces negative emotions such as stress, boredom and impatience.

### 5.3 Sub-Question 3: Are Customers Ready for a New Integrated Retail Format?

In previous parts, this study points out that literature and industry experts currently discover a change in customer needs. It is stated that nowadays customers not only require all online and offline benefits at the same time, but that they also use these two channels interchangeably. This is defined by Verhoef, Kannan and Inman (2015) as an omnichannel approach. However, this can only be confirmed in part based on the empirical findings.

The empirical findings show that customers do **appreciate both online and physical store benefits**. It became evident that the majority of participants still value the traditional benefits of a physical store, for example, the high service level, the atmosphere, the shopping act itself and the possibility of touching the product in order to evaluate quality and colour. This finding supports the physical store benefits described by Rigby (2012). Furthermore, the immediate fulfilment in terms of the instant gratification by receiving the product directly is highly appreciated, as also mentioned by the literature (Agatz, Fleischman & van Nunen, 2008; Brynjolfsson, Hu & Rahman, 2013; Grewal, Iyer & Levy, 2004; Rigby, 2012). In terms of online benefits, the participants value the big assortment, better prices and filter options. These described benefits of physical and online stores correlated with the benefits introduced by Brynjolfsson, Hu, Rahman (2013).

However, while the findings show that the participants do use both channels, **they only rarely use them interchangeably and simultaneously** as suggested by the current literature (Brynjolfsson, Hu & Rahman, 2013; Piotrowicz & Cuthbertson, 2014; Rigby, 2012; Verhoef, Kannan, & Inman, 2015). Nevertheless, most offline-online channel integration measures were identified by participants and interpreted as the connection between channels. While there was this awareness of channel integration these measures were not proactively used. An example is that even though several participants experienced the unavailability of sizes, they did not make the connection to use the tablets in order to access them through the online store.

The authors of this study understand the **current shopping behaviour** in the apparel context in the way that customers either decide to buy clothing online or in a physical stores without combining the two channels. When buying clothing online, customers order everything they like, even exceeding their budget and check quality, size and colour once they have received the product, knowing that they might have to send items back. When buying offline, customers usually seek to purchase garments right away and to experience the shopping act itself, and usually do not research the retailer's assortment online beforehand. This customer behaviour found in the empirical research thus contradicts the simultaneous use of channels referred to as



omnichannel behaviour by Rigby (2012) among others. Therefore, the authors suggest, that customers as of now still rather follow a **multichannel shopping approach** for apparel purchases, in the sense that multiple channels are used independently and a simultaneous use of the channels cannot be identified. Piotrowicz and Cuthbertson (2014) argue that multichannel behaviour clearly distinguishes between the physical and online stores.

As described above, it seems that **customers are aware of the idea behind the integration** of the two channels. However, the empirical findings show that the use of these measures is **not yet intuitive** as customers are **not educated in the actual practical application**. While customers might already integrate channels to a certain degree this is done **subconsciously**, which is also supported by Cook (2014).

Nonetheless, participants identify channel integration as an attractive retail format for the future. In this regard, the empirical findings highlight that a higher level of support from the service personnel is required in order to educate and condition the customers. Emrich (2011) also states that service should be accessible across all channels. Further Zhang et al. (2010) point out the importance of personal service. In relation to service personnel, Lemke, Wilson and Clark (n.d.) argue that accessibility as well as competence of service personnel can highly influence customer experience. Thus the authors of the thesis believe that the **success of channel integration depends on the competence and availability of the service personnel** that should introduce customers to the new measures and constantly highlight its benefits. Thus, the role of the service personnel is to educate and condition customers. Another approach to educate customers introduced by Bäckström and Johansson (2006) is education through the existing technologies in the store. However, the thesis argues that this is only relevant when the service personnel has already conditioned customers to use the technologies.

As the unavailability of products within this **showroom concept**, where only a small assortment and limited sizes are available, led to a noticeable frustration, the authors of this study argue that researched customers are not yet fully ready for this aspect of an integrated channel retail store. Nevertheless, some customers could identify advantages of such a showroom concept in a future scenario.

In part 5.1 the authors highlighted the currentness of the channel integration concept and argued that the implementation of the latest measures in the physical stores are still in the development phase. Therefore, the thesis claims that customers **have to gain several positive experiences** with this concept, especially in the shopping context, in order to **strengthen the immediate association of using such measurements intuitively**.

In conclusion, the thesis claims that the researched **customers can be ready** for the channel integrated retail format, but only if the **service personnel supports and facilitates** the simultaneous use of channels and if the implementation of such measures is done clearly and comprehensible for the customers. This is supported by Heckmann et al. (2012) who argue that **channel integration should be as simple as possible** for the customer. The goal for the implementation of channel integration measures at the current stage should be to **initiate customers to use channel integrated measures intuitively**. Furthermore, the conditioning of

customers can be advanced through an increase in confrontation with channel integration approaches on a more frequent basis.

## 5.4 Research Question: How Does the Integration of Online Elements in Physical Stores Form Customer Experience?

The formation of customer experience was described in the theoretical framework developed by the authors. It starts with the creation of artefacts by retailers that are perceived by the customers as stimuli. These stimuli can affect customers on different levels, also described as dimensions. The formation of the customer experience can be mediated and thus influenced by determinants. Customer experience stimuli, determinants and dimensions in the context of offline-online channel integration are discussed below. As described in the beginning of the chapter, the sub-questions were developed to help answer the main research question, thus insights from 5.1-5.3 are used in this part.

### 5.4.1 Stimuli & Dimensions:

Based on the findings regarding the different measures implemented in offline-online channel integrated retail formats, described in 5.1., the authors were able to identify different stimuli that were specific to this context. Six main stimuli were identified which include: mobile devices, interactive dressing rooms, free WIFI, click & collect, store layout & atmosphere and store concept. In the following, each of these stimuli will be discussed in relation to which customer dimension they address. It is important to note that the descriptions of the dimensions addressed, include both direct perceptions obtained in the store and indirect perceptions that arose from the discussion.

