



LUND UNIVERSITY
School of Economics and Management

Unraveling Complexities in the New Economy

Investigating Online Influences on Business Models of Retailers
in China and the United Kingdom

by

Fabian Gutjahr

Lukas Bollano

June 2019

Master's Program in International Strategic Management

Supervisor: Magnus Johansson

Abstract

Title: Unraveling Complexities in the New Economy – Investigating Online Influences on Business Models of Retailers in China and the United Kingdom

Authors: Fabian Gutjahr & Lukas Bollano

Supervisor: Magnus Johansson

Keywords: Business Model, Capabilities, E-Commerce, Packaged Food, Retailing, China, UK

Purpose: The purpose of this study is to examine how e-commerce trends in technologically advanced economies interplay with the market and organizations in packaged food retailing.

Methodology: A qualitative multiple-case study with cross-cultural components has been designed. Furthermore, a mix of deductive and inductive research approaches have been applied. The main data used is collected from in-depth interviews with representatives from different actors in the e-commerce and packaged food industry. Beyond the interviews, secondary data is utilized for additional perspectives.

Theoretical Perspectives: The thesis is based on e-commerce and business model theory. A theoretical framework is created by fusing the two theories to map business factors that require special focus in e-commerce environments.

Contribution: Concludingly, there is relevance for firms to adapt the business model to e-commerce trends. There are certain aspects requiring particular consideration which are identified and presented. This study contributes to the status quo research in combining e-commerce and business models.

Acknowledgments

We would like to thank everyone who played a role in our academic accomplishment. First, we are grateful for all the time our interviewees invested and their useful input. Furthermore, we are thankful for the input our supervisor Magnus Johansson provided. We would like to give a special thank you to Dr. Daniel Seeburg, M.D. for his help and insightful advice.

Finally, we want to express our sincerest gratitude to our families and friends who supported and encouraged us throughout our academic career. Special credits go to Daniel Benz, Moritz Beutter, Dirk Wunderlich, Lucas Zerweck and Lucas Burkhardt for accompanying us along the road.

Thank you all,

Fabian and Lukas

Table of Contents

- 1 Introduction and Background..... 1**
 - 1.1 Aim and Objectives 3
 - 1.2 Research Purpose 3
 - 1.3 Outline of the Thesis 4
- 2 Literature Review..... 5**
 - 2.1 Business Model Introduction 5
 - 2.1.1 Business Model Definitions 6
 - 2.1.2 Overview of Business Model Typologies 8
 - 2.1.3 The Business Model Canvas in the Mist of Frameworks..... 8
 - 2.1.4 From a Resource-Based View to Dynamic Capabilities 10
 - 2.2 Business Model and E-Commerce 11
 - 2.3 The E-Commerce Business Model Framework 12
 - 2.3.1 E-Commerce Reshaping Businesses 14
 - 2.3.2 Consumer Behavior in the E-Commerce Environment..... 15
 - 2.3.3 E-Commerce and the Generation of Big Data 17
 - 2.3.4 New Retail Channels 19
 - 2.3.5 E-Commerce and the Supply Chain 19
 - 2.4 Theoretical Summary 21
- 3 Methodology 23**
 - 3.1 Research Approach 23
 - 3.2 Research Design 24
 - 3.3 Data Collection Method 25
 - 3.3.1 Primary Data 25
 - 3.3.2 Sampling Strategy 26
 - 3.3.3 Secondary Data 29
 - 3.4 Data Analysis 30
 - 3.5 Validity and Reliability 30
 - 3.5.1 Internal Validity 31
 - 3.5.2 External Validity 32
 - 3.5.3 Dependability 33
 - 3.5.4 Conformability 33
 - 3.6 Limitations 33
- 4 Empirical Section 35**

| | | |
|----------|---|-----------|
| 4.1 | The UK Economic Background and Forecast..... | 35 |
| 4.1.1 | Dairy Industry | 35 |
| 4.1.2 | E-Commerce..... | 36 |
| 4.1.3 | Consumer Behavior..... | 37 |
| 4.1.4 | Online-to-Offline Commerce | 38 |
| 4.1.5 | Big Data..... | 39 |
| 4.1.6 | Consolidation Threat | 40 |
| 4.1.7 | Supply Chain | 41 |
| 4.2 | The Chinese Economic Background and Forecast..... | 41 |
| 4.2.1 | Dairy Industry | 42 |
| 4.2.2 | E-Commerce..... | 43 |
| 4.2.3 | Consumer Behavior..... | 44 |
| 4.2.4 | Online-to-Offline Commerce | 47 |
| 4.2.5 | Big Data..... | 50 |
| 4.2.6 | Consolidation Threat | 53 |
| 4.2.7 | Supply Chain | 54 |
| 4.3 | Empirical Data Summary | 54 |
| 5 | Analysis and Discussion | 56 |
| 5.1 | The slow British transition to Online Channels | 56 |
| 5.1.1 | Breaking up Path-Dependencies | 56 |
| 5.1.2 | Threat of Disruptors based on Supply Chain Capabilities | 58 |
| 5.2 | The Chinese Dependency on the Internet | 59 |
| 5.2.1 | Integration of Customers | 59 |
| 5.2.2 | Product Marketing and Branding | 62 |
| 5.2.3 | Smart Use of Big Data | 63 |
| 5.2.4 | Consolidation Threat | 64 |
| 5.3 | Country-specific Differences and Similarities | 64 |
| 5.3.1 | Consumer Behavior, Trust and Quality..... | 65 |
| 5.3.2 | Customer Experience in New Retail Channels | 66 |
| 5.3.3 | Big Data from Social Commerce | 66 |
| 5.3.4 | Consolidation Threat and Supply Chain Imperatives | 67 |
| 5.4 | Summary | 68 |
| 6 | Conclusion..... | 70 |
| 6.1 | Research Aims and Objectives..... | 70 |
| 6.2 | Theoretical Implications..... | 70 |

| | | |
|-----|---|-----------|
| 6.3 | Practical Implications | 71 |
| 6.4 | Future Research..... | 72 |
| | References | 73 |
| | Appendix: Interview Guideline..... | 86 |

List of Tables

Table 2.1: Selective Overview of Business Model Definitions 6

Table 2.2: Theoretical Concept Summary..... 21

Table 3.1: List of Interviews 27

Table 4.1: Distinctive Features and Commonalities UK and China 54

Table 5.1: Amendment of the Framework 68

List of Figures

| | |
|--|----|
| Figure 2.1: Theoretical Framework..... | 22 |
|--|----|

1 Introduction and Background

Since its emergence, the internet has had a tremendous effect on global business (Bhat, Kansana & Majid, 2016). The Statista [A] e-commerce report (2019) states that electronic commerce (e-commerce) retail sales worldwide are forecasted to grow from USD 1.5 trillion in 2015 to USD 4.8 trillion in 2021. It further states online shopping will increase its share from 7.4% to 17.5% of total global retail sales over the aforementioned period. Moreover, moving from a global to a state perspective, China and the United Kingdom (UK) constitute two of the most relevant markets. In 2017, e-commerce sales in China aggregated 23.1% of the country's total retail sales, while in the UK online turnover represented 19.1% of total sales (Statista [A], 2019).

According to the World Bank (2019), the Chinese economy has demonstrated above-average growth over the last few decades, placing it today as the second largest in the world behind the US. The same report and a McKinsey article (2018) state that although GDP growth has reached its lowest rate since 1990, with 6.6% in 2018, and is expected to further decrease to approximately 6.0% in 2019, China's economy is still considered one of the fastest growing globally. Despite a general national trend of slower absolute growth, as reflected in decreasing GDP, the volume and value of the economy in China are still globally leading because of its market size (The World Bank, 2019; Orr, 2018).

According to a McKinsey report (2016), Chinese citizens are the most frequent online consumers worldwide, especially via mobile devices. This trend towards online retail has impacted entire industries, including the packaged food retail business (Wang, Lau & Gong, 2016). Hereby, packaged food is referred to as food eaten without further preparation (Vierk et al., 2007) and packed with a variety of materials in different shapes (Holdsworth & Simpson, 2016). Another McKinsey Quarterly article (2018) states that the Chinese economy has the largest retail e-commerce market in the world as of 2016, accounting for more than 42% of the global transaction value (Seong, Woetzel & Wang, 2018). A 2016 McKinsey survey shows that food and beverage e-commerce rank second behind apparel with an adoption rate of almost 50%, implying that nearly every other Chinese purchase at least some of their groceries over the internet. It is further mentioned that these expenses account for only 5% of the entire food spending, suggesting that consumers are not yet willing to replace larger supermarket purchases. On the other hand, these figures also indicate that companies

could expand in this sector, to capture more of the potential online grocery shopping market share (Wang, Lau & Gong, 2016). These trends have supported the rise of e-commerce giants such as Tencent and Alibaba, which have become two of the most valuable companies in the world (Lucas, 2019). Due to scale and digitization, their high-end information technology business models have created multidimensional and industry-spanning digital platform ecosystems that impact every aspect of consumers' lives (Woetzel et al., 2017).

As aforementioned, the UK has the second highest e-commerce sales percentage of total retail sales after China as of 2017 (Statista [A], 2019). Although it's GDP has lagged behind the EU GDP average, the UK is predicted to stay among the top five world economies until 2020 in absolute terms (International Monetary Fund, 2018). In some scenarios, the UK could potentially exceed the EU growth rate by 2050 and among the G7 states, it is projected to be the fastest growing economy on average over the period leading up to 2050 (Hawksworth, Audino & Clarry, 2017). The UK has been undergoing a notable shift in retail patterns. Data from Statista (2018) show that UK supermarkets are forecasted to have a market share decline in terms of value from 48% to 43% in the period between 2016 and 2021. Further, other brick and mortar channels such as convenience stores stay on the same level (circa 21%) or also face some shrinking (e.g. hypermarkets decrease from 9% to 8%). On the other hand, it is stated that online retailing is projected to increase in value from 6% to 9% over the same period. The report concludes that this trend is strengthening the UK's top position in online grocery market size compared to other European countries. In 2018, products worth USD 14.6 billion were sold online in the UK and are anticipated to climb up to USD 22.1 billion by 2023 (Statista [A], 2018). Companies such as Amazon Fresh and Ocado have entered the online food market by combining food knowledge and technological advancements (High, 2019; Southey, 2019). However, these companies not only compete but also partner with incumbents (High, 2019; Southey, 2019).

Literature has described that organizations have to assess how these external environment changes affect their operations. Firstly the market as a dynamic construct requires organizations to adapt according to its direction (Madhani, 2010). Moreover, the dawn of e-commerce in food retailing has implications for the technology deployment, processing of customer knowledge and branding activities for both incumbents and new market entrants (Clarke, 2017). Hence, to navigate in this kind of changing environment, an appropriate business model is needed (Chesbrough, 2006; Teece, 2010) because they view the firm's

surroundings and interactions of stakeholders as well as the interplay of internal resources (Mahadevan, 2000; Tapscott, Lowy & Ticoll, 2000; Morris, Schindehutte & Allen, 2005). However, current research only investigates business model concepts and e-commerce separately in a broad context. Few studies combine both concepts to identify how e-commerce trends influence the business model in packaged food retailing. The disruptive force of e-commerce and its entailing economic, social and technological changes in retail is an intriguing topic. Seeing how it will evolve further and the effects of adjacent markets cannot and should not be neglected. The progressive Chinese and developing British markets are suitable objects to study e-commerce impacts on business models in packaged food retailing.

1.1 Aim and Objectives

The aim of this study is to explain how e-commerce trends influence retailing in technologically advanced economies. In order to do this, the following research question will be addressed:

How do e-commerce trends affect the business model of retailers in the packaged food industry?

The packaged food industry, with an emphasis on dairy in the Chinese and UK market, is selected as the focus. The aim is to design a theoretical framework that illustrates what e-commerce trends firms have to be aware of and in which aspects their business models have to be adapted. This will be operationalized by observing the dynamic implications for business models from an e-commerce perspective. Finally, both economies will be compared and similarities, as well as incongruities, are identified.

1.2 Research Purpose

The purpose of this research is twofold. Firstly, we aim to illustrate how the e-commerce landscape in progressive, technologically advanced countries is shaped, with China and the UK chosen as examples of such countries for the purpose of this study. Secondly, we aim to explore how developments in e-commerce markets affect companies in the downstream supply chain and how such companies plan to handle changes in the market in order to stay competitive. Possible course changes and options through novel business model configurations will be elaborated. This will be a qualitative research drawing on 18 semi-structured interviews conducted in both, the UK and China within the retail and e-commerce

industry. The theoretical base of this thesis draws on the business model and e-commerce concepts. The purpose of this research is to provide theoretical implications concerning the conjunction of competitive possibilities in business model and e-commerce contexts, and thus, practical connotations for firms operating in technologically advanced economies.

1.3 Outline of the Thesis

The thesis has the following outline and consists of six main chapters. In chapter one, the general topic is defined, and the research question is presented. Next, to provide a comprehensive understanding of the approach, relevant literature is reviewed in chapter two. The main framework consisting of e-commerce and business model theory will be designed. In chapter three, a thorough introduction of the methodology, including the line of actions taken for the research process are presented and elaborated. Chapter four addresses the Chinese and UK packaged food industries with insights gathered from companies and institutions in relation to the effects of e-commerce on the industry. The analysis and discussion in chapter five will provide an overview of which implications caused by industry changes affect business models. Lastly, in chapter six, we conclude with a summary of the thesis, present theoretical and practical implications and provide a prospect for future research.

2 Literature Review

2.1 Business Model Introduction

Whether explicitly articulated or not, every company has a business model (Chesbrough, 2006; Teece, 2010). The concept commenced in the 1970s and gained increasing attention in the 1990s with the rise of the digital economy (Ghaziani & Ventresca, 2005). The advent of information technology has impacted firms' business models and market transactions (Mendelson, 2000). As a result of this change, industry boundaries have become more ill-defined and analysis has become more complex (Mendelson, 2000; Tapscott, Lowy & Ticoll, 2000; Zott, Amit & Massa, 2011). Hence, research has focused on the business model concept as firms are embedded in networks or value webs. Interaction with suppliers and customers is constantly changing (Brynjolfsson & Hitt, 2005; Osterwalder, Pigneur & Tucci, 2005; DaSilva & Trkman, 2014).

The idea of a business model and its key elements are based on, and interlinked with, strategic management theories. One of the first rationales is the strategic planning school by Chandler (1962) which was further expanded by Ansoff (1965) and Andrews (1971). Corporate and business unit strategies are elaborated and during the industrial era with a relatively stable market environment, SWOT frameworks and planning tools were sufficient for the business model architecture of the time (Clarke & Clegg, 2000). Because these models were viewed as generic and inflexible, the BCG matrix and other frameworks were established to manage different business models (Abell & Hammond, 1979). However, these approaches did not provide a strategy on how to establish a strong market position. Thus, Porter (1980, 1985) developed the Five Forces Model to assess the competitiveness of an industry. In a complementary fashion, the value chain concept (Porter, 1985) focuses on activities that drive these cost and differentiation advantages. The strategic positioning enables companies to conceptualize a business model and subsequently adapt the value chain to fit its strategic position (Shafer, Smith & Linder, 2005). Nonetheless, Porter emphasizes the firm's position in its environment and not the competitive advantages that can emanate from internal resources and capabilities. Responding to this shortcoming the resource-based view (RBV) is an approach that considers specific internal resources as key drivers for competitive advantage (Barney, 1991). Business model concepts try to integrate these strategic management theories to create a comprehensive framework.

2.1.1 Business Model Definitions

Since business model research is novel (Osterwalder, Pigneur & Tucci, 2005; Wirtz et al., 2015) scholars do not agree on a formal definition of the term and are still in debate (Pateli & Giaglis, 2004). Therefore, studies are often conducted without an explicit definition because they only partially overlap or induce different interpretations (Morris, Schindehutte & Allen, 2005; Zott, Amit & Massa, 2011; Trimi & Berbegal-Mirabent, 2012). The first emerging definitions by Timmers (1998) and Mahadevan (2000) viewed business models in the context of a firm’s surrounding network, focusing on interactions and relationships of stakeholders. On the other hand, some authors have emphasized the monetary and strategic aspects of business models (Rappa, 2000; Afuah & Tucci, 2001; Teece, 2010). Chesbrough and Rosenbloom (2002) argue that a business model encompasses parts of the strategy of a company, while other researchers explicitly separate the two concepts (Magretta, 2002; Mansfield & Fourie, 2004). Lastly, there is divergence on the scope of business model definitions. Some scholars combine architectural, network and revenue aspects for a holistic picture (Morris, Schindehutte & Allen, 2005; Dubosson, Osterwalder & Pigneur, 2002) while others are less inclusive (Timmers, 1998; Amit & Zott, 2001). A selective overview of business model definitions is provided in Table 2.1.

Table 2.1: Selective Overview of Business Model Definitions

| Author(s) | Definition |
|------------------|---|
| Timmers (1998) | “Definition of a business model: (a) an architecture for the product, service, and information flows, including a description of the various business actors and their roles; and (b) a description of the potential benefits for the various business actors; and (c) a description of the sources of revenues.” |
| Mahadevan (2000) | “A business model is a unique blend of three streams that are critical to the business. These include the value stream for the business partners and the buyers, the revenue stream, and the logistical stream.” |

| | |
|---|--|
| Rappa (2000) | “In the most basic sense, a business model is the method of doing business by which a company can sustain itself – that is, generate revenue. The business model spells-out how a company makes money by specifying where it is positioned in the value chain.” |
| Afuah & Tucci (2001) | “A business model is the method by which a firm builds and uses its resources to offer its customers better value than its competitors and make money doing so. It details how a firm makes money now and how it plans to do so in the long-term. The model is what enables a firm to have a sustainable competitive advantage, to perform better than its rivals in the long term.” |
| Morris, Schindehutte & Allen (2005) | “A business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets.” |
| Johnson, Christensen & Kagermann (2008) | “A business model, from our point of view, consists of four interlocking elements that, taken together, create and deliver value. The most important to get right, by far, is the customer value proposition. The other elements are the profit formula, the key resources, and the key processes.” |
| Teece (2010) | “In short, a business model defines how the enterprise creates and delivers value to customers, and then converts payments received to profits.” |

Adding to the divergence of definitions is the perspective level of a business model. Some authors do not explicitly link the concept to the organizational entity (Chesbrough & Rosenbloom, 2002; Morris, Schindehutte & Allen, 2005) while others observe it from a firm level perspective (Rappa, 2000; Afuah & Tucci, 2001). Occasionally, the model includes the network and linkages to the environment (Mahadevan, 2000) or has its locus somewhere between firm and network aspects (Amit & Zott, 2001). However, due to no commonly agreed upon definition, business model typologies will be outlined in the following to depict joint themes and characteristics.

2.1.2 Overview of Business Model Typologies

Due to the vast variety of possibilities within business models, various frameworks to portray certain features have been developed. Business model frameworks describe the elements of a business model and the interaction and relationship between them (Gordijn, Osterwalder & Pigneur, 2005). A feasible framework illustrates key decision variables of a company and ensures their coherence. Hence, its value is greater from a holistic perspective than examining the components individually (Morris, Schindehutte & Allen, 2005).

Chesbrough and Rosenbloom (2002) discuss the concept from a technological innovation perspective. In this vein, use of technological potential, value propositions based on technology embedded in product or service, relevant market segments, and the value chain are analyzed. This provides the base for assessing the cost structure and profit potential which in turn, lead to the development of a competitive strategy. Morris, Schindehutte and Allen (2005) take an entrepreneurial approach, where internal sources of advantage are scrutinized based on value creation opportunities. Further, the economic model for profit earning is established. The authors emphasize the congruence and interaction of the company's internal and external environment. Johnson, Christensen and Kagermann (2008) introduce the Four-Box model, with a customer value proposition, profit formula, key processes and key resources as vital elements. Moreover, interdependencies between the elements are highlighted, adding complexity to a relatively simple framework structure.

2.1.3 The Business Model Canvas in the Mist of Frameworks

The Business Model Canvas developed by Osterwalder, Pigneur and Clark (2010) illustrates a scheme on how to describe, assess and change business models. Further, the architecture consists of nine building blocks representing how a firm creates and captures value. Moreover, these elements elucidate four main business areas – customers, offering, infrastructure, and financial practicability. The authors continue that customer segments enable organizations to cluster the diverse environment into distinct groups, once it is decided on which market to target or to exclude (Osterwalder, Pigneur & Clark, 2010).

Osterwalder, Pigneur and Clark (2010) claim that the value proposition is the product or service bundle the company offers to satisfy customer needs. The proposition usually consists of a mix of quantitative and qualitative components, such as price or cost reduction, and design, brand or status, respectively. Further, channels act as the interface with customers and

describe how the firm interacts and communicates with them. In this way, target markets get informed about the company's value proposition and support the purchasing process. Additionally, it is the means of delivery and after-sales customer support. Furthermore, the authors establish customer relationships for consumer acquisition, retention and upselling. In this regard, the degree of how personal and dedicated the company wants to keep in touch with its target customers is determined. Osterwalder, Pigneur and Clark (2010) mention that key partnerships define the value network, consisting of suppliers and partners. In this vein, alliances can be formed, or resources can be acquired. Further, key resources constitute crucial assets the organization needs to succeed. They are the foundation for the value proposition, reaching the target segments and generating profits. The resources depend on the business model and can be physical, financial, intellectual or human. A company does not necessarily have to own them but can acquire them through their value network (Osterwalder, Pigneur & Clark, 2010). Lastly, the authors state that key activities relate to key resources and are the most important actions for a firm to create value. They can be production related (e.g. for manufacturing firms), in the field of problem-solving (e.g. services such as hospitals or consultancies) or concerning platforms or networks (e.g. software applications or online retailers).

Assessment and adaptation of the business model to external forces are vital because of disrupting threats. As described by Christensen (1997) a too close orientation on the status quo can have detrimental effects for an organization if a new technology is introduced. The dissension of existing consumer demands and possibly new requirements due to a market shift may lead firms to persevere the present expectations while new parties gain market share by serving new needs (Christensen, 1997). E-commerce and its peculiarities of personal, mobile and cloud computing, data analytics, and social media are disruptive innovations and create opportunities as well as challenges for traditional businesses (Karimi & Walter, 2015). Since disruptive innovation often demands a shift in capabilities there is a possible conflict with deeply established interdependencies of current processes, resources, and values (Christensen, 2006; Christensen & Overdorf, 2000; Christensen & Raynor, 2003).

Key activities related to resources and their capability to create value are essential actions for the adaptability of firms. Therefore, it is necessary to delve further into resources.

2.1.4 From a Resource-Based View to Dynamic Capabilities

Creating value is the eminent purpose of corporations. Essential is how value is appropriated and how resources interact with the environment and the chosen strategy (Crook et al., 2008). The RBV delivered a key perspective of determinants in organizational performance and thus, emerged into a highly appreciated theoretical framework (Newbert, 2007). Resources can be categorized as inputs that allow a firm to execute activities (Wernerfelt, 1984). With a resource-oriented approach, internal resources and capabilities determine the strategic choices a company undertakes to compete in its external business environment (Madhani, 2010).

Capabilities are perceived as a crucial element of firm idiosyncrasy to enable sustainable competitive advantage (Collis, 1991; Eisenhardt & Martin, 2000; Helfat & Winter, 2011). Generally, a capability involves the competence to execute specific activities sufficiently. The output from such actions should propel the affluence of an organization (Winter, 2000). Among the plethora of research within the RBV, Collis (1991) identified three essential elements: *Core competence*, *administrative heritage*, and *organizational capability*. Core competencies are a multidimensional vector of irreversible assets, which reflect all tangible and intangible resources of a firm (Collis, 1991). Administrative heritage of a firm is composed of two factors, intangible cultural and physical heritage (Collis, 1991). Organizational capabilities are defined as managerial capabilities to steadily improve a firm's efficiency and effectiveness but split into two separate definitions, they are either of operational or dynamic nature (Helfat & Peteraf, 2003; Collis, 1991).

The goal of dynamic capabilities is the exploration of corporate success and failures, thus this approach seeks to identify the spectrum of firm-specific capabilities which generate competitive advantage (Teece, Pisano & Shuen, 1997). In the original definition of dynamic capabilities, a firm must possess the ability to approach rapidly changing business environments by building, integrating and reconfiguring internal and external competences (Teece, Pisano & Shuen, 1997). Despite the various interpretations, there is one common consensus. All elaborations conclude to a certain extent that leveraging capabilities is linked to creating competitive advantage. To adapt and oppose external influences such as e-commerce with internal resources, firms need to establish a fitting business model to maintain a competitive advantage.

In the next section, business models in the context of e-commerce are assessed. Dynamic capabilities that have become important due to the changing business environment are incorporated.

2.2 Business Model and E-Commerce

One field of business model research has been the relation to e-commerce (Mahadevan, 2000). It further describes how organizations undertake transactions with stakeholders via the internet, based on the advancements in communication and information technology. This shift allows new, even atypical exchange mechanisms and transaction forms (Mahadevan, 2000; Zott, Amit & Massa, 2011). Moreover, these technological advancements can enable new organizational structures. The development of the business model comes with a changed way of engaging and interaction of parties inside and outside the firm (Brynjolfsson & Hitt, 2005). The consequences include new manners of interaction with both suppliers and consumers (Dunbar & Starbuck, 2006) Business models for e-commerce have similarities to the aforementioned general business models. Yet, some aspects are highlighted by scholars which are particularly meaningful to conduct successful operations.

Life and humanity witnessed a major technology innovation by the uprising of the internet. It changed various aspects of lifestyles in society and with it, more and more applications have become available (Murthy et al., 2000). The enormous internet penetration has a significant impact on the growth of e-commerce and business environments (Bhat, Kansana & Majid, 2016). The definition of e-commerce includes transactions of buying and selling goods and transmitting funds or data by utilizing an electronic network, predominantly internet technology (Chaffey, 2009; Djie, Lie & Asri, 2018; Laudon & Traver, 2019). Moreover, it provides the possibility to restructure the value creation relationships among corporations and between enterprises and consumers (Chanana & Goele, 2012). E-commerce has widespread utility (Murthy et al., 2000). The shift from traditional desktop platforms to mobile devices has had a large impact on consuming internet media (Laudon & Traver, 2019). E-commerce in its various shapes has the capability to fundamentally transform and change the established traditional market structure in retail and distribution industries (Bhat, Kansana & Majid, 2016; Burt & Sparks, 2003). It is a paradigm shift, affecting both parties concerned, customers and sellers (Bhat, Kansana & Majid, 2016).

In sum, the implications of e-commerce on businesses are profound. With its vast variety of impacts of different aspects in a firm, new variations of business models have to be established to withstand external pressures.

2.3 The E-Commerce Business Model Framework

Osterwalder and Pigneur (2002) designed an ontology for e-commerce business models with four building blocks: product innovation, customer relationship, infrastructure management, and financials. Product innovation describes the value proposition which the firm has to offer its target customers (Osterwalder & Pigneur, 2002; Mahadevan, 2000). It is stressed, that companies in digital environments have to focus even more on the consumers and follow them closely (Wirtz, 2019).

As a second pillar, the customer relationship has to be established via information and communication technology (Osterwalder & Pigneur, 2002). The researchers emphasize the information strategy of an organization, i.e. the collection and application of customer data. Further, the goal is to expand business opportunities and increase consumer satisfaction. Additionally, the underlying enabling technologies to succeed are data mining and business intelligence. With these steps, the firm can gain customer behavior insights, patterns of purchasing and identify up- and cross-selling potentials (Wirtz, 2019). Hence it is argued that customer databases and data mining techniques are major core resources needed to succeed (Osterwalder & Pigneur, 2002).

Moreover, a feel and serve element must be established (Osterwalder & Pigneur, 2002). It is mentioned that in retailing, these are created with distribution channels or touchpoints to the target customers. Further, e-commerce has the potential to complement the existing offline business. Amit and Zott (2000) stress the complementary functions of offline and online channels. They describe this concept as “click and mortar” business which enables cross-marketing opportunities. With this approach, customers are provided with the real store experience and the advantages of online shopping (Amit & Zott, 2000).

This enables the elements of trust and loyalty which are crucial in the virtual world since the relevant parties are not familiar with each other before a transaction (Osterwalder & Pigneur, 2002). Mahadevan (2000) also highlights the importance of security and trust in online commerce in order to create a value proposition, because of the anonymity of the buying and

selling side with no previous business connections. Hence, scholars point out that it can also be established through virtual communities (Hagel, 1999), third-party verification or clear privacy policies (Friedman, Khan & Howe, 2000; Mahadevan, 2000). Other researchers add that companies can create an ecosystem to lock in their customers to provide trust and fairness of transactions (Amit & Zott, 2000).

Another business activity which should be emphasized to create trust and reputation is branding and marketing (Wirtz, 2019). It is argued in order to achieve a successful e-commerce impact, aspects of product awareness, services quality, shopping experience, and customer risk need to be assessed conveniently. The quality of presentation determines the perceived quality of the product by the consumers (Wirtz, 2019). Moreover, the target market needs to notice online offers as attractive and novel. With the myriad of alternatives, differentiation is key either by branding or by establishing innovative and experience-oriented shopping (Park et al., 2012; Azam, 2015). Moreover, firms need to develop these branding, marketing and advertising strategies on social media channels. These need to be accessible on mobile devices, since these media outlets are becoming increasingly important to exalt awareness (Wirtz, 2019). Customer loyalty is the result of trust and satisfaction (Osterwalder & Pigneur, 2002). Trust and loyalty contribute to satisfaction which, in turn, serves the loyalty and trust aspects, showing the interaction of the three aspects. (Osterwalder & Pigneur, 2002).

The third component of e-commerce business models is infrastructure management and resources, which are the basis for the value proposition and customer relationship (Osterwalder & Pigneur, 2002). The researchers argue, that next to human resources and tangible assets, intangible resources such as patents, copyrights, reputation, brands, and trade secrets are indispensable as the means to an e-commerce business model (Osterwalder & Pigneur, 2002). However digital business environments which are influenced by technological advancements demand not just resources, but dynamic capabilities (Zhu, Kraemer & Xu, 2006). Especially because of the increased networking between target customers and other users, consumption patterns can change abruptly (Wirtz, 2019). Moreover, the internet economy itself changes continuously in contrast to the relatively static environment of traditional businesses. Hence, strategic and organizational flexibility is another key success factor for companies in the online retailing sector (Bordonaba-Juste, Lucia-Palacios & Polo-Redondo, 2012).

The fourth pillar is financial aspects, consisting of the revenue model and cost structure (Osterwalder & Pigneur, 2002). These drivers determine the firm's profit model and its ability to survive in competition.

2.3.1 E-Commerce Reshaping Businesses

With a shift away from dyad-based transactional distribution channels to administered vertical marketing systems, supply-chain management and value-stream activities enhance (Burt & Sparks, 2003; Dawson & Shaw, 1989). Changes in networks, relationships, and behavior of upstream elements in the distribution channel are integral to the downstream impacts to the consumer (Burt & Sparks, 2003). Hence, strategic decisions concerning the entire value chain from the firm are required (Burt & Sparks, 2003).

With local and personal on-demand services, new business models have emerged in the scope of e-commerce. Uprising firms in this sector are disrupting major industries (Laudon & Traver, 2019). Especially start-ups have been adopting e-commerce as a differentiating business model (Bhat, Kansana & Majid, 2016). The conceptualization of this innovation redefines the stage of business scope in terms of using technology within the business. The underlying process innovation provides new business model opportunities (Burt & Sparks, 2003; Venkatraman, 1994). Extrapolating from these characteristics, it is evident that capabilities, and thus, resources must be adopted according to the changing environment to achieve the implementation of e-commerce (Cui & Pan, 2015). Such technical innovation provides opportunities in a firm to reconfigure and channel relationships together with existing operations (Burt & Sparks, 2003). It also enables possibilities for entirely new operations (Burt & Sparks, 2003). Due to the high impact of the internet on marketing, advertisement and branding activities, companies adjust their strategies to create competitive advantage. In particular, building up brand recognition with e-commerce initiatives has become eminently important (Mohapatra, 2013). Dynamic capabilities and resources for sensing and responding to a new environment with innovation and cooperation have to be developed to achieve competitive advantage (Cui & Pan, 2015).

2.3.2 Consumer Behavior in the E-Commerce Environment

Consumer behavior is a field in the social science discipline which endeavors to model and understand people's behavior in the market (Laudon & Traver, 2019). Due to the different natures of offline and online commerce, they parallel each other with several differences (Laudon & Traver, 2019). The understanding of consumer behavior is of utmost importance in order to adapt to the consumers' needs (Song, Kim & Kim, 2001; Liu et al., 2000). By following customers and meeting their needs, firms achieve high customer satisfaction which is a principal factor for future survival (Kotler, 1991). There are various reasons for consumers to shop online and the rapid development of online commerce. The internet offers convenience to consumers by supplanting the need to physically enter a store and allows easy and rapid comparison between different prices for a product (Mittal, 2013). A number of studies have investigated the general technological acceptance of online shopping with the result that ease of use and usefulness influence the attitude to technology and thereby foster the acceptance and use (Bruner & Kumar, 2005). Especially now, the advances made in mobile devices open new possibilities to consumers (Rose, Hair & Clark, 2011). Accessing information, communicating, receiving live services, and making online purchases has never been more convenient (Rose, Hair & Clark, 2011). Further research suggests that trust and enjoyment are core factors that influence consumer acceptance of online shopping (Dahlberg, Mallat & Öörni, 2003).

Trust and Quality Issues

Trust is one of the main reasons why people choose not to use online channels to shop. Among the reasons for this is the fear of being cheated, loss of credit card or privacy information (Laudon & Traver, 2019). Trust of the consumer towards online retailers and internet technology have fundamental influences on the beliefs about safety (Gefen, Karahanna & Straub, 2003). In business-to-consumer (B2C) e-commerce, trust is defined as the belief that allows consumers to willingly become vulnerable to web retailers after having taken the retailers' characteristics into consideration (Pavlou, 2003).