The first stimulus identified are **mobile devices** such as tablets. This stimulus especially addresses the cognitive, pragmatic and relational dimension. Problem solving is an essential part of the **cognitive** customer experience dimension (Gentil, Spiller & Noci, 2007). Tablets address this specific aspect in two ways. Firstly it solves the problem of having to choose between either a big assortment (online) or the ability to touch the products and receive superior service (offline) by offering the combination of the two channels. Secondly, it offers a solution to the problem of offline availability, by enabling the customers to order products on the tablet that are out of stock in the store. Additionally, the tablet addresses customers' ability to gain inspiration and enables their creativity through the access to the website that offers many different styling ideas and recommendations from popular social figures. Creativity and inspiration also fall under the cognitive dimension (Gentil, Spiller & Noci, 2007). The **pragmatic** dimension is positively addressed through the increased convenience perceived by customers through the use of the mobile devices, for reasons similar to the cognitive dimension. Convenience as a goal of channel integration is introduced by Oh and Teo (2010). Furthermore, the **relational** dimension can be positively influenced. By offering a source of entertainment

and distraction to a waiting individual, the individual that is still shopping feels a form of relief as he or she does not have to feel bad for letting the other individual wait. Additionally, the relational dimension is influenced by the offer of tablets, as customers can get informed on the store's website about styles, their social group and what role models are wearing, thus offering an affirmation of the social identity of the customer. This correlates with the statement of Shaw, Dibeehi and Walden (2007) that people follow the herd and like to be part of a social group.

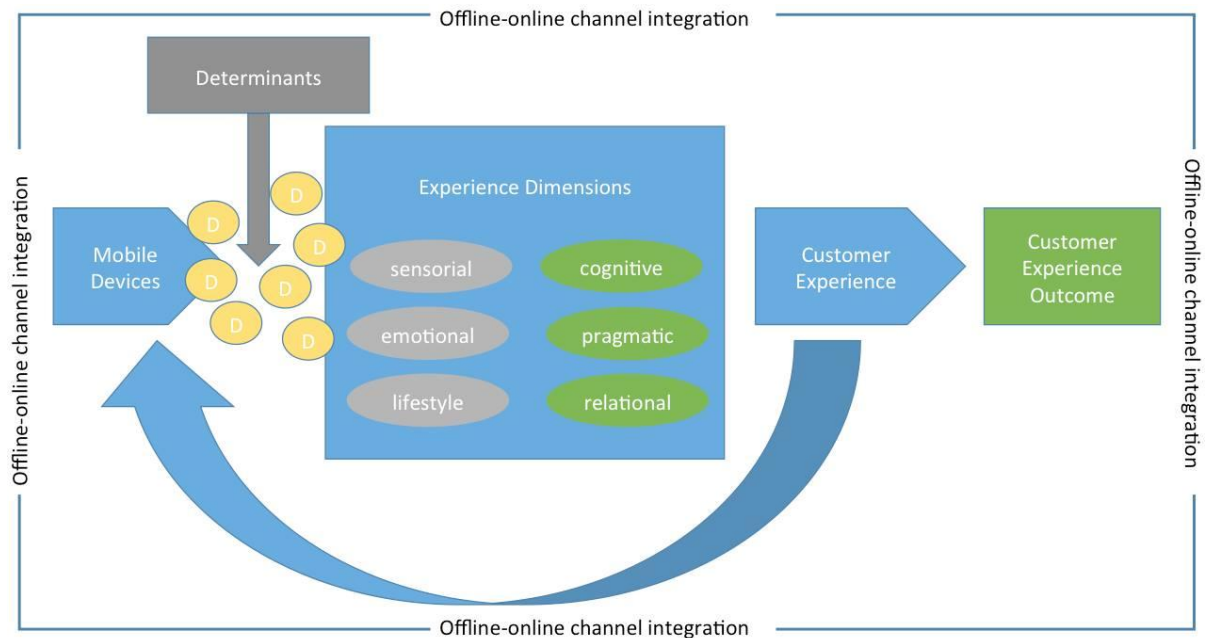


Figure 10: Influence of mobile devices on customer experience formation

**Interactive dressing rooms** were further identified as a stimulus. Here specifically the emotional, cognitive and pragmatic dimensions are influenced. **Emotions** appealed through this stimulus include entertainment and excitement through novelty. Similar to the stimulus of mobile devices the interactive dressing rooms also offer a source of inspiration and appeal to the customers' creativity, thus affecting the **cognitive** dimension. A negative influence on the customer experience in regards to this stimulus stems from the poor usability of the dressing rooms, thus influencing the **pragmatic** dimension. According to Berry et al. (2010) a weak channel integration that is not clear for the customers can lead to customer confusion and distrust. The dressing rooms lack a clear functionality and an explanation by the service personnel is required in order for customers to understand the usage. Additionally, the emotion induced through this is frustration, thus addressing the **emotional** dimension. When the function of the dressing room became evident to customers, the increased convenience of the offer was appreciated, as customers did not have to leave the dressing room in order to receive a different size. Thus the **pragmatic** dimension is positively affected.