Several dimensions of quality with respect to online shopping have been considered and investigated. However, the factors or quality measurements vary widely and there is no agreement among those views (Ahn, Ryu & Han, 2004). While Ribbink et al. (2004) have investigated ease of use, website design, customization, responsiveness, and assurance

dimension, others claim that e-shopping quality includes the general perception of the consumer in terms of excellence and effectiveness of a product or service offered online (Ahn, Ryu & Han, 2004; Wolfenbarger & Gilly, 2003). For customer retention, quality is an important factor: only if a product meets the expectations, customers do regard the online shop as useful and return to it (Ahn, Ryu & Han, 2004).

Customer Experience

A major focus of customers is an enjoyable shopping experience. Hence, beliefs in enjoyment foster the acceptance of internet shopping (Childers et al., 2001). The tendency to experience a fun and entertaining time while shopping online influences the adoption of online product shopping (Ha & Stoel, 2009). Online channels that are able to provide such enjoyment are believed to be expanding (Bilgihan, Kandampully & Zhang, 2016). To accomplish an enjoyable shopping experience for the customer, creating an interactive virtual adventure is required. However, there is a certain degree of variation based on the specific industry in question. Grocery stores, for instance, tend to be more mundane in their appearance, and are streamlined to allow customers an efficient shopping experience rather than focusing on entertainment (Childers et al., 2001).

Rose, Hair and Clark (2011), argue that there is a distinction to be made between the online and offline experience. First, they state, the degree of personal interaction varies from intensive face-to-face to non-existent contact in the online store. Further, personal contact provides an ample source of subjective responses. Secondly, it is explained that the manner in which information is received and collected differs in the two contexts. The authors claim that in face-to-face interaction, limited bandwidth of information can be offered while the online medium facilitates a far richer offer of information. Additionally, the time factor is another distinction between the two contexts. Moreover, on online shops, products can be purchased at any time and place the customer wants by using applications on mobile devices. Furthermore, within the offline context, the customer is defined and limited by the operating hours of the store. Lastly, they assert, the means of how a brand is presented differs, while in an offline environment vast opportunities such as vehicles, staff and their presentation, captions, buildings, and other tangible elements exist to appropriately present a brand, on the online equivalent mostly audio-visual options prevail.

2.3.3 E-Commerce and the Generation of Big Data

With the advent of the Internet, data is generated in enormous volume and faster than ever. Currently, approximately 186 exabytes of global consumer IP traffic data is created monthly (Statista [B], 2018), and this speed of data generation will continue in the coming years. This fact has led to the emergence of the broadly known concept of Big Data (Wang et al., 2014). The analysis of this Big Data resulting from internet information technology provides e-commerce firms with a wide spectrum of transformative benefits. Real-time customer service, dynamic pricing, personalized offers or improved interaction are among these factors which are based on essential insights and thus provide beneficial impacts for e-commerce firms (Riggins, 1999). The unprecedented volume, velocity, and variety of primary data that is available can be gathered from individual consumers (Erevelles, Fukawa & Swayne, 2016). The resulting so-called Big Data revolution will potentially lead to entirely new ways of understanding consumer behavior (Erevelles, Fukawa & Swayne, 2016). Specifically, in this context the analysis of Big Data allows companies to track user behavior and interlink to dots to find the most effective ways to establish loyal, repetitive customers (Akter & Wamba, 2016).

The use of Big Data in e-commerce is growing due to social networks, mobile device usage and different types of new technology that generate and capture data (Kauffman, Srivastava & Vayghan, 2012). Consumer analysis is based on the conjunction of Big Data and consumer behavior (Erevelles, Fukawa & Swayne, 2016). The information generated includes what the consumer does, how he does it, the location of consumption, when it is done and with whom he consumes (Hofacker, Malthouse & Sultan, 2016). Therefore, Big Data can be applied by e-commerce firms to provide personalized services or products to customers according to their needs (Koutsabasis et al., 2008). Customers tend to shop with the same retailer via different channels which can, in turn, be personalized in real time based on the Big Data on these channels (Kopp, 2013; Mehra, 2013). Another advantage of real-time data analysis is the possibility of offering customized services in terms of special content and promotions (Akter & Wamba, 2016).

The Upsurge of Social Commerce

The internet turned into the broadly proclaimed Web 2.0 which, in turn, provides an enormous potential to transform the e-industry. The dominant product-oriented environment is changing to a more social and customer-centered one (Wigand, Benjamin & Birkland, 2008). Stephen and Toubia (2009) argue that in the e-environment Web 2.0, the market power is shifting away from companies towards customers. In that vein, companies must adapt their online services and applications according to the consumers who are seeking for more social and interactive engagement. To make informed buying decisions consumers do not only rely on the information provided by firms but also on other customers (Huang & Benyoucef, 2013). One widely adopted method for communicating and sharing information on the internet is social media.

Wang (2009) states that the fusion of the two digital trends, e-commerce, and social media, has led to the emergence of social commerce which describes the use of social media in an e-context. Further, in 2005, the term was coined to characterize a new way of doing e-business. Moreover, behind the neologism of combining social media and e-commerce lies a manifestation originated by Web 2.0. Within its scope is the assistance of buying and selling products and services online (Lai, 2010). Marsden (2010) defines social commerce as a reciprocal strategy of monetizing social media by either guiding customers to buy where they connect or by aiding them to connect where they buy. Moreover, the social commerce concept encompasses the idea that social media utilization can shape businesses, thus, converting the market of goods and services to a socially-oriented and user-centered marketplace (Wigand, Benjamin & Birkland, 2008). Ultimately, all definitions unite in the perception that social commerce is an evolution of e-commerce (Curty & Zhang, 2011; Kooser, 2008).

This transformation has immediate impacts on both, social networks and e-commerce, and the interaction amongst customers changes. While traditionally, consumers interact individually and independently on online platforms, social commerce enables communication and social connection between customers (Lai, 2010; Kim & Srivastava, 2007). Therefore, companies must proactively find solutions to approach customers to build relationships and create a community. Features such as customer ratings and reviews together with recommendations and referrals are frequent and heavily integrated into social shopping applications (Lai, 2010). This reliance on social media becomes more relevant for companies as they integrate social media in their communication strategy (Chiu, Ip & Silverman, 2012). Given its breadth of

utilization, social commerce has become a rich and convenient option to gather data. Consumers' experiences, opinions, and preferences for specific brands, products or features can be tracked in real-time (Tsai, Yang & Wang, 2013).

2.3.4 New Retail Channels

Wrigley and Currah (2006) argue that the internet and its development in terms of e-commerce drove business to close the contact gap between online and offline. Moreover, this technological advancement forced traditional retailers to progressively transform into multi-channel organizations. Further, in order to achieve a close fit with local markets, the technology and network embeddedness has to be transferred into the existing store and logistics network.

Already in the early stages, traditional retailers realized the requirement of leveraging their existing store and logistics networks along with existing branding and customer franchises to support online distribution (Wrigley & Currah, 2006). One model that emerged from this implication is Online-to-Offline (O2O) commerce (Zhang, 2014). The growth of this form and online commerce in general is interlinked with high popularity of social media (Wei Phang et al., 2014). In its special environment, O2O combines the virtual and offline economy (Zhang, 2014). This organizational form now dominates the landscape of e-commerce (Dawson, 2001). However, O2O commerce, in its form of multichannel integration, is regarded to focus on online promotion in order to stimulate sales in offline stores (Groeger & Buttle, 2014). Whereas Wrigley and Currah (2006) identify a bidirectional relationship. Regardless, consumer perception and attitude towards the use of an internet platform is affected by the online and offline quality in regard to products, information, system, and service. The main objective of O2O commerce is to provide an authentic customer experience (Ahn, Ryu & Han, 2004).

2.3.5 E-Commerce and the Supply Chain

The supply chain is a set of entities for the design of products or services, the procurement of raw materials and converting them into semi-finished or finished products for delivery to the end customer (Lee & Billington, 1993). As an integrated network, it covers different material, cash and information flows (Lee & Billington, 1993). The way in which these are managed drives the quality and cost of the end product for consumers (Stevens, 1989).

Further, induced by market uncertainties and stronger competition, companies have improved operational flexibility. In fast shifting environments, the ability to quickly respond to changes is imperative. Hence, successful companies focus on the agility of key aspects of their supply chain to oppose uncertainty and complexity (Prater, Biehl & Smith, 2001).

The dawn of e-commerce led to new supply chain models for both, fully internet-based retail channels and dual-based ones, which are both offline and online. In a direct sales environment, the supply chain is a crucial element, because the response and delivery times need to be optimized (Swaminathan & Tayur, 2003). This requirement has become ever more important as quick and timely delivery expectations of consumers have increased. Another advancement is the information sharing and coordination of activities with other entities (Mehra, 2013). With real-time access to market data as well as supply chain information, decisions can be made during the execution process. In this sense, e-commerce has increased the ability for advanced planning and also ad hoc optimization (Swaminathan & Tayur, 2003; Cherif & Grant, 2014; Mehra, 2013). Hence, the use of information and communication technology enables organizations to quickly respond to changing customer demands (Johnson & Whang, 2002; Cherif & Grant, 2014). To match this quickly shifting environment, technological improvements such as Big Data analytics and data mining are needed to ensure the efficiency and effectiveness of the supply chain (Yu et al., 2016; Mark, 2018).

The overarching theme of scholars is that the importance of end consumers to the supply chain is growing steadily. Because of the fast-changing consumer environments and general technological advancements, companies have to create and develop lean and agile supply chain capabilities (Yusuf et al., 2004; Kawa & Maryniak, 2019). Consumers are expecting greater flexibility and shorter lead times from retailers. The process does not stop here, but the retailers, especially for dairy products, request the same capabilities of producers and processors (Roeg, 2014). Hence, there are linkages of the supply chain concept to dynamic capabilities, in which both theories are instrumentalized to create a competitive advantage in unpredictable business environments (Beske, Land & Seuring, 2014).

2.4 Theoretical Summary

Business models encompass a myriad of external factors, internal processes, and resources an organization must understand and master in order to create a sustainable competitive advantage. E-commerce as an exterior influence has changed the retailing landscape. Consumer demand and behavior are transformed with the shift to an online environment. These trends lead to implications for the inner configuration and resource allocation of companies. Table 2.1 presents seven factors derived from the aforementioned theories. These are central to the study and the theoretical base for the analysis of the empirical findings.

Table 2.2: Theoretical Concept Summary

| Caption | Feature |
|----------------------------|---|
| Consumer Behavior | Main trigger for an organization's activities. The business model needs adjustment to fulfill aspects demanded in an e-commerce environment. |
| Upsurge of Social Commerce | Create a user-centered and socially-oriented marketplace. |
| Trust and Quality | Main requirement of consumers to adopt online shopping. |
| Customer Experience | Prerequisite for an enjoyable and convenient online environment. |
| Big Data | Processing and analyzing data to understand consumer behavior and adjust accordingly. |
| New Retail Channels | Online channels are established for leveraging the business. |
| Supply Chain | Develop lean and agile capabilities to adapt to a fast-changing environment. |

Figure 2.1 displays the causal relationship between the key themes. The interrelated elements have been examined in previous research in a more fragmented way without linking them, especially in the setting of the packaged food retail industry. The elementary e-commerce topics were identified and categorized in the Business Model Canvas by Osterwalder, Pigneur and Clark (2010) to present the relationship in a structured way.

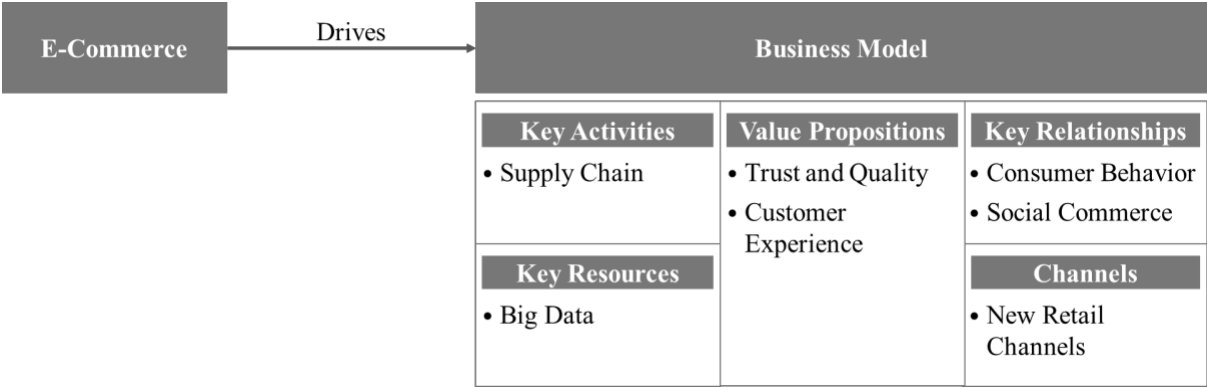


Figure 2.1: Theoretical Framework

3 Methodology

3.1 Research Approach

There are predominately two approaches to researching strategic management: qualitative and quantitative. Qualitative tends to be the prominent direction (Hoskisson et al., 1999). However, having a theoretical framework in two different markets adds another dimension of complexity to the study. As the combination of theories from section two depends on different influences, a method was required to capture the entire range. By combining interpretative research together with specific aspects of the societal and market perspective, qualitative research was selected. This approach was considered best suited to meet the exploratory objective of the research topic. Moreover, for an inductive view on the connection between theory and research a qualitative method is best suited (Bryman & Bell, 2015). It also qualifies for deeper insights on a topic than figure-oriented quantitative research (Easterby-Smith, Thorpe & Jackson, 2015). Market-related and societal connections are difficult to measure and capture in a quantitative approach as the contexts are subject to constant changes (Bryman & Bell, 2015).

In the theoretical context, this study was executed in an iterative way using deductive and inductive approaches. This study is mostly of an inductive kind, where observations are generalized. However, it was supplemented with a deductive approach, where statements have been examined in order to reach a logical conclusion (Bryman & Bell, 2015). This way it was easier to maintain a structured process. In the initial stage, relevant topics within strategic management theories were reviewed. With more primary data input from the experts, the theoretical framework was revised and adjusted according to salient subjects. During data gathering, the theoretical concept was adapted to incorporate insights that have been proven to be relevant or of interest. The advantage of using an iterative approach is that the outcome of the data gathering can be theorized repetitively (Bryman & Bell, 2015). The results from data analysis, as well as evaluations from the perspective of prior research, further reinforce the inductive approach. This helps to confirm existing theories and enables the establishment of new ones (Bryman & Bell, 2015).

3.2 Research Design

In order to comprehensively extrapolate outcomes of an industry in separate markets, it is necessary to select an adequate research design. With the aim of studying and comparing idiosyncrasies of business models in e-commerce environments, a comparative multiple case study design with a cross-cultural component was chosen for the present thesis.

Based on the features these topics implicate for research, this design was regarded as the best fit in that context. In business research, a multiple case study is often used to establish circumstances a company will yield by comparing more than one case (Eisenhardt, 1989). The multiple case study aims towards widely posed questions and investigates several smaller cases that in sum are able to give an adequate answer to those questions (Stake, 1995). Bryman & Bell (2015) argue that the improvement of theory can be achieved by applying a multiple-case study. Moreover, when a comparative design is applied to a qualitative study, it takes the form of a multiple-case study. They define that in a multiple-case study the number of examined cases exceeds one. Such an approach is popular among business research as it can involve organizations, persons or nations as cases. This is applicable to this thesis since interviewees from different organizations constitute the primary data. Additionally, comparative research is usually embedded in a cross-cultural design (Bryman & Bell, 2015). By deploying comparative qualitative research, representatives of two the focal countries, UK and China, were interviewed resulting in a cross-cultural research design format which assumes that culture is a major variable with profound influence (Bryman & Bell, 2015).

The analysis of the UK and Chinese markets provide the opportunity to investigate the characteristics of technologically advanced economies. The reviewed studies provided broad data of packaged food adjacent industries which proved to be useful to get a diverse view of the Chinese and UK e-commerce industry and economic background. The cases helped to yield reflections of intersecting and differing sets regarding the industry, which was found to be useful due to the bidirectional nature of this study (Bryman & Bell, 2015). However, the focus on the investigation of the Chinese and British e-commerce packaged food industry was prevalent. This made it necessary to study several cases in both countries to find patterns that are based on data. In the present study information and insights were retrieved in order to compare both market constructs.

3.3 Data Collection Method

To give an answer to the research question, primary and secondary data was utilized. Primary data provides the largest amount of methodological value as untouched data can be analyzed and structured (Bryman & Bell, 2015). Nonetheless, secondary data is of importance too, which will be elaborated upon in section 3.3.3 (Bryman & Bell, 2015; Easterby-Smith, Thorpe & Jackson, 2015). In the first step, a deeper explanation of the primary data and its entailed collection methods is given, which is followed by a detailed description of the secondary data.

3.3.1 Primary Data

The methodological process of collecting primary data can be complex, the most commonly used method herein is on the basis of interviews (Bryman & Bell, 2015). This study includes both tacit and explicit dimensions of the online food market and the implications of e-commerce trends. For this reason, the conduction of in-depth interviews was regarded as the most suitable. Most interviews were conducted in a semi-structured manner. The investigational and inductive nature of this study provided the imperative to only structure questions to a certain degree. The questions were indeed rooted in empirical generalizations, and based on that, developed in the further progress of the research (Bryman & Bell, 2015). By these means, interviews were conducted in a free and open form in order to collect primary data.

The advantage of such semi-structured interviews is that the respondent can bring the conversation into fields that he wants to emphasize when giving answers (Easterby-Smith, Thorpe & Jackson, 2015). Revealing topics can be investigated further during the interview and even be a topic for a follow-up interview and/or deeper examination (Bryman & Bell, 2015). Choosing the inductive approach for the execution of the interviews was an essential methodological choice in the iterative process as emerging topics in e-commerce business models could be considered. Only a few basic questions were chosen in advance in order to start the topic in the semi-structured interviews. Based on the interviewee, the questions were adapted to fit their role and/or market.

According to Easterby-Smith, Thorpe and Jackson (2015), it is better to create a topic guide that allows the interview to become a substantial discussion instead of focusing on the

procedure of data extraction. The aim of the topic guide was to ensure that all relevant topics are covered in a way that comparisons between the different answers of the interviewees are possible, which helps to increase the reliability of the responses (Bryman & Bell, 2015; Easterby-Smith, Thorpe & Jackson, 2015). Further, it was designed in a way that the study was presented, and formal authorization procedures have been taken into account. Lastly, it provided an overview of topics that were considered important which helped to get extensive responses. For this last aspect, in advance prepared probes have been used, improving the interviewee's response. Probes are used for discovering answers to specific alternatives as they give the interviewee the chance to develop their answers step by step and at the same time ensuring that the interviewer does not affect those answers (Easterby-Smith, Thorpe & Jackson, 2015).

The usage of too many theoretical and technical terms was avoided, and instead more general business terms were selected in order to foster more accurate and explicit answers, which have a higher chance of occurring if the interviewee has the feeling of being at equal terms with the interviewer. This has a great influence on the quality of data collection and should therefore not be neglected (Bryman & Bell, 2015; Easterby-Smith, Thorpe & Jackson, 2015). An excerpt of the questions used in the interviews can be found in Appendix A.

3.3.2 Sampling Strategy

Specific interviews for the apparent research topic were conducted. All of these have certain advantages and disadvantages: For this study, a combination of convenience and purposive sampling was utilized (Easterby-Smith, Thorpe & Jackson, 2015). Different tactics were necessary to find an appropriate number of interviewees which were qualified according to the criteria. A plan with purposeful categories was drafted beforehand and set the guidelines for the search. Included in this plan were representatives from the industry, investors, institutes, and academia which were believed to grant meaningful contribution. To mitigate the risk of a too one-sided view, a broad search for interview partners was decided upon. In correspondence to convenience sampling, in the initial step experts on these fields in the UK and Chinese market were searched for. Companies that were mostly known to be in the focal industry were found and by researching them, competitors became apparent as well. This provided an appropriate basis for the further sampling process. In the next step, relevant individuals of those companies were identified. It was a relatively safe and easy approach to find first interview partners. Via the websites of the companies in question, representatives in

the desired function were found. While some experts could be contacted via email, others required the usage of the network platform LinkedIn. The search function of this platform was used by applying different criteria through provided filters. This made it quite simple to find possible interviewees that matched the selected criteria. As those interviewees were unknown beforehand, this procedure can be classified as a purposive-sampling (Easterby-Smith, Thorpe & Jackson, 2015).

Interviewees were not only selected by accessibility but also strategically checked for meeting eligibility criteria that are essential for the study (Bryman & Bell, 2015; Easterby-Smith, Thorpe & Jackson, 2015). In order to be considered a relevant candidate for an interview, different criteria had to be met. As the first criteria, the interviewee had to be knowledgeable about the e-commerce and/or packaged food industry in one of the focal markets. Therefore, it was required that he or she was working in the local industries with an experience of at least one year. Another factor was the proximity to the market. Only experts who were related to the investigated markets were considered. This enabled the possibility to additionally gain insights on the market at hand from a perspective within the environment. Concerning the position in their respective companies, the individuals should have at least a managerial function and preferably a directing role. This was considered vital, as these persons steer the business decisions of a company and communicate with various stakeholders from different backgrounds. Especially for the credibility, it was an important factor. To ensure retrieving deeper insights, the confidentiality of the data was secured. It allowed the interviewees to elaborate on more confidential topics without spreading company-internal information.

The list of interviewees is illustrated in the following table. China was considered to be a more progressive market in the apparent study; therefore, it was emphasized in the number of interviewees and data collection. The UK was utilized as a paradigmatic case for the European market which could then be compared to China.

Table 3.1: List of Interviews

| Position | Type of Business | Area | Duration |
|--------------------|-------------------------|-------------|-----------------|
| CEO | Food Retail | China | 30 min |
| Managing Director | Retail | China | 45 min |
| Executive Director | Institution | China | 60 min |

| | | | |
|--------------------------------------|----------------------------|-------|--------|
| Marketing & Sales Director | Dairy Processor | China | 35 min |
| VP Global Business Development | E-commerce Services | China | 35 min |
| Business Development Manager | Retail Intelligence | China | 25 min |
| Business Development Manager | Retail | China | 45 min |
| Business Development Manager | E-commerce Services | China | 20 min |
| Senior E-commerce Manager | Food Distributor | China | 30 min |
| Sales Manager | Dairy Distributor | China | 20 min |
| Sales Manager | Dairy Supplier / Processor | China | 15 min |
| Segment Manager | Dairy Processor | China | 25 min |
| Sales Manager | O2O Solution Provider | China | 20 min |
| Project Manager Digital Market Entry | Institution | China | 35 min |
| Managing Director | Consulting | UK | 35 min |
| E-commerce Director | Retail | UK | 30 min |
| Head of Wholesale | Dairy Supplier / Processor | UK | 15 min |
| Professor | University | UK | 65 min |

Conduction of Interviews

Most of the interviews were with persons in mainland China and Hong Kong. The others were conducted with British representatives. Besides telephone interviews, necessary due to the geographical distance, several interviews were carried out face-to-face. A visit was additionally recommended by earlier interviewees to experience the e-commerce environment firsthand. Telephone interviews provide some benefits over face-to-face interviews. It is certainly more cost-efficient (Bryman & Bell, 2015). Depending on the distance and the subsequent travel requirement, it also constitutes a positive environmental effect. Additionally, access to hard-to-reach individuals can be facilitated (Bryman & Bell, 2015). Telephone interviews were found to be more effective when the topic incorporated more sensitive information since the interviewed persons may be in less distress when no one is present (Bryman & Bell, 2015). In the empirical data collection of this process, a trade-off between telephone and face-to-face interviews was decided upon. To keep the travel costs as low as possible, journeys were only undertaken when it was ensured that the value of the information to be gathered outweighed the expenses. Hence, traveling to the UK was avoided, as interviewees were scattered within the country.

Bryman & Bell, 2015 explore negative issues conducting telephone interviews entails. Most prominently they mention the inability to observe body language and facial expressions. The response of the physical senses to a question can be crucial in a discussion. Further, it allows the interviewer to register reactions such as discomfort or confusion, which can be better handled in person. Moreover, they point out that there is a risk of the interviewed person not having his or her full attention devoted, which can lead to less detailed answers. To oppose those risks, telephone interviews adopted a conversational tone to create a natural atmosphere. In this context, we attempted to keep the interviews brief yet sufficient to mitigate the risk of having a tedious discussion. At the beginning of all interviews, consent to record the interviews was requested. When permitted, we were able to listen to the interview again at a later point in time and interpret the answers thoroughly and transcribed the conversation. When we did not have the permission to record, we took notes instead.

3.3.3 Secondary Data

If applied correctly, secondary data can be of usage as it saves time and if data of higher quality is available, it can be an appropriate complement for the primary data. Historical information and viewpoints can be provided, which would not be possible by using only primary data (Easterby-Smith, Thorpe & Jackson, 2015). Secondary data needs to be treated with care because it can easily be misinterpreted and lead to wrong conclusions. Further, it is not intended to answer the research question of this study. Hence, there is a risk to use it incorrectly in the process of conversion (Bryman & Bell, 2015; Easterby-Smith, Thorpe & Jackson, 2015). On the other hand, the usage of secondary data can be applied for constellations it was not intended for and therefore comprehensively analyzed (Bryman & Bell, 2015).

Especially historical statistics, for instance, facts and figures from consultancy reports about various market aspects were of interest for this study. Market research institutes were used as sources for secondary data in this thesis. In that context, it was important to validate the quality of the content. This has been taken into consideration before the incorporation of secondary sources in the empirical part (Bryman & Bell, 2015). In particular, the origin of the information in the consultancy reports was examined. Original data used in these documents have been taken into account. Additionally, to not solely rely on reports from one consultancy firm, it was important to verify and compare the data by cross-referencing and using other reports.

3.4 Data Analysis

For the data analysis, the grounded theory was utilized. The iterative approach where data collection and analysis proceed in parallel was found useful (Bryman & Bell, 2015). Moreover, the close relationship between data collection, analysis and theory helped the research process (Strauss & Corbin, 1990). According to the grounded theory, where concepts and categorization are derived from data, codes were deduced from the empirical material (Bryman & Bell, 2015).

In the first step, all recorded interviews were transcribed which provided a level of simplification of statements. Furthermore, it amplified the quality of the data analysis for the remainder of the steps. For the coding process, an open approach was chosen, where data was broken down into different categories. Additionally, the categorized data was examined and conceptualized. To further untangle complex statements and coherences the data was broken down into smaller fragments. In this step, the comparing factor played a larger role as statements were matched into the fitting category and scrutinized against each other. The data was compared to the existing theory to simplify the analysis. This rather inductive approach brought forth new concepts during the analysis. However, it was complemented by the iterative nature of the grounded theory and therefore had a deductive component to it as well (Bryman & Bell, 2015). The analysis was thus executed parallel to the conduction of interviews and the review of secondary data.

3.5 Validity and Reliability

In the process of research, the validation of findings constitutes an important step to guarantee accurate and credible results. The consensus of validity diverges in qualitative and quantitative research (Creswell, 2014), yet it proves useful and applicable to the research (Bryman & Bell, 2015). Qualitative validity can be defined as the insurance of accuracy and credibility by applying particular procedures and processes of the results that have been intended to be investigated (Easterby-Smith, Thorpe & Jackson, 2015; Gibbs, 2007). Due to the circumstance that findings are viewed from various viewpoints (researcher, participant or readers), validity can be regarded as one of the strengths of qualitative research (Creswell & Miller, 2000). Validity in its several aspects, but most saliently trustworthiness and authenticity, has been elaborated in a myriad of literature (Denzin & Lincoln, 2011). In

particular, it is the magnitude of results being regarded as accurate and representing its purpose of the investigation (Easterby-Smith, Thorpe & Jackson, 2015).

Qualitative reliability is explained as the conformity that a researcher is seeking to achieve by ensuring his approach is consistent with other researchers' approaches (Gibbs, 2007). It examines the accuracy and trustworthiness of results. Reliability can also be dissected into internal and external aspects. External reliability refers to the degree of replication potential of a study which is difficult to fulfill in qualitative research (Bryman & Bell, 2015). It cannot be assumed that a social setting and its implications are static and thus replicable (Bryman & Bell, 2015). Internal reliability regards the consistency of the results among scholars (LeCompte & Goetz, 1982).

3.5.1 Internal Validity

Internal validity or credibility is a crucial factor in research. The credibility of a researcher's work determines his or her acceptance in the scientific community (Bryman & Bell, 2015). Therefore, the highest levels of credibility should be sought. It is imperative to follow the rules of good practice and to provide the findings to experts within the investigated context, also referred to as respondent validation (Bryman & Bell, 2015). Since qualitative studies allow various options for different interpretations of the social context that is examined, such an approach is necessary (Bryman & Bell, 2015). Complying to this process, higher credibility to the provided explanations can be assigned by others (Bryman & Bell, 2015).

In order to satisfy the good practice, several steps have been undertaken within this study. First and foremost, a detailed planning process with its entailed phases has been established. This plan included the inspection of secondary data about both markets, UK and China. Aspects that have been assessed involved the general e-commerce and trading economy of packaged food with a focus on dairy. By getting an initial understanding of the circumstances and situations, it was possible to understand more contextual and market-specific insights that the interviewees mentioned. However, due to the dyad-rooted analysis, the markets were divided. The reason behind this procedure was to have an outside view on that particular market. It allowed the comparison of knowledge of one market to the other and moreover, allowed the raising of questions from a fresh perspective. Furthermore, it turned out to clear the analytical point of views and ensured an unbiased data collection. The knowledge and

insights could hence be verified by cross-checking the data of literature and experts with each other and vice versa.

To guarantee to be in line with the aim of the study, an interview guide was created. Depending on the expert and his background, as well as his position it was slightly customized to best grasp the most valuable information. Nonetheless, the interviews were not strictly bound to that structure. The interviewee was given the opportunity to explain issues that have not been regarded beforehand. Lastly, to comply with the aforementioned respondent validation, the interviewees were offered to review their transcripts and the finished thesis to verify the interpretations and conclusions drawn from their responses.

3.5.2 External Validity

External validity is also referred to as transferability (Guba & Lincoln, 1994). Due to the nature of a qualitative study of investigating rather deep than broad characteristics, the findings are more oriented towards specific and unique contexts (Bryman & Bell, 2015). Subsequently, the generalization potential of the results is limited (Bryman & Bell, 2015). The main focus of the transferability involves thorough and meticulous descriptions of the social world to provide a substantial framework for comparison (Bryman & Bell, 2015; Merriam, 1988). The thereby resulting database enables judgments about the transferability into different contexts (Guba & Lincoln, 1994).

To offer as much transferability as the scope of this research allows, the focal markets with its relevant backgrounds are elaborated. The main focus was the e-commerce environment in the packaged food sector. For achieving an accurate and detailed description, extensive literature has been used. A rich number of quotes are used in Section 4 which provided directions which specific areas would be valuable to investigate further. Additionally, it enables the reader to make own interpretations of the statements.

With two markets, it was important to receive views from several perspectives within the industry. Thus, various representatives from firms and their viewpoints were incorporated. This method not only extinguishes the risk of findings being only allocable to specific firms but also enables the comparison between the two countries in this particular industry. Furthermore, as the interviews were confidential, it was possible to gain insights into more sensitive information.

3.5.3 Dependability

Guba and Lincoln (1994) suggest that fulfilling trustworthiness and an auditing approach should be adopted by the researchers. In the data gathering process, all steps should be recorded and provided to peers which, in turn, evaluate to what degree proper procedures have been followed. The description of the different phases and choices made in the research process is essential for the dependability of the study (Bryman & Bell, 2015). One measure undertaken to fulfill dependability is a rich description of the methodology section in the thesis itself. Another action was sharing findings on a platform used by fellow students and professors involved in the same project who further could review and provide additional feedback and suggestions. Lastly, former studies by renowned scholars have been used to establish the direction of our study to substantiate the dependability.

3.5.4 Conformability

Objectivity and trustworthiness are crucial to any scientific research (Creswell, 2014). Under all circumstances, the research must be believable, which can only be achieved by an objective perspective to the investigation. Aspects that have to be considered in the process of objectivity are coherence, insight and instrumental utility (Creswell, 2014; Eisner, 1991). Trustworthiness relies on the foundation of verification procedure (Creswell, 2014; Lincoln & Guba, 1985). In order to comply with a conform analysis of the findings and to depict the gathered information as objectively as possible, the interviews were always performed together. This approach allowed the discussion of interpretations of ambiguous statements after the interview and of questions from different perspectives during the interview itself. By adopting this method, it was also ensured that no information was analyzed or looked into further that was not regarded correct. Moreover, unclear information and insights provided were cross-referenced with either other interviewees or with literature in retrospect.

3.6 Limitations

Although the conducted study is aimed at providing insights and further understanding, some characteristics limit the general significance of the results and require further investigation. Although some historical changes are depicted, the focus is placed on current developments and future projections. While there is a myriad of technologically advanced economies, the conclusions drawn cannot simply be transferred into an international context, because of country specificities. The study aims to generalize the results and make them widely

applicable, yet the distinctive geographical circumstances would have to be considered and conclusions carefully examined if applied to other countries. Lastly, the focus in both markets is the packaged food industry, in particular, dairy. Hence, different actors in the downstream parts of the value chain are main sources of the empirical section. Moreover, interviews for the purpose of this study were conducted with market experts, scholars and institutions with expertise in the relevant fields. Therefore, the study is limited to a specific range of topics the interviewees have knowledge in.

4 Empirical Section

The empirical findings are presented in the following section. Due to the duality of the researched markets, findings are separated accordingly. First, UK findings are displayed followed by the Chinese market. Both sub-sections follow the same logical structure. Lastly, the data is summed up and contrasted.

4.1 The UK Economic Background and Forecast

The UK economy grew constantly from 1992 until the recession in 2008 (BBC, 2015). Subsequently, it took until the end of 2013 to reach its pre-downturn size. Despite the positive trend of continuously decreasing unemployment rates, real earnings have only minimally risen between 2009 and 2018 (Office for National Statistics, 2016; Weisbrot & Merling, 2018). Especially, between 2015 and 2017 in the advent of the EU referendum the value of the British Pound fell. Since the import of goods and services are more costly, prices are rising and earnings are not on par with them (Weisbrot & Merling, 2018).