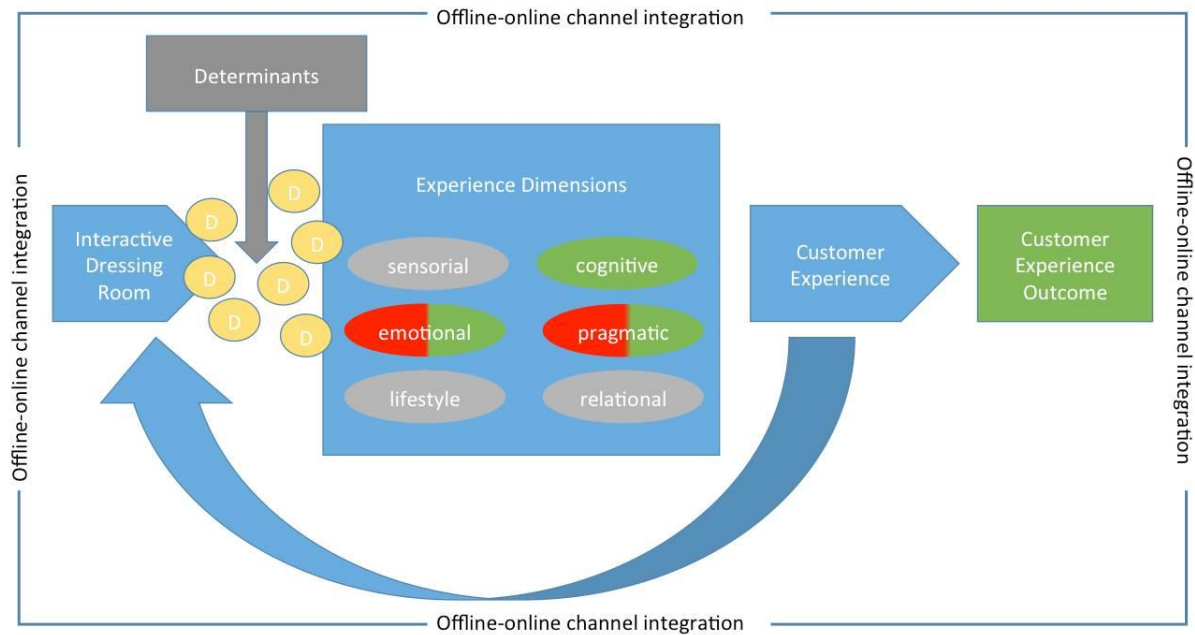


Figure 11: Influence of interactive dressing rooms on customer experience formation

A further stimulus that can be identified concerns the **free WIFI** that is offered to the customers. This intends to enable the customers to enter social media platforms via their phones and facilitates the communication with friends and social groups and therefore affects the **relational** dimension. The empirical as well as theoretical findings show that in terms of buying decisions customers rely on their friends and send pictures from the dressing rooms in order to receive feedback (Rigby, 2012). This is further supported by Zafar (2015) who argues that customers value the feedback from other customers. Furthermore, this stimulus appeals to the **pragmatic** dimension, in terms of the practical use of the internet. The customers do not have to exhaust their data volume in order to search for online inspiration or other researches online and can use the WIFI instead. Another dimension that is influenced by the use of the internet through the WIFI option is the **emotional** dimension. Customers, especially in Germany, are highly concerned with data security and secure payment options. The ability to use the own smartphone to order products from the store's websites, instead of using the tablets that everyone can access, increases the feeling of security as the log-in and research history stays on the personal device. In case someone forgets to log-out nobody else can enter the account, as the smartphone is used instead of the public tablets.

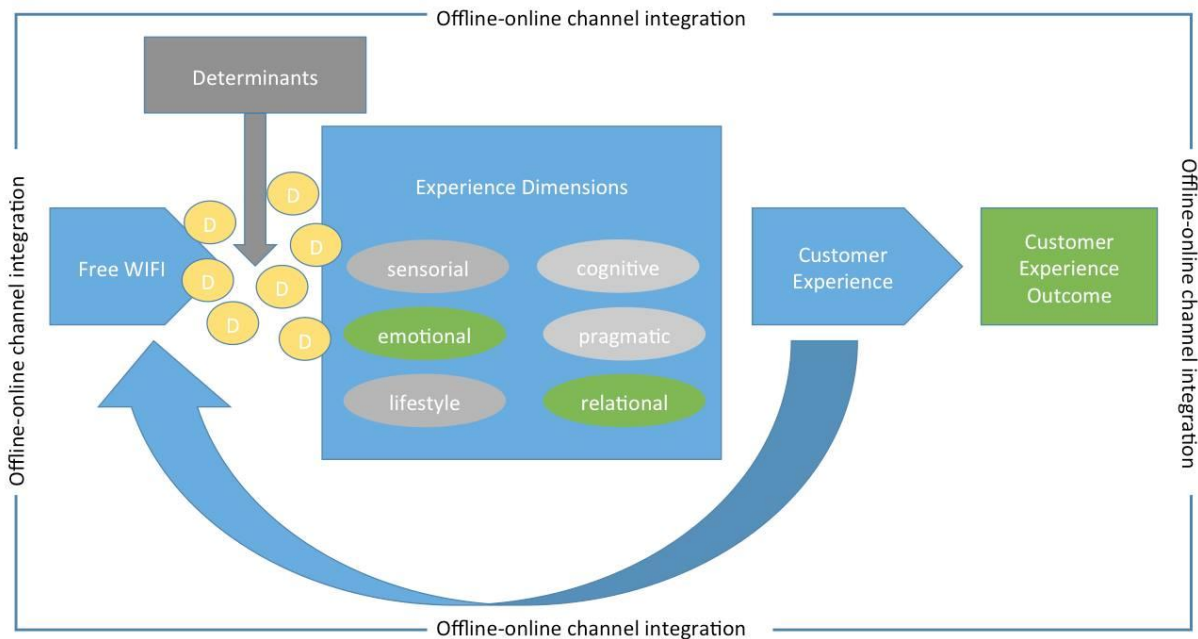


Figure 12: Influence of free WIFI on customer experience formation

A further stimulus identified from the findings is **click & collect**, addressing the cognitive and the pragmatic dimension. The **cognitive** dimension is affected through the solving of a problem (Gentil, Spiller & Noci, 2007), namely the offer to shop online at any time the customer wants and to then pick it up in the store so that customers do not have to be home when the package arrives. This clearly offers a more convenient shopping experience and is more practical for the customer, thus also affecting the **pragmatic** dimension. This again correlates with the argument of Oh & Teo (2010).