In 2019 the UK economy is expected to slow down, due to high uncertainty caused by Brexit and a slower economic growth worldwide. Hence, GDP growth is anticipated at around 1.5%. Depending on a scenario analysis, the GDP is predicted to hold a growth rate between 1% and 2.5% until 2030 (Selfin, Bozic & Shah, 2009). Moreover, the UK could potentially exceed the EU in terms of growth until 2050 after overcoming the Brexit phase. Among the G7 states, it is projected to be the fastest growing economy on average over the period until 2050. With the rise of currently emerging markets, this would secure the country's GDP ranking at the 10th place in 2030 and 2050 (Hawksworth, Audino & Clarry, 2017). In line with the slight and steady GDP growth rate, is the development of the dairy sector in the United Kingdom.

4.1.1 Dairy Industry

The dairy market has grown slowly between 2012 and 2016 with a compound annual growth rate (CAGR) of 1.9% leading to revenues of roughly \$21bn in 2016 (MarketLine, 2017). This equals a consumption increase of 0.4% (CAGR) in that timeframe, reaching a total of 8.5 billion kilograms. These trends are expected to continue in a similar pattern until 2021 (MarketLine, 2017). In 2016 milk was the largest dairy segment with 32.8%, followed by cheese (23.8%), butter and spreadable fats (12.3%) and yogurt (12.0%). Moreover, the

industry structure is fragmented and even with more diversified portfolios, companies tend to appear alike. Dairy products consumption is stable and most likely not substituted in the customer's diet (MarketLine, 2017). Yet, there is a positive trend towards alternatives such as soy or almond products which replace or add to the existing portfolio. However, these milk substitutes are sold in low volumes and increased between 2012 and 2016 from approximately 140 million liters to 230 million liters per annum (Statista [C], 2018). Next to these slight shifts in food preferences, a change in retailing is observable.

4.1.2 E-Commerce

The internet retail sales as a percentage of the total retail sales in the United Kingdom increased from circa 10% in 2016 to about 18% in the beginning of 2019 (Statista [B], 2019) making the *“UK [...] the third biggest market globally from an e-commerce perspective”* as stated by an interviewee and underscored by several others. The Head of Wholesale of a dairy supplier and processor mentioned that e-commerce will become increasingly important in upcoming years. Next to wholesale in the UK and exports outside of the country, online sales are seen as one of the three main trends until 2023. However, these tendencies have to be put into perspective.

“E-commerce has been growing [in the UK], but from a very, very low level [...]” – Managing Director, Consulting

The same Managing Director and an E-Commerce Director stated that they are not expecting any major changes or groundbreaking trends in the future, but rather a steady continuation of the current development. A two-fold notion was also presented by a university professor. E-commerce will grow because of a possible price advantage. One of the main drivers is reaching more customers by using the internet as a key point of access. On the other hand, one interviewee is *“[...] still not convinced they, in that kind of area have cracked it [...] especially when it's fresh. People want to feel it, want to see it, want to engage with it very often”*. Stating that e-commerce is not advanced enough at the moment too fulfill all consumer demands.

4.1.3 Consumer Behavior

In the online food industry, customer focus is critical to a company's success. Understanding consumer behavior is crucial in order to adapt to their needs. Providing products and services according to the consumer needs in a dynamic environment is essential for companies to survive in the marketplace. Consumers provide the directive for companies.

“If you don't follow your consumers wherever they choose to shop and we haven't done that and a lot of CPG [Consumer Packaged Goods] haven't done that, we think that everybody's still been shopping in the same place that they have been for the last 50 years, then that's when your business starts to fall behind. Following the consumer wherever they choose to shop is one of the key pieces that we all need to focus on. We see that it's really the consumer driving the pace of change. And the really smart businesses are the ones that are keeping close to the consumer. Of course, it is not easy to change a big CPG and your business model, but to survive, you have to follow the consumer.” – E-Commerce Director, Retail

A professor that was interviewed argued that consumer behavior is driven by a vast number of things. In his opinion, several factors including trust, convenience, and inertia, need to be considered. *“In the UK, the environment has become more notable. People begin to question the thing they are about to buy and where they are buying them from”.*

Convenience, Distance and Time Factors

“We really see that it's (e-commerce) being driven by consumers and a lot of that the driving force behind that is convenience. Price is still important, but a lot of consumers who shop online, and you'll probably know this yourselves, some people are absolutely price sensitive, but a lot of it is driven by convenience.” – E-Commerce Director, Retail

As mentioned in the section above, convenience is closely interlinked with shopping and thus, also with grocery shopping. Price is a constant topic which influences the industry. The convenience effects are visible in e-commerce and also in offline business. However, these are affected in different ways, for physical stores, the accessibility and distance, as well as the time to reach them, are raising more awareness.

“Some of the major changes in groceries, have seen a sort of shift away in shopping formats from really big supermarkets and hypermarkets to convenience. I guess there's a general shift in the economy towards consumer convenience.” – Managing Director, Consulting

Easily accessible corner shops are becoming more important. The infrastructure has been developed to be able to offer such an environment and supermarkets adapt to this change. Travel time to the store and other socioeconomic factors such as car ownership and income are affecting grocery shopping behavior. The time and distance aspects have gained a stronger role. Stores have to be more accessible and thus in close proximity.

“I think that Tesco is beginning to see that they can't just have all these big stores they need small ones as well like a hub and offer, where people can go to in a much easier fashion. The corner shops have that kind of emergency role to go quickly around the corner, grab a bag of sugar rather than going to the supermarket to grab lots of things. We had a reshaping of the retail environment. [...] For us the nearest Tesco is a 10-minute walk away. It's not far at all. It is less than a minute in the car. The nearest one is what they call a Tesco Express so it's like a corner shop version of Tesco, if you like. [...] But the nearest one from that is just down the road and we use both of them.” – Professor, University

For online stores, delivery time is the more vital factor. In that respect, retailers have improved.

“Depending on where you are now in the UK, you can get it [an order] delivered within the hour. And that makes a huge difference. The benefit of the UK being quite a small Island is that it makes that delivery possible.” – E-Commerce Director, Retail

4.1.4 Online-to-Offline Commerce

In the UK O2O has not emerged yet. A Managing Director of a consulting firm recognized that *“the combination of in-store and e-commerce which has not been happening a lot”*, is becoming important *“to understand the customers [...] and what products people do go to stores for and what products are they okay to shop online and I don't think people are doing very much in that front.”*

However, the Head of Wholesale of a dairy supplier and processor explained that *“it is still important to balance both the traditional brick and mortar business and the online channels.”*

In that regard, she pointed out that *“people still want to consume the product they put in their body, they want to experience it before and test it out and after that they make their buying decision”*.

Customer Shopping Experience

Customer experience is closely related to shopping experience which refers to traditional offline shopping. A professor explained that there has been a strong path-dependency. *“Grocery stores, due to their long existence, have put a lot of effort and knowledge to create an enjoyable environment. Whereas discounters only regarded the price and laid the products out to buy, others presented their products in a more appealing way”*. He further continued that shopping was part of a family activity, where everybody went to a mall. On such a trip shopping and pleasure were combined with walking through stores and doing grocery purchases was part of a larger activity.

For online retailing, the shopping experience is equally important, yet more difficult to create. According to a Managing Director of a consultancy, specialized and modern e-commerce companies might be better at building an adequate online experience for customers, facilitating the right product. Online marketing activities is an area where traditional and well-established retailers like Tesco and Morrisons have struggled with.

4.1.5 Big Data

The interviewed experts agreed on the importance of Big Data analysis. In the UK the origin of information is retrieved from physical credit cards and loyalty card tracking besides online media.

„Retailers generally need to be a lot smarter with understanding the customers and providing the right kinds of products. [...] When it comes to using shopper data and you know data from loyalty cards, etc. But sort of more targeted activities is going to be quite interesting for big retailers as well. You need to understand the customer, you need to, sort of, analyze how they behave. But also, what kind of products people want. I think there's quite a lot happening here with new brands and smaller companies producing new types of products and I think the retailers are trying to get onto that. So that's kind of changing as well.” – Managing Director, Consulting

“Most of our supermarkets are very good at getting data out of you. For example, you see that (showing a credit card from Tesco), it's a club card and also a loyalty card. Every time I spend money on that credit card Tesco knows what I spent it on. This is masses of data about consumer behavior. Masses of data that they can begin to analyze and connect to other pieces of data, stuff that is on social media, stuff that has to do with the way the markets are moving. Developing much better analytical skills to understand consumer behaviors, is going to be quite critical in the kind of ways in which they organize their particular organization.” – Professor, University

4.1.6 Consolidation Threat

The Managing Director of a consultancy noted that the *“grocery retail industry is very consolidated, with four big players: Tesco, Sainsbury's, Asda and Morrisons”*. He is not convinced that there is a threat of consolidation by newer market entrants such as Amazon Fresh or Ocado because they are not substantially better compared to existing retailers. This opinion was shared by an E-commerce Director, stating that only a fraction of their online business is conducted via these platforms. Even though the interviewees are not fearing a market centralization by new entrants, they acknowledge their power and future potential.

„Amazon Fresh and Ocado are the dominant players in the grocery market and are therefore the main focus of all grocery suppliers.” – Head of Wholesale, Dairy Processor

„Amazon is absolutely becoming more powerful. More searches from a product standpoint are done on Amazon than on Google. It's absolutely essential that as a brand, whether or not you're even selling your product on Amazon, that you have a presence on Amazon because if you don't, you won't be successful. I think they will start to make more progress in Europe, to be really fast, they would have to purchase a retailer [... because] they're still relatively small in terms of the [grocery] market.” – E-Commerce Director, Retail

However, due to the small market share in the online packaged food industry and the overall low share in comparison to traditional food stores, the interviewees do not consider a threat of Amazon being monopolistic in that industry.

4.1.7 Supply Chain

Several interviewees mentioned the supply chain as a critical element, both for the packaged food industry and within e-commerce.

“The main driving factor in this (grocery) industry is the supply chain, just because it's so complex. I think that's why you get the sort of concentration because you need to have a vast scale to [...] make that supply chain work. It's difficult for big retailers to evolve over time. But it's easier for them than for a small startup, because they have to build a whole supply chain from scratch, whereas the retailer already has it.” – Managing Director, Consulting

The E-Commerce Director of a retailer enunciated that it needs to be the fundamental capability of an organization to adapt and develop its supply chain. This ability is needed because of several possible factors. It was indicated that a direct-to-consumer approach is one area which companies need to be aware of. The same interviewee expressed that *“our legacy platforms and systems, if we look at the UK, were developed to sell truckloads of product at a time into a Tesco distribution center. Whereas with Amazon Fresh you're expected to deliver maybe two boxes of product to Amazon every other day, because they haven't got a huge hundred thousand square foot warehouse, right?”* It was further pointed out, that incumbent businesses need to learn how to be an agile online retailer.

A university professor added, that corporations need to use their gathered data wiser to create better margins within their supply chain and potentially reduce costs. By establishing this, they can oppose whiplash effects, which are demand amplifications throughout the supply chain.

4.2 The Chinese Economic Background and Forecast

With market reforms in the late 20th century, China has moved from a centrally-planned to a market-based economy (The World Bank, 2019). This resulted in accelerated economic growth and progression of society. The annual GDP growth of about 10 % has been to the fastest sustained expansion by a major economy in history (The World Bank, 2019; Trading Economics, 2018). The country's GDP growth has gradually slowed down to 6.6% in 2018, which is domestically the slowest pace since 1990, yet still high in global comparison (Leung, 2019; Tan, 2019). However, with a population of 1.3 billion the country is the world's second largest economy, this scale leads to significant leverage in absolute terms (Leung, 2019; The

World Bank, 2019). On the other hand, the rapid development has led to high inequalities between rural and urbanized areas. Moreover, the per capita income is still less than 25% of the average OECD countries (The World Bank, 2019).

According to a PwC report (2017), China is forecasted to be the main driver of global economic power to emerging economies. Further, the country's share of the world's GDP at purchasing power parity is expected to increase to 21% by 2030, making it the largest globally. It is stated that until 2050 the economy is expected to grow annually at around 3% which is below the aforementioned growth since the 1980s and 1990s. Moreover, it is still greater than any of the other advanced economies. (Hawksworth, Audino & Clarry, 2017). In the Chinese five-year plan until 2020, some strategies are already addressing these trends (Aglietta & Bai, 2016). The government's agenda points out the integration of rural and urban development and inclusiveness to improve all citizen's mode of living (Aglietta & Bai, 2016).

With rapid economic growth and the transition towards a market-based economy, food consumption and preferences are changing, especially in the urbanized areas of China (Dai & Wang, 2014; Wang, Parsons & Zhang, 2010).

4.2.1 Dairy Industry

The dairy market is, compared to western countries, still low in volume (Euromonitor, 2018). However, the year-to-year growth by turnover has increased from less than 5% in 2002 to over 20% in 2017 and is expected to rise up to more than 30% by 2022 (Euromonitor, 2018).

“Per person of course [the dairy consumption], is very low. But it's growing with two digits every year. It started with a very small volume. But they will continue with two digits for many, many years. Especially the young people.” – CEO, Food Retail

Additionally, the Marketing & Sales Director of a dairy processor stated that one of the main reasons is *“because they [the Chinese citizens] become more and more Western”*. The trend of an increasing dairy consumption was also elaborated by the Segment Manager of another dairy processor, stating that over the last years *“society and the government persuaded or led people to think that fresh milk was much healthier and good for people. [...] The fresh milk business, in fact increased significantly in the last three years and also the UHT.”* The same interviewee mentioned that because of this trend more mega farms are established in the country to please the rising demand and also guarantee quality standards of raw milk.

The market structure is dominated by domestic production and only a fraction of the dairy is imported (Euromonitor, 2018). While the production of raw milk is fragmented (Fok, Hui & Hui, 2017), the processing companies are quite consolidated. The five largest firms have a combined market share of more than 40% with the Yili Group and Mengniu Dairy being the dominant players with 16% and 12% market share, respectively (Euromonitor, 2018). The main distribution channels are hypermarkets and supermarkets, accounting for circa 37% of the total market value (MarketLine, 2016). Retailing through these traditional channels is paired with a strong online purchasing culture, leading China to be the largest e-commerce market in the world (Seong, Woetzel & Wang, 2018).

4.2.2 E-Commerce

The global Chinese e-commerce retail share of transaction value grew from 0.5% in 2005 to 42.4% in 2016, exceeding the sum of France, Germany, Japan, the United Kingdom and the United States combined (Seong, Woetzel & Wang, 2018).

“10 years ago, offline shops were very popular here. But since 2004, the e-commerce industry has developed in China with very high speed and efficiency. Now, we can do almost everything online.” – Project Manager Digital Market Entry, Institution

This direction was confirmed by several interviewees, stating that at the beginning of the 21st century the e-commerce industry started to grow and since then has accelerated rapidly. A Senior E-commerce Manager of a food distributor stated that several channels next to online sales are used in the retailing and also more specifically in the food industry. Yet, the distribution of fresh products such as fresh milk, chilled dairy products, vegetables and meat via digital channels has experienced an increase in the last two to three years.

This development of online retailing remains uneven across different Chinese provinces. In Shanghai and Beijing, more than 40% of the total retail sales of consumer goods were purchased online in 2015 (Luo, Wang & Zhang, 2019). Conversely, in nine inland provinces this share was less than 2% (Luo, Wang & Zhang, 2019). These figures show the aforementioned disparity between the rural and urban areas. Internet penetration in metropole regions was at around 70% in 2016, against 33% in rural parts of the country (Luo, Wang & Zhang, 2019). Congruent statements of interviewees segregated China into different markets; so-called tiers to describe a city. The lower the number of the tier, the less urbanized is the

city. An interviewee describes, that the younger generations in tier-one and tier-two cities do not feel the need to go to physical stores anymore. This part of the demographics is nowadays deeply embedded in the online culture whose habituation process took time.

“One more very important thing is, they lost the fear to order online. In the beginning, many people didn’t trust online order. That means if they ordered, maybe the goods will not come, or the goods will be very different from what they ordered. They feared that they were cheated by the supplier. But once they got used to ordering online, without any trouble, then the customers’ minds have changed.” – Business Development Manager, Retail

The trend, that e-commerce will rise in the future was noted by almost all interviewees, even if some stated that China is a very unpredictable market.

“In the case of mainland China, online is a must. You must be online, if you're not online you don't exist.” – CEO, Food Retail

This CEO and a Marketing and Sales Director of a dairy processor expressed that the Chinese consumers trust online business to a great extent. Hence, they expect e-commerce to rise to 50%-60% of the total retailing value. Conversely, the Sales Manager of a dairy supplier and processor pointed out, that online channels have the advantage of not being taxed at the moment. It was further elaborated, that the Chinese government is planning to tax these businesses in the future.

These statements underscore the relevance of the dairy industry and e-commerce progress in the past and future.

4.2.3 Consumer Behavior

Customer focus is essential for the success of a business. There are numerous driving forces behind consumer behavior which can be observed for the Chinese market. The understanding of this behavior is of utmost importance to subsequently adapt to their needs. Providing products and services according to the dynamic environment changes is crucial for firms to sustain in the market. The online packaged food retailing business is no exception.