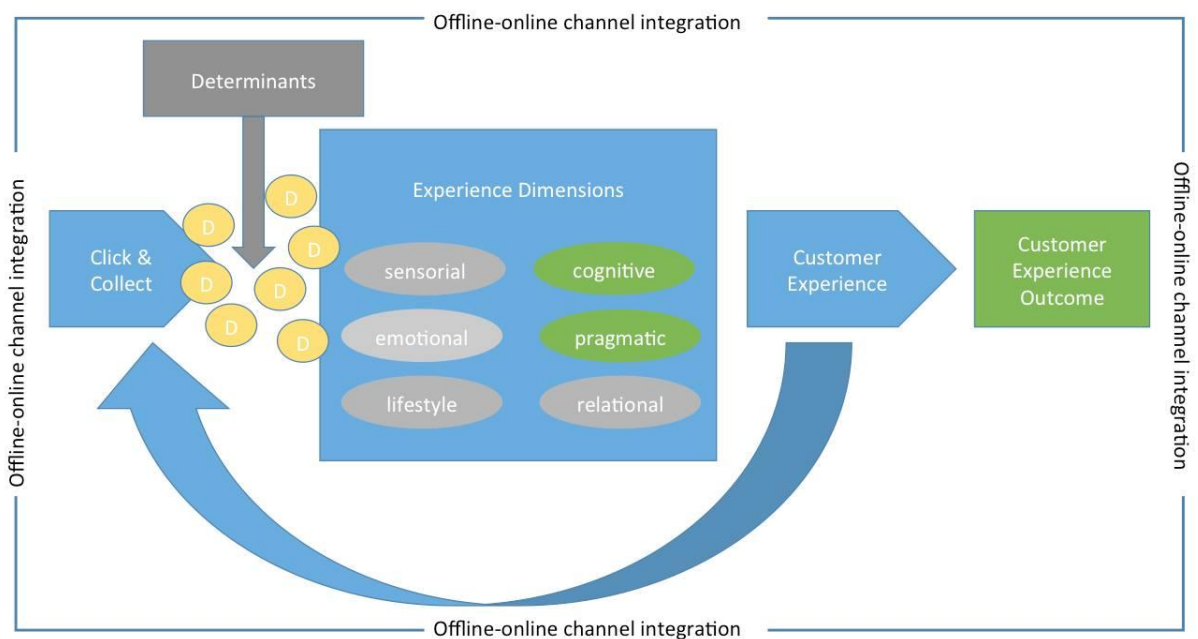


Figure 13: Influence of click & collect on customer experience formation

A group of stimuli was identified that can be categorised as belonging to the **store layout** and affecting the atmosphere of the store. While aspects such as store layout and atmosphere do not exclusively affect customer experience in the context of offline-online channel integration, it was identified that they play an essential role in this context. It was found that the measures targeting the positive atmosphere in the store were highly relevant in order to offer an environment where customers were willing to stay longer and felt comfortable. Kotler (1973) argues that atmospherics can influence customer behaviours and emotions. In this context Hoffman and Turley (2002) as well as Puccinelli et al. (2009) highlight the importance of music and scent. This is especially in relation to the **sensorial** dimension as senses such as sight, hearing and taste are addressed. Stimuli positively affecting these senses include lighting, posters, music and the offer of coffee. The layout of the store, including the placement of the cash counter, additionally added to the atmosphere due to the resemblance to a cafe or bar. The store layout thus follows the argument by Bäckström and Johansson (2006) introduced in the theory chapter, stating that in order to offer an experience to customers, a positive store atmosphere is imperative. Additionally, though, the creation of a positive atmosphere in the store aims to create a form of a ‘third-place’, described by Goworeck & McGoldrick (2015), where customers spend their leisure time other than at home or at work.

The **cognitive** and **pragmatic** dimensions are addressed through the placement of the clothing. The assortment was categorised according to style and colour, thus offering a form of navigation and filtering. This facilitates orientation and thereby is more convenient for customers and allows them to make decisions more quickly by only looking at the clothing that matched their styles and preferences. An additional store layout stimulus is the rest area. This, similarly to the tablets, addresses the **relational** dimension by offering a distraction for waiting customers.

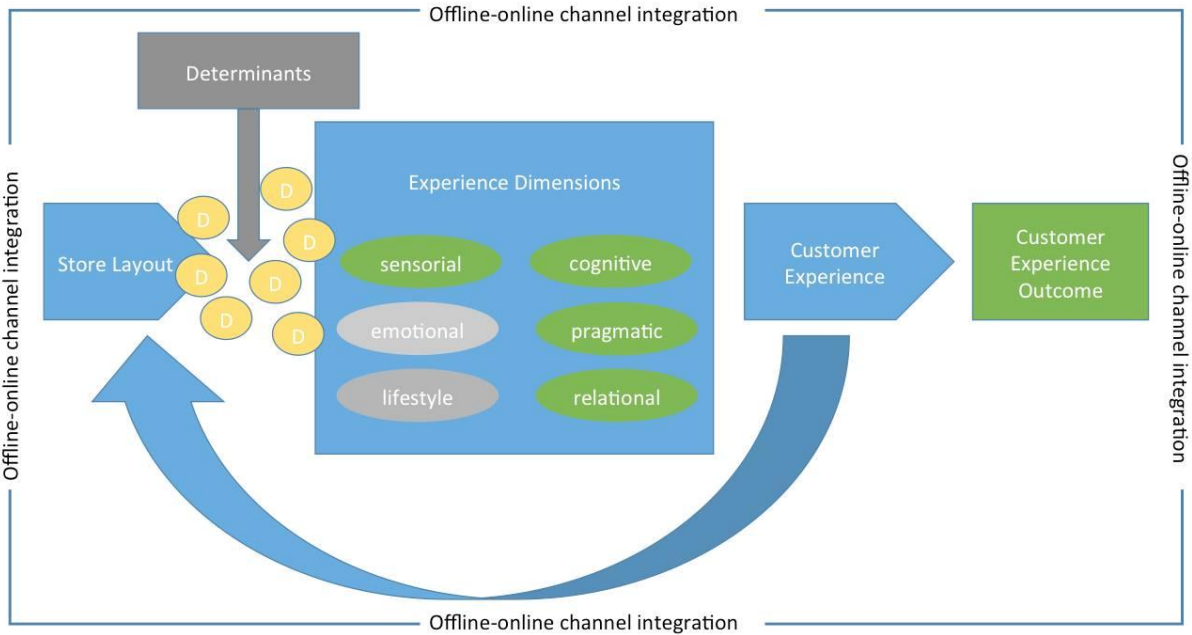


Figure 14: Influence of store layout on customer experience formation

The newly developed and innovative **store concept** of offline-online channel integrated retail stores offers a stimulus in itself. An aspect that differentiates this concept from a normal physical store is the assortment, which was described as a channel integration measure in 5.1. A focus is put on offering customers the possibility of touching the product (aspect of offline channel) but not offering a great number of sizes for each product as the product can be purchased online through the mobile devices (online channel aspect). The **sensorial** dimension of touch is positively affected as customers can touch and see the product in the store. Herhausen et al. (2015), Rigby (2012) and Webb (2002) describe the ability to touch products as a major advantage of physical stores. A **cognitive** dimension is influenced as it lets customers rethink current store concepts. The described frustration based on product unavailability affected the **emotional** dimension negatively. However, customers do like the idea that if they order the products and not buy the items from the store, the received items will not have been worn before. This can be seen as addressing the **pragmatic** dimension as it is perceived as practical not to have to check items for makeup stains or any other signs of usage. Integrating the offline and online channel also matches the digital awareness of increasingly tech savvy customers thus addressing the **lifestyle** dimension.

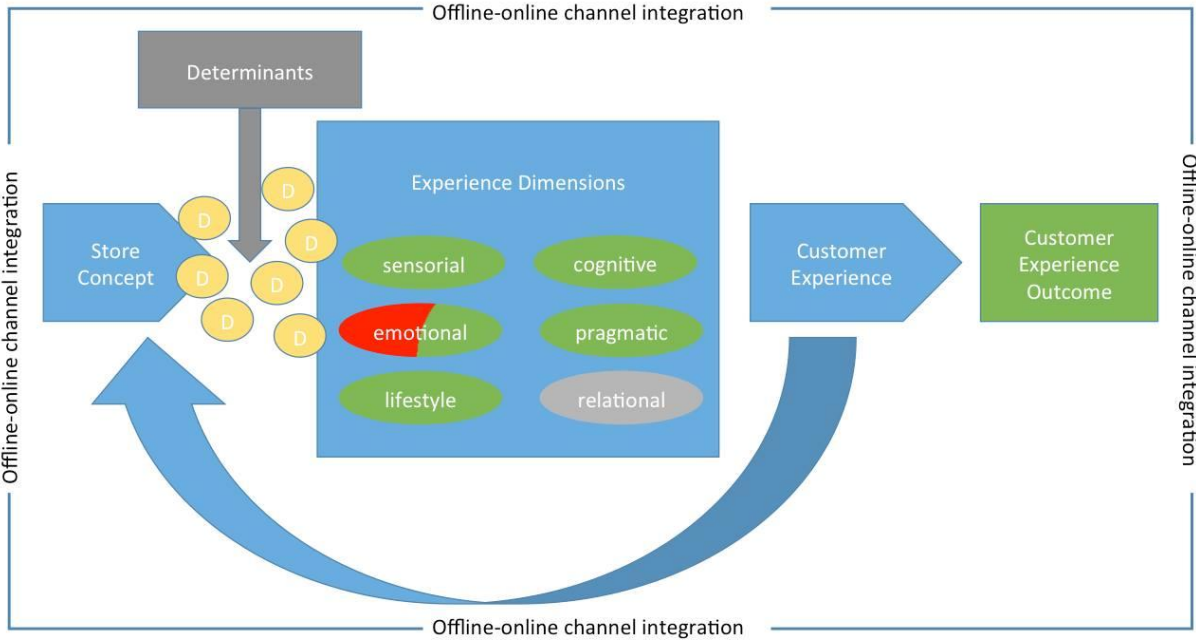


Figure 15: Influence of store concept on customer experience formation

Additionally to the six stimuli identified, the authors further identified **potential future stimuli** specific to the context of channel integration. One stimulus can be described as a sale stimulus attracting the emotional dimension in the terms of excitement. Another stimulus is an interactive mirror which places garments on the mirror image of the customers, so that customers no longer have to get changed in order to see how the garment looks on them. Thus, a pragmatic dimension is addressed through the increased convenience and practicality of not having to get changed. For the future, customers also imagine virtual reality glasses that allow customers to view the outfit from all angles, which relates to augmented realities described by Azuma (1997) and Nigay et al. (2002).

## 5.4.2 Determinants

The perception of the stimuli according to the different dimensions can be influenced by several determinants that function as moderating factors that were identified by the researchers. These determinants can be separated into positive as well as negative determinants and classified as social, situational, customer-related and company-related determinants. The following determinants were identified as moderating the customer experience formation in the context of offline-online channel integration. These are neither specifically allocated to the different stimuli, nor classified in terms of the influence of a specific dimension.

*Table 6: Determinants of customer experience formation in offline-online channel integration*

Determinant / moderating factors	Classification	Explanation
Service Personnel	Social moderator (interaction with customers)	The service personnel was generally perceived as helpful and friendly. This relates to the argumentation of Cowley (2005) who argue that a customer's perception of a staff's behaviour can influence their expectations. However, in terms of the offline- online channel integration the service was lacking and had a negative influence on the customer's behaviour. Service regarding channel integration measures is highly required. Additionally, it can be found that superior service is an essential differentiator of physical stores to online stores.
Service - Accessibility	Company related	The store's allocation of the availability of staff members and digital and analogue facilities impacts customer experience (Lemke, Wilson & Clark, n.d.). Customers noticed that the store provides a relatively high amount of staff members, compared to the small size of the store. Furthermore, customers perceived a broad allocation of tablets within the store. However, customers had concerns about the positioning of the tablets. Moreover, through the offer of multiple tablets the majority of customers understood the concept of the tablets as the assortment's extension to the online store.
Service - Competence	Company related	The fact that the service personnel did not offer any help in regards to the channel integration measures, is perceived as a lack of competence and has a negative influence on the customer experience regarding the usage of offline- online channel integrating measures.