“In the end, it all depends on the changes in consumer behavior, so you have to be very consumer-centric.” – Business Development Manager, Retail Intelligence

There are certain tendencies that can be observed in the retailing industry. Several interviewees mentioned trust, quality, and convenience in general but also in the context of time efficiencies. Internet retailing has provided a clear shift in the shopping behavior of people. Another aspect that has to be regarded, from a western viewpoint, is the difference in culture. As one expert phrased it:

“You also have to regard the culture. China is very different from what we know from our home countries in the west. [...] Sometimes people tend to neglect or are not too clear about that China has a completely different consumer behavior than the West.” – Business Development Manager, Retail Intelligence

The experts further expressed that companies have to react to the changing needs and satisfy them to their best possibility in whichever way they develop. High customer satisfaction is a principal factor for the future survival of a firm.

Quality and Trust

A Business Development Manager pointed out that in the beginning society was not accustomed and familiar with ordering online. There were fears concerning the quality of goods not being as expected. Moreover, suppliers were mistrusted and believed to cheat the consumers. However, after consumers became familiarized, their mind changed, and they began to demand more online offers.

The applicability of trust developed concurrently with quality aspects. An interviewed Project Manager described it as follows:

„Chinese consumers have higher and higher requests for quality, of the food especially. [...] The service of your products, as well as the quality of your products, must be very good. It is really demanded by the Chinese consumer. Because there are more and more information gateways. People are also clever, they know what they can buy, they are not as blind as before, when they just trusted every foreign brand. Quality and service are a must and are very important.” – Project Manager Digital Market Entry, Institution

A Marketing and Sales Director confirmed her statement. However, she pointed out that there are different viewpoints to regard the quality and also emphasized the price aspect.

“Regardless if it is a local product or a product coming from overseas. They (Chinese people) are more concerned about whether you're going to put any chemicals in it, whether you are 100% natural or not, they are concerned about these kinds of things. People in urban cities care about quality, health, environment, and eco-friendliness. But especially the secondary (tier two cities) started to learn about good quality products. The other tiers only care about the price, whether you are coming from overseas, whether you are actually importing products doesn't matter as long as it is cheap. They don't really care about the quality.” – Marketing and Sales Director, Dairy Processor

Special offers and price reductions are important for the Chinese consumer. Other assertions of market experts reckoned that the population does not only want cheaper products but has higher aspirations for quality. In contrast, it was argued that:

“Price always plays an important role, of course. But we realized that, for our dairy business, people accept a slightly higher price if the product is worth it. It obviously has to be of good quality. But in China, there is not a lot of price sensitivity when it comes to dairy products.” – Sales Manager, Dairy Supplier and Processor

Citizens of tier one cities would also be willing to pay a higher price for high-quality. It was explained by the CEO of a food retailer, that *“a lot of, especially young people, accept the western lifestyle more and more and, in turn, are following western trends”*. Because of this development, Chinese people started to adopt and recognize dairy products as a healthy product which was leading to rapid growth in that segment.

Convenience, Distance and Time Factors

As mentioned in the previous section, convenience is highly relevant for consumers. Traditional stores, especially in tier three and four cities, do not have the infrastructure to provide sufficient coverage.

„China is a big country and we do not have as sophisticated retail infrastructures as other countries. If you imagine the USA, there is a hypermarket or supermarket everywhere. But here, only in tier one, tier two cities there isn't a problem, but if you go down to lower level [cities] the hypermarkets change. The coverage is not there yet. So online has become an alternative for people to do shopping.“ – Senior E-commerce Manager, Food Retailing

China is exceedingly developed in the online delivery infrastructure. Several sources elaborated on short delivery times of packages. Food and other goods can conveniently be ordered via an app on a mobile device. Within 30 minutes the ordered package can be delivered to the destination. This is convenient and efficient, particularly people with a fast lifestyle are very appreciative of this circumstance. The far advanced distribution infrastructure is also one reason for the large growth rates of online channels and compensation for the neglect of physical store availability. For instance, citizens who live in smaller cities that could afford premium products have no possibility to obtain them, because they cannot find them in proximity. Online channels with their entailed widespread distribution open the market to such potential customers.

4.2.4 Online-to-Offline Commerce

Various interviewees described that O2O becomes more important. In recent years, a rise of O2O commerce could be witnessed. This format can be described as leveraging online channels to propel offline sales. It was stated that O2O offerings are a mutual catalyst. Both channels are needed to fully reach the customer. Each has, of course, its own value. Physical stores can be boosted from the online business by enabling customers to look at the goods online but personally experience them in the offline store. The quality of the products is hence evaluated in offline stores. An omnichannel approach is key for the future survival of retailing stores.

„This new online retail. Offline, online will eventually be all together. So online retail will bring offline retailing traffic. Offline will bring online the shopping experience, the connection between people. It's not really only one thing here. It's more like they help each other to grow.“ – Senior E-Commerce Manager, Food Distributor

Web technologies advancements have influenced the growth of online stores to a great extent. These changes also affect supermarkets and force them to react:

„Supermarkets have their own online offer so that people buy online in the supermarket. They have become very technological.“ – CEO, Food Retail

Again, the focus is on the consumer. Businesses concentrate their resources to meet customer needs. The goal is to design grocery shopping as conveniently as possible. By ensuring that, customer loyalty can be achieved. According to a Managing Director of a retail company,

O2O channels are therefore also instrumentally used. As a first contact option, the offline store serves to convince the customer of a certain product. For recurring purchases, online channels are used.

“I think O2O is a way for the supplier to provide freedom for the customer. To have more choices. The customer can choose where to buy and how to order and how to receive the goods at their convenience. In China, online is very connected to offline. This is a grocery food store in Shenzhen [PowerPoint Slide]. They can deliver the goods from this store in 30 minutes. You can order by mobile phone and they get the order, collect the goods in the store and they deliver the goods.” – Business Development Manager, Retail

Moreover, online channels offer customers more options. A figurative example was that shops have combined offline and online platforms. In the shop itself, it is possible to look at the goods, scan them and do the transaction online at the same time. The goods can then be delivered home by a logistics service. This is beneficial in case the purchase is too heavy or spacious.

The aforementioned trust is an essential factor for consumers. Offline stores provide the possibility to build that trust.

“For dairy products, you still need to have offline stores for them [the consumers] to know about your product, then you can commit to e-commerce, but you cannot only depend on e-commerce. You need to make sure that the people believe in your products before they order it online. So, you have to be offline and online together at the same time.” – Marketing & Sales Director, Dairy Processor

Customer Shopping Experience

A reoccurring element of interviewees is customer experience, which is closely related to traditional offline shopping.

“Traditional stores have proven to be extremely good at providing a great time for consumers. The same can be applied to online shopping. A good customer experience for every user on a platform has to be created. But online has yet to match the offline experience.” – Business Development Manager, Retail Intelligence

A Managing Director of a retailer provided a vivid example of the importance of shopping experience. It is part of a leisure activity, where people go to a mall. On such a trip, pleasure of walking through stores and actual grocery shopping are combined. He also provided a future prognosis of whether online commerce will substitute offline commerce completely:

“They (people) still want to go somewhere for shopping on holidays, even though they can buy the same products online. Because it is fun, and there is something more than just purchasing. It’s the experience, so people go shopping. The key for e-commerce is whether they can provide that experience online or not in the future. If they can provide everything that people expect from offline shopping, it also can happen that the old economy (offline retailing) will disappear.” – Managing Director, Retail

Marketing and Branding

The Sales Manager of an O2O solutions provider mentioned that activities in marketing and branding are among the key drivers for being successful. As previously touched upon, trust is a focal factor of success in online retailing. While trust is linked to high quality, the bottom line of this dyad is unified in a brand.

“For fresh products, it is most important to convince current and potential customers to trust the product. This is usually achieved by branding. Establish a brand in the market which has an excellent reputation regarding quality, taste and environmental standards.” – Business Development Manager, E-Commerce Services

Another interviewee remarked that online marketing has a vigorous influence. Moreover, it is an efficient way to create a company brand. She stated as an example that on shopping platforms a lot of vouchers, special offers and membership options are presented, an element that is easily neglected but of major importance. Such marketing and special offer campaigns are reasons why consumers return to platforms and shop again. A Sales Manager for a dairy distributor underlined the significance of establishing a brand on a platform. He further explained that it is difficult to achieve, yet essential to have because there are many suppliers and high competition. One interviewee talked specifically about imported food and the connection between branding and marketing:

“Speaking of imported food – for groceries to be successful, the first thing is branding. You need really good branding and you need to do it in the right way, the digital way. You have to

build brand awareness very quickly. And that will bring a lot of traffic and sales. That's really the main thing for a lot of brands here. Because many big brands are investing a lot into digital communication instead of advertisement or TV or media. Nowadays, marketing is really about digital marketing. It is more personal, it's closer to consumers. With digital marketing you can get consumer feedback right away.” – Senior E-Commerce Manager, Food Distributor

For firms the online platforms are imperative and vital for success. Therefore, resources and investments have to be put into marketing and branding.

“Of course, it is a major expense item, if you want to sell your product, the online platform is the way to go. But even that requires quite a bit of investment. Because you have to do a lot of marketing. [...] You need to commit in terms of marketing expenses, to promote your products through the platform. [...] It's not like you list an item on one of the well-established platforms that are there, you still have to be very active in the promotion.” – Executive Director, Institution

4.2.5 Big Data

One expert expressed the need for Big Data analysis as “[...] another key factor for retailers which becomes inevitable”. The key application is analyzing the data in an apt format to gain insights and subsequently transform them into market advantages. Correspondingly one interviewee stated:

„Data analysis is based on the consumption behavior. That's why these platforms know more and more about their consumer. They imagine the consumer by their buying behaviors. According to that, they make some new policies on their platform, which is giving more motivation to the consumers. [...] Your behavior is analyzed constantly because they set up this ecosystem. It is not only these e-commerce platforms; it is an ecosystem. When you are using your search engine, when you watch a commercial on a video platform, they analyze you: “Oh this consumer is interested in a certain product.” The next time when you open your e-commerce platform, there will be some products automatically popped up that will show in front of your face and will give this kind of tricky motivation for you to shop.” – Project Manager Digital Market Entry, Institution

Various experts ascertained that everything is done online, and the source of data is purely digital. Social media and the associated consumer behavior amplified the phenomenon of Big Data gathering. For marketing and communication processes this is also an essential factor. In social media channels, issues about products are vividly discussed which can be monitored. The most eminent social platform is WeChat, it combines all activities from posting pictures, sharing comments, live videos, etc., in one application. A Managing Director of a retailing company mentioned that all information can be retrieved from this app. The owner and operator, Tencent, uses that data for their own e-commerce platform “JD.com”.

Social Commerce

Social media and the online behavior have evolved to the next stage which is referred to as social commerce. According to Statista [B] (2018), more than 700 million consumers with a growing tendency use social media. Via such online channels, consumers obtain product information.

“Everything is shifted to mobile, like e-commerce platforms. Today you buy everything online.” – Vice President Global Business Development, E-Commerce Services

A Marketing and Sales Director of a dairy processor explained that WeChat is used as a marketing tool to engage and educate society, especially children, about the benefits of consuming milk and dairy. By doing so, dairy consumption is assumed to be increasing, thus this communication method is very popular and also necessary. Another interviewee phrased it as follows:

„It is not just selling the product, but we need to provide more information and communicate with customers. In order to do it, we have to train some people, but we can use a platform which big tech companies provide. We increase the contact point with customers by working with a third party who provides the service of our online chat.” – Business Development Manager, Retail

Social commerce is utilized by both private persons and companies. The distance from business to customer has become infinitesimally. The interaction between these parties has never been easier, but also for business-to-business interactions apt possibilities have manifested. Thereby, social commerce offers new opportunities for startups.

“In China, (a lot of startups are emerging only for online stores) yes, for sure. A lot. Also, you know, WeChat. They (startups) can open stores in WeChat. It's amazing. A lot of companies use WeChat to sell. [...] You can buy, you can pay, you can receive money. [...] For example, when I was there (Shanghai) to visit my employees I could pay their salary by WeChat.” – CEO, Food Retail

Online Payment Systems

With the upsurge of social commerce, a close corollary is online payment systems. Financial interactions in the online space have gained more significance. Multiple applications have been developed with advancements in usability in order to reduce the difficulty of usage. China, in particular, has shown prodigious advancements in this area.

“I never carry a wallet; I don't need it; all is just carried out by phone.” – Vice President Global Business Development, E-Commerce Services

The predominant payment systems are owned by the two largest e-commerce platforms: Tencent and Alibaba. Whereas Tencent is also the owner of the social commerce platform WeChat, Alibaba has a special service for payments called Alipay. The importance of these systems has been pointed out by different interviewees:

“But you have Alipay. Do you know Alipay? You can only pay by Alipay [example of an Alibaba owned supermarket]. No Cash. But actually, in China, people have both Alipay and WeChat Pay on their phone. It is very convenient for them. It is very important. You cannot live without it. It is only two, and they are dominant.” – Business Development Manager, Retail

“[...] the online payment here is everywhere, it's the main payment. It's the main way for us to do payments. So online pay is not much trouble and it's very easy to use here.” – Senior E-Commerce Manager, Food Distributor

By adopting online payment systems institutional problems can also be circumvented. Additionally, these systems highlight the convenience factor that was expounded in section 4.2.3. As one expert expressed it:

“Electronic payments on those platforms that are typically non-traditional banking. [...] In China it's extremely difficult to use a credit card if you want to pay. [...] WeChat Pay and

Alipay are the biggest platforms, they are not traditional banks. It became possible for Chinese consumers to sort of bypass the difficulties of the traditional banking sector and make peer-to-peer payments on WeChat Pay. It is an extreme convenience.” – Executive Director, Institution

4.2.6 Consolidation Threat

Multiple interviewees described that there are two prominent online platforms in China. One is Tencent with its platform “JD.com” and Alibaba with their older website “Taobao” and mainly “Tmall” nowadays. It was noted that the first has an online retail market share of 25% in China while the latter established 55%, meaning that these two actors make up 80% of the total market. With the enormous traffic generated on their platforms, they become an inevitable intermediary for retailers. A Managing Director described that historically both companies “started with offering general consumer goods but continuously expanded their product line. Now their portfolio covers almost everything including packaged food.” The interviewee continued, that these corporations show no tendencies to merge and that neither of them believes they can beat the other party. They rather coexist and ensure controlling the entire market.

“Alibaba is completely monopolistic in the e-commerce industry. Alibaba is a huge platform. It's not good for us as a supplier because they push the prices really down. It's not healthy, but unfortunately, they have the platform. If you can't generate the volumes on Alibaba, the survival will be difficult. If you have volume, of course, your earnings will be starting to get more, even though your margin is not that big.” – Marketing and Sales Director, Dairy Processor

Multiple other interviewees indicated that especially Alibaba is acquiring a lot of smaller companies to grow faster and build up an e-commerce ecosystem. A Project Manager pointed out: “Actually, this centralization is not good for the consumer, and also not good for the brands.”

One interviewee elaborated that Alibaba is also entering the food market, offline and online. New food offering platforms are acquired and integrated into their existing network while letting these companies operate in their own name. Additionally, investments in offline stores are made, for instance in the biggest hypermarket in China, named Auchan. The goal is to

combine offline and online resources together. Furthermore, small offline stores are upgraded and as a result connected to the store system of Alibaba.

4.2.7 Supply Chain

The Managing Director of a retailer indicated that the data a company gathers is used to re-engineer the supply chain. Consumer information and changes of the major platform providers such as Alibaba and Tencent have to be utilized to adjust the supply chain to create higher margins. Another interviewee added in this vein, that the Chinese market can be an uncertain environment. A brand can rapidly become popular and be in high demand. Hence, the supply chain needs to be agile to match own capacities with volatile demands. It was further elaborated by a Project Manager, that it has to be one of the main priorities of “[...] *the organization to follow the consumption demand closely and adjust the supply chain accordingly.*” The Segment Manager of a dairy processor argued that “*in some cities a sufficient cold supply chain has to be established first.*”. He further voiced, that it is a possibility for distributors and also farmers to cooperate with platform companies to design and establish a supply chain concept.

4.3 Empirical Data Summary

The primary data is separated into the two cases UK and China. Table 4.1 displays the main findings for each market to provide a comprehensive overview of the distinctive features and commonalities.