Assortment	Company related	In terms of the assortment, female customers were positively impressed. Male customers perceived the small assortment for men as a negative aspect. Both genders were highly dissatisfied regarding limited sizes available in the store
Expectations	Customer related	It was noted that the brand image of the online store did not match the image of the physical store. Furthermore, customers had high intentions to buy something, but could not find anything in their size. Thus expectations were not met.
Technology & Digitalisation Affinity	Customer related	All customers are online and digital natives which facilitates such new retail formats
Socio-demographic (gender & age)	Customer related	Differences between genders regarding online and offline shopping preferences were found. This is especially the case for inspiration and returning options. Additionally, a difference was seen regarding age (the mother did not see the connection between tablets and online store; whereas the daughter identified this connection immediately).
Education	Customer related	The researched customers are not conditioned yet for an offline - online channel integrated retail format as the usage is not intuitive
Family & Friends	Social moderator	Family and friends influence customers' buying decisions and shopping process. They function in terms of inspiration and decision-making concerns
Discounts	Situational	The lack of sales sections had a negative impact on the customers' experience.
Type of store (multi-label)	Situational	The variety of brands was perceived by customers as attractive; however, as the brands are not unique to the retailer there is a higher risk of customers switching retailers.

The formation of customer experience in the context of offline-online channel integration comes about through the interplay of stimuli, dimensions and determinants as described above.

According to the literature as many dimensions as possible should be addressed in order to generate a holistic customer experience (Mayer-Vorfelder, 2012). Through the thorough analysis of the formation of customer experience in the offline-online channel integrated context, the authors found that all customer experience dimensions are in some form addressed in the described context. The analysis was based on and facilitated through the framework developed in the theory chapter. It was identified that particularly cognitive, pragmatic and emotional customer experiences are essential in this context. In the literature review Shaw, Dibeehi and Walden (2010), argue that traditional marketing efforts are no longer sufficient in order to provide a differentiation for retailers and that instead a clear focus has to be on emotional aspects rather than rational ones. The empirical findings correlate with this argumentation in the sense that the emotional dimension plays an essential role in the formation process. However, the authors of the thesis clearly underline the importance of rational aspects, including the cognitive and pragmatic dimension. This reflects the cognitive and pragmatic nature of most online benefits introduced in the theory chapter, such as flexibility as well as time and cost reductions (Demmelair, Most & Bartsch, 2002). Furthermore, since the elimination of customer efforts is at the core of channel integration (Prophal, 2015), it is not surprising that the pragmatic dimension plays such a big role. Reducing customer efforts is seen by Hahn and Kim (2009) as a measure to maintain customers' trust. Nevertheless, the fact that all interviewed customers visited the shop unplanned underlines the emotional goal of the visits, as they were seeking the shopping experience itself rather than having a rational goal.

Improvements can be made regarding artefacts implemented by the retailer in order to positively influence the effect of the determinant service. The lack of service in the research setting is found to be a major barrier to the formation of customer experience within an offline-online channel integrated retail format. This was specifically expressed by customers. These improvements are necessary as the authors argue that currently customers are not conditioned to use channels in an integrated way. In many cases the customer experience was still formed separately for both channels. This is due to the customers' learned behaviour of either shopping online or offline.

Thus, a conditioning and education process needs to be established. In this regard, service personnel is seen as the most effective measure. Highlighting the benefits of channel integration is seen as a major activity in terms of conditioning and education. The lack of awareness of channel integration benefits stems from the fact that implementation is still in a developing phase. The authors of the study strongly believe that the more customers are confronted with offline-online channel integration the more they will become accustomed with it and adapt their behaviour towards it. Such a changed customer behaviour will be an indispensable prerequisite for the development of a showroom approach which was identified as the future of integrated physical stores (Brynjolfsson, Hu & Rahman, 2013). This retail format highly correlates with the omnichannel behaviour also described by Verhoef, Neslin and Vroomen (2007) as showrooming. It additionally needs to be pointed out that service is seen as a major differentiator in regards to physical stores and needs to be kept high in the future.

All in all the customers are in a sense ready for such channel integrated retail format, as they were able to detect clear advantages and disadvantages of the physical store that can be improved in order to increase customer experience within the physical store. Suggestions regarding the improvement of the physical store included online elements. However, for customers to actually adapt their behaviour towards a channel integrated format, a high level of guidance is required in order to enable the customers to use these channel-integration measures correctly and intuitively. An important aspect regarding the formation of a seamless customer experience is that the customer experience needs to be the same in all channels (Watkinson, 2013).

Based on the empirical and theoretical findings analysed in this chapter the authors of the thesis support researchers such as Verhoef, Kannan & Inman (2015) who argue that channels will increasingly be combined. Thus, the thesis is of the opinion that ecommerce is only a threat to physical stores if retailers do not adopt a channel integration approach. This is further based on the findings regarding the customers' perceived benefits of physical stores illustrated in both the empirical as well as theoretical findings (Agatz, Fleischmann & van Nunen, 2008; Brynjolfsson, Hu, Rahman, 2013; Grewal, Iyer & Levy, 2004; Herhausen et al. 2015; Piotrowicz & Cuthbertson, 2014; Rigby, 2012; Webb, 2002; Zhang et al., 2010).

## 6 Conclusion & Contribution

The aim of this thesis was to investigate how customer experience is formed within an offline-online channel integrated retail format. The thesis is based on a customer-centric view and analyses customers' perception of the offline-online channel integrated retail format.

In order to assess the customers view the thesis developed a framework highlighting the interplay of stimuli, determinants and dimensions in the formation of customer experience. This framework specifically contributes to the literature of the customer experience formation process and is of a generic nature and can thus be used for a variety of contexts. In this thesis it was used to gain a deeper understanding into customer perceptions of offline-online channel integration. It thereby contributes to the retail industry, specifically the literature on multi- and omnichannel retailing. The study identified that particularly the cognitive, pragmatic and emotional dimension are addressed through the integration of online elements in the physical store. Thus the customer experience includes both rational and emotional influences. These findings conform with the fact that online elements mainly provide cognitive and pragmatic benefits. The main stimuli identified as specific to the offline-online channel integration context include: mobile devices, interactive dressing rooms, free WIFI, click & collect, store layout & atmosphere, and store concept.

The study shows that the altered customer needs, in terms of the simultaneous and interchangeable use of channels suggested by the literature, are currently rarely existing in the apparel shopping context. The study has shown that at the current stage, researched customers value both offline and online channels, but they still use these separately and independently from each other. Therefore the customer's apparel shopping behaviour correlates to some degree with the multichannel approach. The development from a multichannel customer behaviour to an omnichannel behaviour, where multiple channels are used simultaneously and seamlessly, can only be confirmed partly. While the customers' behaviour still correlates with the multichannel approach the authors of this study detected tendencies towards a channel integrated customer thinking. Customers appreciate restructuring the physical store through the integration of the online channel, as they are able to express the physical stores disadvantages and define advantages through the integration of online elements that could better meet their needs. Customers therefore clearly show high interest in such channel integration approaches and believe that these measures, along with a digitalisation development, would enhance their shopping experience in the physical stores. Apart from this the thesis identified that especially in the apparel shopping context, the experience itself still plays a major role.

This study demonstrates that although customers are aware of the benefits and usage of channel integrated measures in other purchasing situations, such as the purchase of appliances or technological devices, the use of these measures is not yet intuitive. This is because customers are not educated in the actual practical application in the apparel shopping context.

Throughout the study it became evident that customers require a high level of support and service regarding the usage of offline-online channel integration measures. Moreover the benefits received from this channel integration have to be accentuated proactively through the service personnel. It was found that this is especially important in the initial stage of the channel integration development. The study has shown that the competence of the service personnel plays a significant role in the channel integration education process. Furthermore, a superior service is found to be a clear advantage of physical stores and is thus still relevant in offline-online channel integration. Thus the thesis argues that the goal for the implementation of channel integration measures at the current stage should be to initiate customers to use channel integrated measures intuitively, therefore conditioning customers toward this newly developed retail format.

Taken together these results show that the findings are broadly consistent with the major trends in the literature. The study confirms that the retail industry is in a phase of transition and that the integration of channels is inevitable for retailers as they have to adapt to the pace and possibilities of the online stores. Online pure player also have to consider the integration of a physical store channel, as the physical store is highly relevant in the customers' mind-set and in terms of buying decisions. Therefore, this study supports that e-commerce should not be seen as a threat that simply annihilates the physical store, but that e-commerce and physical stores should complement each other in order to satisfy the customer needs.

Therefore, this thesis argues that a seamless integration of channels is a vital and essential strategy for retailers. Moreover, by integrating online elements in the physical store, the traditional shopping experience is kept relevant. In this context the authors of the thesis believe that the future of offline-online channel integrated retail stores is the showroom approach, where the physical store serves for touching and looking at products and the purchase is made online.

Nevertheless, the implementation of channel integration has to be done in a way that is understandable and easy to use for the customers, as convenience and saving of time are key attributes for customers. This thesis corresponds with the literary insight that the implementation of channel integration approaches entail major efforts and reconstructing plans. Furthermore the customer is clearly in the focus because if the customer does not understand and use the channel integration measures the reconstructing plans will not be successful.

While it was found that offline-online channel integration is the future of retailing, it should nevertheless be highlighted that traditional aspects of the physical store still play an important role. These include the superior service and elements adding to the atmosphere of the store. Such aspects were found to support the offline-online channel integration.

## 6.1 Implications of the Study

### 6.1.1 Theoretical Contribution

Whereas the implementation of multichannel strategies in the retail industry has a relatively long track record, the approach of omnichannel retailing and offline-online channel integration measures has only been established recently. Several studies have conducted and analysed the customer experience outcomes such as customer or brand loyalty of channel integration activities. To the author's best knowledge, the analysis on how customer experience is formed in an offline-online channel integrated apparel retail store, including the interplay of stimuli, determinants and dimensions, has not been researched yet. The thesis clearly offers new insights into the different elements forming customer experience in the described context, which are helpful for the understanding of the offline-online channel integration context. Moreover, specific findings concerning the shopping experience in offline-online channel integration are contributed by offering detailed insights regarding customer behaviour and perceptions in this context. Additionally, new theoretical insights on the current development of offline-online channel integration are provided. Thereby a specific contribution to the topic of channel integration and the retail industry is provided.

Furthermore, due to the described generality of the framework, it contributes to the understanding of the formation process of customer experience in general and can be applied to several contexts.

### 6.1.2 Managerial Implications

The findings of this study suggest that the integration of channels is not only a recent topic within the retail industry but also seen as an essential measure in order to keep the relevance of physical stores for customers. Furthermore, the findings show that currently only rudimentary measures on channel integration are practically implemented in the apparel industry and that customers perceive them as being helpful or necessary for the future. A major barrier to the success of customer experience identified by the thesis is the level of service and explanation offered to the customers. This is required as customers are not yet conditioned to use the channels interchangeably and simultaneously.

The thesis provides insights into the need of making benefits of channel integration visible to customers. One of the major benefits of the offline-online channel integration is the improved and facilitated shopping process. Thus measures that target the cognitive and pragmatic dimension are essential. Furthermore, the shopping process in a physical store is still seen as an experience in itself, thus the emotional dimension, particularly of entertainment, needs to be in the focus.

Aspects that need to be targeted in the offline-online channel integration are:

- Educate customers on functionality and benefits of new integrated format
- Make shopping convenient, this includes returning options as well as click & collect
- Make it easy for customers to find and buy products, including the easy access to the whole assortment and to information on what is available in which channel
- Unify customer experience in all channels, thus telling the same story though all channels by portraying the same brand image
- Facilitate the process of trying on products (tools that avoid having to leave the dressing room, and in the future eliminate the need to get undressed at all)
- Encourage the customers communication with their network
- Offer solutions for all phases of the shopping process within one store (inspiration, research, availability, purchase, delivery, review etc.)
- Offer high level off service, as this is a clear benefit of physical stores
- Target rational (cognitive and pragmatic) as well as emotional dimensions
- Use atmospherics, as they are still relevant when integrating online elements and can benefit the integration

## 6.2 Limitations

Despite the fact that the research was conducted with the study's purpose constantly at mind, certain limitations were unavoidable. This was mainly due to the trade-off regarding the choice of methods. One of the main limitations was the sampling approach, as the study only incorporated a rather small and non-random sample. Nevertheless, as the aim was to portray a certain social setting, this sampling approach was found to be sufficient. However, this also means that the findings cannot be used to draw conclusions on other social settings. Furthermore, the findings were only conducted in a single market; insights regarding other countries are therefore restricted.