Table 4.1: Distinctive Features and Commonalities UK and China

| United Kingdom | China |
|--|--|
| Slow and steady economic GDP growth of approximately 1% - 2.5% per year until 2030. | Slowed down GDP growth of 6% per year yet globally leading. |
| Leading e-commerce country in Europe with high growth rates still at a low total level. | Leading e-commerce country in the World with ongoing high growth rates. |
| Customer focus as starting point for e-commerce success – however status quo inertia of companies and consumers. | Customer focus as essential success factor – society trusts online businesses. |
| Trust in terms of origin of product. Quality | Trust in forms of security beliefs. Product |

| | |
|---|--|
| seen as preexisting. | quality highly demanded. |
| Offline channels: proximity and accessibility gain importance, movement away from super and hypermarkets. | Offline channels: integration in online environment. |
| Online channels: Convenience and delivery times beat price sensitivity. | Highly developed online channel infrastructure. Short delivery times to serve fast-paced lifestyle. |
| O2O concept has not yet emerged in practice but is regarded as important for the future. | Omnichannel approach is vital for survival. Supermarkets are digitalized and technologically advanced. |
| Online payment systems exist, only occasionally used. | Online payment predominant financial system, close conjunction with social commerce. |
| Incumbents perfected offline shopping experience; however modern e-commerce better suited to create online experience. | Offline shopping as fun and enjoyable leisure activity. Companies aim for enjoyable interactive online shopping. |
| Consumer data from club and loyalty cards is processed, more advanced analytics from social media emerging. | Big Data analysis prevailing - consumer data solely generated online. |
| Not elaborated. | Social Commerce as major part of social life. Communication and interaction between consumer and company – used for marketing and branding activities. |
| Not elaborated. | Marketing and Branding vital for success, build trust and retention. |
| Consolidated market by four mature incumbents, low consolidation risk; potential and power of disruptors is recognized. | Two dominant online platforms – new entrants are either acquired or have to collaborate; high consolidation state. |
| Complex supply chain leverages incumbents over disruptors and startups. Supply chain agility vital competency. | Agile supply chain requirement to meet the volatile demands. |

5 Analysis and Discussion

The purpose of this study is to examine how e-commerce trends in technologically advanced economies interplay with the market and organizations in packaged food retailing. Therefore, implications considering business models from the external environment are analyzed and discussed. In the theoretical summary it became evident that influences shaping the business environment are complex and interconnected. The two studied markets are analyzed separately and afterwards compared. It will be argued that there are multiple factors which have special relevance for e-commerce business models.

5.1 The slow British transition to Online Channels

Based on the conducted interviews this section aims to illustrate and analyze the e-commerce landscape in the UK with implications how the packaged food retailing industry can manage this environment. A PwC report (2015) presents the slow economic growth of the country. E-commerce has been growing over the last years, however, it started from a low basis (Statista [B], 2019). Yet, it is said to reshape businesses and the competitive landscape in terms of marketing systems and the supply chain, and it has enabled new business models (Laudon & Traver, 2019; Mittal, 2013). Based on the interviews with UK experts in section 4.1.2, this holds ground in some points. Industry observers acknowledge the importance of e-commerce, online sales growth from a low level and that new companies such as Ocado and Amazon Fresh have entered the online food business. However, they stifle the proposed rapid and disruptive development (Laudon & Traver, 2019; Mittal, 2013) of e-commerce and expect a rather steady continuation of the current progress. This was unexpected since the literature often entwined e-commerce to some extent with disruptive market implications. However, it could be argued that experts are not seeing this potential threat because of the development from a low level, with no major implications yet.

5.1.1 Breaking up Path-Dependencies

As established in section 2.3.2, understanding consumer behavior and adapting to the needs is of utmost importance to achieve customer satisfaction and create competitive advantage (Mittal, 2013). The internet offers the benefit of convenience and efficiency while also enabling price comparisons (Liu et al., 2000). Moreover, the ease of use and practicality of the online medium influence the acceptance of internet adoption (Song, Kim & Kim, 2001).

Moreover, these scholars mention that the accessibility of e-commerce services via mobile devices fosters this development. Interviewees in section 4.1.3 support and strengthen the argument of scholars, that consumers provide the directive for companies. However, they state that in the UK, path dependencies on the customer and corporate side exist. They further extend, that consumer behavior is driven by several factors such as trust, convenience, and inertia. Hence, citizens are starting to question the ways of shopping nowadays. Even though respondents clearly argue that companies have to follow their target prospects, businesses are locked into path dependencies as well. They propose a more distinct perspective than scholars. Liu et al. (2000) and Song, Kim and Kim (2001) argue that adapting the business model is more difficult for mature incumbents. This inability often leads to a corporate bias of reinforcement that shopping has not changed over the last decades and that they should stick to the current organizational structure. The consumer-centered view of respondents was expected to match the literature because this approach is vital to all businesses. However, since the UK is one of the leading e-commerce nations in Europe, it was unexpected to observe that path dependencies are still existent to a great extent. This can be due to the fact that organizational improvements and efficiency is easier to accomplish and often prioritized over structural renewal.

The primary data supports and extends the aforementioned aspect of convenience. As with most demographics, some UK consumers are stated to have a lower price sensitivity while others have a higher one. However, the commonality is that convenience is highly valued by customers. These implications are relevant for online and offline channels. For physical stores the accessibility, opening hours, distance and time to reach them are important factors (Rose, Hair & Clark, 2011). Extending on the theory, interviewees recognize a shift of large grocery retailers from super- and hypermarkets to a more convenience centered approach. To complement the existing stores, smaller corner shops are established as a hub with easier accessibility. For online stores delivery time is identified as a major success factor. It was expected that delivery times and convenience of online orders are vital criteria.

These two channels complement each other and transform traditional retailers into multi-channel organizations. Literature delineates a resultant emergence of the O2O concept (Groeger & Buttle, 2014). The approach enables retailers to leverage their existing brick and mortar stores with online promotions to create a satisfying customer experience (Zhang, 2014). The primary data in section 4.2.4 views this concept ambivalently. Corporations are

not yet combining their different channels but express the need to balance offline and online to give consumers the opportunity to experience products. Scholars have argued that an enjoyable experience is a major factor for consumers (Rose, Hair & Clark, 2011). They recognize a distinction between online and offline experience. Offline experience focuses more on face-to-face interaction and physical branding opportunities. Online channels offer greater information bandwidth, the ability of purchasing product without time or location restrictions, and the establishment of branding audio-visually (Rose, Hair & Clark, 2011; Wrigley & Currah, 2006). However, the primary data suggests that the UK market has not developed a fitting concept to craft customer experience with both channels. Incumbents are seen as path dependent due to their long existence and the effort and knowledge of providing an enjoyable physical store environment. For online retailing, the shopping experience is regarded equally important. However, an interviewee stated that mature retailers are struggling with online marketing activities and modern e-commerce companies are better suited to adequately provide online experience. This is surprising since corporations accomplish high online sales compared to other countries but apparently not all of them provide the recommended shopping experience. The implication could be that this factor is not highly relevant for certain parts of the UK demographics or other factors make up for it.

5.1.2 Threat of Disruptors based on Supply Chain Capabilities

According to the interviewees, the grocery retail industry in the UK is consolidated with four mature incumbents. Notably, there is a low threat of consolidation by new market entrants such as Amazon Fresh and Ocado because they are not substantially better suited than existing retailers. However, future potential and power were acknowledged. A crucial element of success in delivering products is the supply chain (Swaminathan & Tayur, 2003). Scholars argue that in uncertain markets, companies improve their operational agility to oppose these threats and fulfill timely delivery expectations (Kawa & Maryniak, 2019). Moreover, real-time data processing from e-commerce platforms has increased the planning and ad hoc optimization (Cherif & Grant, 2014). The supply chain closes the circle since it has to provide the means of the closely followed consumer demands (Prater, Biehl & Smith, 2001). The gathered primary data strengthens this assessment as the supply chain is viewed as a critical success element, especially in the complex packaged food industry. Incumbents are facing the challenge of evolving their supply chain to a more digital approach. However, it is argued that this is still easier to accomplish than disruptors building up an entirely new supply chain.

Moreover, the agility aspect was underscored. The current legacy systems are developed for high quantity orders; however, it also needs to be possible to adapt to smaller batch sizes in order to fulfill the changing customer demand. A corollary of the empirical findings pertaining to the agility factor is that incumbent organizations first need to learn how to be an agile online retailer. Afterward, it is possible to transfer this know-how to the whole business. Lastly, the implications of e-commerce and data processing are highlighted. Companies need to utilize the gathered data more wisely to optimize the supply chain and reduce costs in the low margin packaged food industry.

5.2 The Chinese Dependency on the Internet

In the information technology, the internet provided many possibilities to reshape businesses (Zott, Amit & Massa, 2011; Laudon & Traver, 2019) and hence transforms established markets (Bhat, Kansana & Majid, 2016; Burt & Sparks, 2003). In the context of China, the transformation of economies is especially visible. The following exposition will demonstrate how significant the impact of e-commerce is and which aspects of this paradigm shift become dominant.

5.2.1 Integration of Customers

In both online and offline commerce, understanding consumer behavior is essential (Song, Kim & Kim, 2001; Liu et al., 2000). Therefore, businesses aim to understand their existing and potential customers as thoroughly as possible. The conducted interviews demonstrated that consumer behavior is important for firms in the packaged food industry to be able to adapt to the fast-changing needs of consumers and to be able to achieve high customer satisfaction. This was expected to be consistent as consumer behavior is assumingly a vital element for all industries. In the findings, different influences have been identified which affect consumer behavior in the context of online shopping and relate to the described theory in section 2.4.

Mittal (2013), points out that convenience is one major reason why consumers shop online. While this has only been researched in general terms, this study confirmed that convenience is also a major driver for packaged food. Different interviewees connected the time efficiency and distance to convenience. This held true regardless of urban versus rural location. Furthermore, the ability to order from mobile devices was perceived as beneficial

as it frees the purchaser from the requirement of needing to be at a specific location or being bound by specific opening hours to make a purchase. Such circumstances are not surprising as various advancements today are aiming to provide convenience to any consumer.

Another salient topic is the trust factor. Fears of being cheated or robbed of credit card or other privacy information is a large negative influence for online shopping (Laudon & Traver, 2019; Gefen, Karahanna & Straub, 2003). Unexpectedly, these concerns were historically prevalent among Chinese consumers, but with increasing familiarization with e-commerce, the consumers overcame such fears. By being raised along the internet, these issues were rather unknown but understandable after further thought. Closely linked to trust is the issue of quality. Scholars argue that aspects such as ease of use and design of the website, customization, and responsiveness, together with the perception of the product quality and service are vital (Ribbink et al., 2004; Ahn, Ryu & Han, 2004; Wolfinbarger & Gilly, 2003). This held especially true for dairy products where high quality was a fundamental requirement. This research confirmed the importance of product and service quality, which was mentioned as a significant element for the consumers. However, the means of easy online ordering via mobile devices was mentioned, even though not explicitly linked to e-commerce quality. Therefore, the application or website design and usability can be assumed to play a role as well. These results are more ambivalent, while a high product quality was expected, which probably stems from being biased by western standards, the lack of mentioning application design and user friendliness was surprising. It was assumed to have a greater role in shopping behavior.

A model that accrued from consumer demands is the O2O commerce model, since perception and attitude towards the use of an internet platform are affected by online and offline quality (Ahn, Ryu & Han, 2004). Various experts described this form of business model as important for grocers to connect products and consumers. The importance of this model was not anticipated to that extent. Of course, this may be rooted in the fact that it does not exist in this configuration in our lives yet. The product quality can be evaluated, or in the case of dairy products tried firsthand in this case which enables suppliers to build up trust. In the literature, O2O commerce in its form of a multichannel integration is seen as emphasizing online promotion on stimulating sales of offline stores (Groeger & Buttle, 2014). However, it was found that O2O offerings are seen as a mutual catalyst and

therefore more matching the multichannel typology identified by Wrigley and Currah (2006). Both channels are needed to fully reach customers. To meet the convenience demands of consumers, these O2O stores offer deliveries to the customer's home.

The mentioned factors and aspects reflect the requirement for stores to facilitate adequate customer experience. The enjoyment of a fun shopping experience is a strong driver to foster the acceptance of online grocery shopping (Bilgihan, Kandampully & Zhang, 2016). The provision of an interactive virtual experience, however, depends on the industry and the product (Childers et al., 2001). It is argued that for grocery stores the mundane appearance is sufficient as they are streamlined for efficient shopping (Childers et al., 2001; Ha & Stoel, 2009). While it was confirmed that the shopping experience is a vital factor for consumers in general, it became evident that the same applies to grocery stores. This also was more unforeseen since grocery shopping was believed to be a rather troublesome task. Still, it was pointed out that online channels have yet to match the offline experience, a solely descriptive product presentation is not appealing. Shopping in a mall is seen as a leisure activity which generally is connected to an enjoyable and fun time as one expert elaborated. Therefore, when combined with grocery shopping, the O2O channel becomes more important, i.e. groceries can be bought without having to physically carry them around but instead conveniently have them delivered home.

Online Payment Systems

A factor that has only briefly been addressed in theoretical terms is online payment systems. Scholars link online payment systems to the trust factor by analyzing the risk and acceptance of these models (Dahlberg, Mallat & Öörni, 2003). This topic was thus regarded as a peripheral matter. However, many experts discussed that these online financial interactions play a significant role, but the context seemed more to be within a convenience and not the mentioned risk scope. There are two applications in China which are predominantly used to realize financial interactions. Difficulties of using non-online payment types such as credit cards, strengthen the existing online methods which are not only used to circumvent the in section 4.2.5 described boundaries but also provide a sort of convenience by enabling swift peer-to-peer payments.

5.2.2 Product Marketing and Branding

With a lot of variety and differentiation of products, the right marketing and branding strategy is essential, especially in connection with e-commerce initiatives (Kotler, 1991; Groeger & Buttle, 2014; Mohapatra, 2013). Again, this topic was underestimated in comparison to its importance to reality. Interviewees congruently affirmed that marketing has a vigorous influence on the brand and in turn, on product sales. It was reasoned that for dairy products branding is one of the main factors of recurring purchases and visits on online platforms. At the same time, it is difficult to establish a strong brand due to high competition, making it extremely difficult for new brands to establish themselves. Another reason might be propounded by Rose, Hair and Clark (2011) who claim that on online platforms mostly audio-visual options exist to present a brand. Despite major expenses, marketing and branding campaigns entail, it is an imperative. In line with the aforementioned quality and trust aspect, a brand that fulfills these criteria is a major part of the customer value proposition.

An emerging phenomenon that is widely adopted for marketing and branding matters is social media. Due to the transition of a product-oriented environment towards a social and customer-oriented one, a closer interaction of firms and consumer is sought after (Wigand, Benjamin & Birkland, 2008; Huang & Benyoucef, 2013). The experts explained that social media applications are extensively used tools to engage consumers. An effect that is achieved by adopting this close interaction with customers is improved communication. In the case of dairy, such methods were used for educational and informative purposes. According to research, consumers interact individually and independently on online platforms (Lai, 2010). This development was unsurprising as firms endeavor closer interaction with customers nowadays. Hence, it is logical that new options are utilized. It enables firms to proactively find solutions to approach customers to build relationships and create a community (Lai, 2010). The feedback from customer ratings and reviews together with recommendations and referrals are integrated in social shopping applications (Lai, 2010; Kim & Srivastava, 2007).

The ample adoption of social media by consumers was extended to almost all aspects of social life according to the interviewees. One of the predominant payment applications, for instance, is integrated into a larger social ecosystem. It describes the use of social media in an e-context (Wang, 2009) which matches the statements of the interviewed market experts. While the emphasis on social media networks was expected, as it plays a great role in today's society, however, the magnitude of its impact and the evolution of social commerce was a

revelation. In conclusion, social media apps are used to obtain product information, and at the same time to buy products directly. This dyad of benefits makes an adoption immensely valuable for firms to promote and sell products and gain reputation.

5.2.3 Smart Use of Big Data

An enormous amount of data is generated through e-commerce (section 2.3.3). The analysis and utilization of this data is a key element. This new technology provides a wide spectrum of transformative benefits. Real-time customer service, dynamic pricing, personalized offers or improved interaction are among factors which are based on insights (Riggins, 1999). In the findings, Big Data analysis appeared as one of the critical topics. The significance of consumer behavior analysis was discussed before, hence the use of Big Data in that respect is inevitable. Gathering insights about consumers can be transformed into an advantage for businesses. The Big Data trend is a widely communicated phenomenon. Thus, it is not surprising that it is put to use in a packaged food retail context as every organization wants to know as much as possible about their customers.

As almost everything is handled online, according to various experts (section 4.2.5), Big Data analysis is purely performed online. For that reason, the social networks with its evolutionary social commerce format are the normative point of analysis. In this vein, scholars state that Big Data in e-commerce is growing due to mobile device usage and different types of new technologies (Kauffman, Srivastava & Vayghan, 2012). The means of consumer analysis lie in the conjunction of Big Data and consumer behavior (Erevelles, Fukawa & Swayne, 2016). Hence, the described social commerce is not only useful for marketing, branding and communication processes but also for product placement which is in line to statements from experts. Social commerce platforms offer a wide range of activities. In some cases, vivid discussions about products arise which are monitored and analyzed and in turn, result in advertisements (Erevelles, Fukawa & Swayne, 2016), a factor mentioned by interviewees. Similarly, Hofacker, Malthouse and Sultan (2016), argue that debates on social media platforms can lead to new product ideas and improvements as well as providing guidance where to place a certain product.

As mentioned in previous sections, the constant consumer behavior analysis aims to create an ecosystem. This enables the providers to change policies or to promote sales according to the analyzed data as exemplified in interviews. In this context, Akter and Wamba (2016) define

that the analysis of Big Data allows companies to track user behavior and interlink dots to find the most effective ways to establish loyal, repetitive customers. The analysis and tracking of social media data is no unimagined or unknown fact. However, it raises concerns about privacy and further that society is completely exposed to organizations.