In order to gain a deep understanding of the social setting and the customer's perspectives on customer experience regarding offline-online channel integration, the researchers of this study decided to focus on a single store used as the research setting. This store shows clear characteristics of an offline-online channel integrated retail store and follows the predominant definition of an omnichannel strategy. The focus on one specific store can be seen as a limitation in terms of the comparability to other stores. Furthermore, through the focus on a single industry, namely the apparel industry, conclusions made from the thesis can only partially be adapted to other product categories or industries.

As described in the theory chapter, the customer experience develops over time and is shaped through various contacts with the company. However, especially since the participants of the focus groups had only visited the store once, it could be argued that a customer experience is not yet fully formed. Due to the limited timeframe of the thesis, the researchers were not able to conduct an analysis that allowed for more contacts and thereby a longer customer experience

creation. Furthermore, the thesis focuses specifically on one aspect of the customer experience formations, the shopping experience. Thus no insights regarding other phases of the customer experience such as pre- and post-purchase as well as consumption phase can be determined. Moreover, customer experience is described in the theory chapter as a personal and subjective response. Therefore a clear definition of the formation process is to be viewed critically.

These above mentioned limitations restrict the author's ability to draw general statements regarding the formation of customer experience within an offline-online channel integrated retail format. However, the findings propose that implications can be established that might be beneficial for other retailers that aim to integrate channels in a physical store.

### 6.3 Recommendations for Further Research

The topic of offline-online channel integration is a very recent concern and practical implementations in Germany are still in a period of upheaval. Thus customer awareness of channel integration is still fairly low. Once this retail format has become more established and customers have been confronted with it more frequently, it would be of high interest to repeat the analysis using the developed framework.

As soon as the implementation of offline-online channel integration in the retail environment is more established, it would also be highly relevant to compare the formation of customer experiences in different apparel retail stores. Thereby the customers' reaction to different implementation measures could be compared. The researchers found that in regard to an integrated customer behaviour the apparel industry is developing quite slowly in comparison to other product categories such as technologies. Thus an analysis of the development stage of different industries could be insightful, e.g. banking and finance.

As the research focused on the German market, further studies can attempt to determine if the results would be comparable between different countries. For instance the UK is a well-developed market in regards to ecommerce, thus insights into the perception of channel integration might be more fruitful.

A research finding exceeding the original research question is that the likelihood of switching vendors for multi-label retailers is higher than for brand retailers. This provides an area that could be assessed further in future research.

Moreover, a quantitative analysis could be conducted that analyses the revenue distribution for companies that complimented the online channel through a physical store in the long run.



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# Appendix A: Interview Guideline

## Focus Group Question Guide:

1. What do you like about the store and what makes this store (retail format) special/unique? What did you notice and what did you find appealing?
2. Offline-online integration: How are online elements integrated in the store and does digitalisation play a role in this store? Would you use these features and if yes, in which situation would you use it?
3. To which extent has your shopping experience changed through the integration of online elements?
4. What kind of experiences have you made with offline-online integration measures in general (also in other stores)?
5. How was your mood while shopping in the store? How did the store properties and features influence your mood/emotions?
6. Assume you have found pants that you liked, but your size is not available. How could this retail format have helped you in this context?
7. For which reasons/ in which situations would you visit this store again?
8. To what extent does digitalisation and the internet play a role in your life?
9. To what extent do you rely on other opinions when going shopping? Where do you get inspired for your clothing style?
10. Summary question: How does this retail format change your perception of the traditional physical store?
11. Please describe your perfect (future) physical store! (All technologies available)

## Appendix B: ABOUT YOU – Images



Source: [https://www.google.se/search?q=about+you+store+harburg&espv=2&biw=1228&bih=657&source=lnms&tbn=isch&sa=X&ved=0ahUKEwjGiP7qzejMAhXoFJoKHb3kA6UQ\\_AUIBygC&dpr=1 - imgcr=U6OZHjKOPS7EHM%3A](https://www.google.se/search?q=about+you+store+harburg&espv=2&biw=1228&bih=657&source=lnms&tbn=isch&sa=X&ved=0ahUKEwjGiP7qzejMAhXoFJoKHb3kA6UQ_AUIBygC&dpr=1 - imgcr=U6OZHjKOPS7EHM%3A)



Source: [https://www.google.se/search?q=about+you+store+harburg&espv=2&biw=1228&bih=657&source=lnms&tbn=isch&sa=X&ved=0ahUKEwjGiP7qzejMAhXoFJoKHb3kA6UQ\\_AUIBygC&dpr=1#imgcr=xcfj4pP\\_eULNmM%3A](https://www.google.se/search?q=about+you+store+harburg&espv=2&biw=1228&bih=657&source=lnms&tbn=isch&sa=X&ved=0ahUKEwjGiP7qzejMAhXoFJoKHb3kA6UQ_AUIBygC&dpr=1#imgcr=xcfj4pP_eULNmM%3A)



Source: <http://www.belle-melange.com/about-you-store-opening/>



Source: <http://www.belle-melange.com/about-you-store-opening/>



Source:[http://www.yelp.de/biz\\_photos/about-you-hamburg?select=xpa477p4P72vfJDzV0heuQ](http://www.yelp.de/biz_photos/about-you-hamburg?select=xpa477p4P72vfJDzV0heuQ)



Source:[http://www.yelp.de/biz\\_photos/about-you-hamburg?select=iGvsXfZGuggtWlv084r\\_Cg](http://www.yelp.de/biz_photos/about-you-hamburg?select=iGvsXfZGuggtWlv084r_Cg)





Source:[http://www.yelp.de/biz\\_photos/about-you-hamburg?select=TICwsnEoiIuvQG0D30BoUw](http://www.yelp.de/biz_photos/about-you-hamburg?select=TICwsnEoiIuvQG0D30BoUw)