5.2.4 Consolidation Threat

An occurrence that has not been regarded in the literature review but emerged in several interviews, was the centralization around specific companies. Every expert mentioned in particular two companies that are overwhelmingly dominant in the e-industry, Alibaba and Tencent. Every online related aspect discussed thus far was covered by subdivisions or subsidiaries of these two players. This was an unexpected disclosure since the companies were indeed known but not the extent to which their power has advanced.

Whereas Tencent owns the largest social commerce platform, Alibaba has the larger shopping platform and an additional payment system application. Therefore, Tencent is able to analyze more Big Data, especially in the social behavior of people, while Alibaba analyzes customer shopping behavior to a greater extent.

Both companies own e-commerce trading platforms which hold a combined market share of 80%. One expert sees Alibaba as monopolistic in the e-commerce industry but was opposed by others who expressed that a monopoly is highly unlikely as neither of them is able to acquire the other, but the dominance of these corporations is overwhelming. It became evident that these companies are attempting to maintain their market position by strong acquisition strategies. Especially in the grocery market, where a lot of new startups formed, Alibaba's strategy is apparent because these startups are acquired promptly and integrated into the network. Hence, it is difficult to establish a successful business without at least cooperating with one of these two firms.

5.3 Country-specific Differences and Similarities

From the empirical data, the two countries exhibit some differences as well as congruities. Whereas the UK is the most progressive e-commerce nation in Europe with estimated online retail sales of 18% in 2019 (Statista [B], 2019), China leads globally having reached an online sales ratio of over 42% by 2016 (Seong, Woetzel & Wang, 2018). Following consistent statements from interviewees of both countries, this growth only recently skyrocketed. For

instance, it was mentioned that this shift started in China about 15 years ago and has since grown with enormous speed. Similarly, in the UK, e-commerce has started from a very low level but is now at a considerable value. However, the different pace with which the countries have been growing is apparent. Subsequently, different effects and characteristics can be observed for the two markets.

5.3.1 Consumer Behavior, Trust and Quality

As consumer behavior is a broad topic and due to the tremendous number of persons and comprised ambiguity of opinions and preferences, it is extremely difficult to analyze it comprehensively (Song, Kim & Kim, 2001; Liu et al., 2000). Yet, consumer behavior is a ubiquitous phenomenon and can thus be applied to both markets. It was commonly seen as a critical success factor for e-commerce related firms. Principally, the imperative to change and adapt according to consumer needs excelled. The factors that influence consumer behavior were mostly congruent. Convenience and inherent time factors were mentioned to be important and also trust aspects deemed more attention. However, in the UK, experts were focusing more on physical stores but were seeing a tendency towards smaller corner shops, offering better accessibility and thus more convenience. Having products delivered home in an acceptable time is crucial for both countries. In this case, China is leading from a time and infrastructure perspective. Delivery times in the UK are longer and only having this offered in cities. Chinese experts also emphasize ordering from mobile devices which was not explicitly mentioned for the UK market. However, operating hours were regarded as a limiting factor for convenience in the UK.

The two countries diverge in terms of perceiving trust. In the UK, trust was more related to product origins and environmental-friendliness. In China, trust is additionally interlinked with quality. The fear of being cheated or loss of privacy information (Laudon & Traver, 2019) and the general influences of safety beliefs (Gefen, Karahanna & Straub, 2003) Chinese consumers had towards online shopping in the beginning were presumably also given for the British. In regard to product quality, Chinese consumers still have concerns. The UK probably has high enough standards, resulting in fewer customer concerns.

Deriving from the analyzed data, consumer behavior implications for business models are mostly matching the theoretical concept in section 2.4. They are a main trigger for the

market and in turn, also for organizations. Business models and activities have to be adjusted to fulfill consumer demands in an e-commerce environment.

5.3.2 Customer Experience in New Retail Channels

Childers et al. (2001) claimed customers are seeking fun and enjoyable shopping experiences. Regardless of channel type, spending an entertaining time influences customers (Ha & Stoel, 2009). In this aspect the UK experts again linked it more to offline stores, pointing out a strong path-dependency due to years of effort improving the shopping experience. Yet, the online experience is seen as equally important but more difficult to achieve. Moreover, incumbents are struggling with providing such activities due to non-existent capabilities. It appeared that in China more emphasis is placed on customer experience based on the primary data. Online experience was expected to match offline means, but this circumstance has not been achieved yet. On that account, Chinese firms reacted by introducing O2O concepts. A strong focus is laid on connecting the consumer with the products while maintaining a high convenience. In the UK, this concept is viewed as necessary but is not incorporated. Companies are not combining different channels even if there is a need to balance offline and online to provide consumers the opportunity to experience products. The Chinese environment proved to be more progressive in this regard, being able to follow customers and their needs in a superior fashion. British organizations most likely are lacking knowledge and competencies to develop such capabilities.

Although creating an enjoyable and convenient online shopping experience is prerequisite, companies in both countries have not been able to fully develop such an environment yet. However, China is more advanced with their business models in leveraging both online and offline channels to fully reach and incorporate customers.

5.3.3 Big Data from Social Commerce

Another common feature which was seen as vital in both nations was Big Data and its analysis. A first difference here was that in the UK the interviewees pointed out that credit cards and loyalty cards are tracked and analyzed while in China the data origin was purely digital. Of course, in the UK online behavior from social media networks are traced and analyzed as well but the connection of e-commerce and social media is still more

separated. Chinese consumers already have an integrated ecosystem which fuses e-commerce and social media. This phenomenon actualizes itself in the form of one dominating mobile application which incorporates all aspects of online utilization. One salient point involves online payment systems that have become normative as a main payment method among citizens. The UK has similar offers which were only touched upon, leading to the assumption that this form is not as significant as in China. Furthermore, such online ecosystems do not appear to exist in the UK. An influence which enhances this social commerce adoption in China stems from the possibility for consumers and firms to interact with each other. Organizations have the possibility to communicate directly with consumers who are informed about products, aiding the firms in building a trusting community by applying marketing activities. Based on these actions, firms are able to establish a strong brand which proved to be essential for the Chinese market. Regarding the UK, none of the experts revealed any indication of such relations, leaving space for convergence to the Chinese status quo.

The Chinese case demonstrated the requirement for businesses to create more user-centered and socially oriented marketplaces. More capabilities are necessary to process and analyze data in order to be able to understand consumer behavior and adapt the business activities accordingly.

5.3.4 Consolidation Threat and Supply Chain Imperatives

As aforementioned, the UK experts focused more on traditional grocery stores, this is probably partly rooting from four mature incumbents that dominate the market. In combination with the low acceptance rate of online substitutes and slow transition, new entrants do not constitute a big threat. Thus, traditional stores have more time to adapt to the changing environment. However, by having Amazon as a dominant online retailer, which proceeds to the online food market, this change may be more sudden than expected. In China this is already a reality, online retailing is the dominant shopping form. In that vein, there are two predominant organizations that control 80% of the market. New entrants have to overcome adamant obstacles to succeed and most of them are acquired by the market leaders. The existing traditional grocery stores have already begun to partner with these online giants to sustain. If the British incumbents do not react appropriately to the fast-changing environment, the Chinese reality could become a British one as well.

Being able to respond to a shifting environment is strongly stemmed within supply chain adaptability. Dynamic capabilities in the supply chain are critical elements to oppose uncertainties rooted from changes (Prater, Biehl & Smith, 2001). In the UK, incumbents have to evolve their supply chain in an agile manner and become more digital. Especially the circumstance of high quantity order has been highlighted which might not be needed for agile online retailers. The gathered Big Data has to be used to optimize the supply chain. The Chinese primary data also confirmed the need for an agile supply chain since demands are volatile and may change abruptly. However, organizations seem already far more advanced in that respect, as most experts did not express that radical changes in the supply chain are needed. Yet, continuous improvement activities for the supply chain are in place. These findings are in line with the theoretical concept. The importance of developing lean and agile capabilities in the supply chain are confirmed. Therefore, supply chain modifications are inevitable to sustain competitive advantage.

5.4 Summary

The analysis illustrated how various topics are in line with the used framework. However, a few factors occurred that have either not been regarded as significant or not considered at all. In which aspects the findings correspond to the framework and what new insights are to be extended, is summarized in the following table 5.1.

Table 5.1: Amendment of the Framework

| Caption | Feature | Findings |
|-------------------|--|---|
| Consumer Behavior | Main trigger for organizations' activities. Business model adjustment to fulfill aspects demanded in an e-commerce environment. | Customer focus as essential success factor for e-commerce. Consumers are the main trigger for market and organizations. Business models and activities have to be adjusted to fulfill consumer demands in an e-commerce environment. |
| Trust and Quality | Main requirement of consumers to adopt online shopping. | Trust towards application and platforms are a must. High quality of products is expected. |

| | | |
|-------------------------------|---|--|
| Customer Experience | Prerequisite for an enjoyable and convenient online environment. | Creating an enjoyable and convenient online shopping experience is essential. Current development not fully able to provide such an environment yet. |
| Upsurge of Social Commerce | Create a user-centered and socially-oriented marketplace. | Requirement for more user-centered and socially oriented marketplaces. Social commerce as major part of social life. Communication tool for marketing and branding activities. |
| Marketing and Branding | | Marketing and branding vital for success, it builds trust and retention. |
| Online Payment Systems | | Online payment predominant financial system, close conjunction with social commerce. |
| New Retail Channels | Online channels are established for leveraging business. | More advanced business models to mutually leverage online and offline channels to fully reach and incorporate customers. Omnichannel approach is vital for survival. |
| Supply Chain | Develop lean and agile capabilities to adapt to fast-changing environment. | The importance of developing lean and agile capabilities in the supply chain are confirmed. Therefore, modifications are inevitable to stay competitive. Competencies to be supported by Big Data analysis to meet volatile demands. |
| Big Data | Processing and analyzing data to understand consumer behavior and adjust accordingly. | More capabilities are necessary to process and analyze data in order to be able to understand consumer behavior and adapt the business activities accordingly. |
| Consolidation Threat | | Potential and power of disruptors are recognized. Dominant online platforms exist, new entrants are either acquired or required to collaborate. |

6 Conclusion

6.1 Research Aims and Objectives

The objective of this study was to explain how e-commerce trends influence retailing in technologically advanced economies. The packaged food industry with an emphasis on dairy in the Chinese and UK market were selected as a focal case. The aim was to design a theoretical framework on how firms have to adapt their business model to address e-commerce trends. This was operationalized by observing the dynamic implications for business models from an e-commerce perspective. Finally, both markets were compared and similarities, as well as incongruities, are identified.

6.2 Theoretical Implications

This study strengthens the notion of prior research that several factors require special attention to compete successfully in the e-commerce environment of packaged food retailing. The external changes and uncertainties in the industry turn the identified elements into pivotal aspects of an organization's business model. Moreover, the study divides the two analyzed markets and presents similarities and differences, since the varying context requires dissimilar adjustments. This thesis contributes to e-commerce business model research by confirming and extending distinctive aspects (section 5.4).

First, consumer behavior is of utmost importance since it is influenced by e-commerce. Organizations must operate more customer-centric. Therefore, activities in the business model have to be adjusted even more appropriately. User- and socially-oriented marketplaces in form of social commerce are gaining further attention. Online payment systems emerging with social commerce augment a new component to existing e-commerce business model theory and will gain significant importance for establishing key relationships.

Secondly, trust and quality are evolving to a main factor of the customer value proposition for online shopping. This includes establishing confidence in used applications, platforms and sold products because of missing face-to-face contact or prior transaction history. Moreover, customer experience is a focal part of the value proposition and needs to be further developed within e-commerce business model theory. Marketing and branding have been identified as

additional imperatives to the value proposition. By being enablers of the reinforced trust and quality features, these aspects must be highlighted in future theoretical concepts.

Additionally, this thesis supports the established perspective of researchers, that an omnichannel approach is needed in e-commerce environments to reach and incorporate consumers. Further, current studies position key resources as a business model component. We identified Big Data management as a dynamic sub-capability. In digital contexts, this should be especially singled out. The supply chain applicability within e-commerce business models is substantiated in our study. Yet, it is deduced that an agile and lean supply chain management understanding is more fitting under these circumstances. Ultimately, this thesis extends existing concepts by considering consolidation. Business model conceptualizations designed to succeed in e-commerce must specifically address the centralized industry.

We conclude that e-commerce business model research should further emphasize three identified sub-categories: First, forthcoming online payment systems need to be considered. Secondly, marketing and branding activities have to be explicitly incorporated. Thirdly, the assessment of market consolidation should be added to business model research in e-commerce environments.

6.3 Practical Implications

The purpose of this study was to break down e-commerce trends and their influence on retailing in technologically advanced economies. From our research, we were able to identify several factors companies have to consider to successfully compete in the market. As a first step, consumer behavior has to be studied thoroughly and organizations have to follow and adapt to the identified patterns. The main features which influence consumer behavior in the studied setting are convenience and inherent time factors. Moreover, the element of trust and quality in the entire online sales process impact buying decisions of customers. Furthermore, consumers stipulate an enjoyable shopping experience. Organizations can meet this demand by introducing online-to-offline concepts to connect customers with the product while simultaneously guaranteeing convenience. Another recommendation is establishing a distinctive brand through an appropriate marketing strategy. Additionally, firms need to open up to Big Data and its analysis. While the origins of retrieving the information might differ slightly, it is vital to gain consumer behavior insights near real time. In this vein, companies have to be cognizant of social commerce progression. This trend enables data collection and

assessment, aids influencing consumers and additionally benefits as an online payment system. Lastly, organizations should ensure establishing dynamic capabilities throughout their supply chain. Agility prevails as one of the core aptitudes to oppose uncertainty such as determined consolidation threats and changing demands. Ultimately, the aforementioned factors are not distinctly separated but should be evaluated from a holistic perspective with their interdependencies.

6.4 Future Research

As the limitations suggest, there are areas of research which can be investigated by other scholars in the future. Albeit the variety of firms and different corporate functions, a mix of several respondents from each organization would lead to a more universal perspective and unveil potential opposing viewpoints within companies. While we depict forecasts to some extent, this research is a snapshot in the development of e-commerce. Within the scope the design was delimited to the multiple identified factors, however, these are not encompassing the entire spectrum a corporation has to consider. Hence, a longitudinal study would be beneficial to observe the progress of the industry and compare it to our predictions. Moreover, based on the conceptualization, a more exhaustive picture of our identified influences could be drawn. We suggest follow-up research to extend our examined elements and inquire how resources are allocated and which capabilities are needed to adapt to the identified impacts. Lastly, it would be advocated to explore technologically advanced economies further to assess possible new impacts or question ours. Hence, a widened cross-cultural design could be useful. This could also be combined with a quantitative research approach.

References

- Abell, D. F. & Hammond, J. S. (1979). *Strategic Market Planning: Problems and Analytical Approaches*, Prentice-Hall.
- Afuah, A. & Tucci, C. (2001). *Internet Business Models and Strategies*, Boston McGraw-Hill.
- Aglietta, M. & Bai, G. (2016). China's 13th Five-Year Plan. In Pursuit of a "Moderately Prosperous Society".
- Ahn, T., Ryu, S. & Han, I. (2004). The Impact of the Online and Offline Features on the User Acceptance of Internet Shopping Malls, *Electronic Commerce Research and Applications*, vol. 3, no. 4, pp.405–420.
- Akter, S. & Wamba, S. F. (2016). Big Data Analytics in E-Commerce: A Systematic Review and Agenda for Future Research, *Electronic Markets*, vol. 26, no. 2, pp.173–194.
- Amit, R. & Zott, C. (2000). Value Drivers of E-Commerce Business Models, p.44.
- Amit, R. & Zott, C. (2001). Value Creation in E-Business, *Strategic Management Journal*, vol. 22, pp.493–520.
- Andrews, K. R. (1971). *The Concept of Corporate Strategy*, Dow Jones-Irwin.
- Ansoff, H. I. (1965). *Corporate Strategy: An Analytic Approach to Business Policy For Growth And Expansion*, London: Sidgwick & Jackson.
- Azam, A. (2015). The Effect of Website Interface Features on E-Commerce: An Empirical Investigation Using the Use and Gratification Theory, *International Journal of Business Information Systems*, vol. 19, no. 2, p.205.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage, *Journal of Management*, vol. 17, no. 1, pp.99–120.
- BBC. (2015). UK's Growth for 2014 Revised Up, 31 March, Available Online: <https://www.bbc.com/news/business-32126975> [Accessed 8 April 2019].
- Beske, P., Land, A. & Seuring, S. (2014). Sustainable Supply Chain Management Practices and Dynamic Capabilities in the Food Industry: A Critical Analysis of the Literature, *International Journal of Production Economics*, vol. 152, pp.131–143.
- Bhat, Dr. S., Kansana, K. & Majid, J. (2016). A Review Paper on E-Commerce, TIMS 2016-International Conference, 1 February 2016.
- Bilgihan, A., Kandampully, J. & Zhang, T. (Christina). (2016). Towards a Unified Customer Experience in Online Shopping Environments: Antecedents and Outcomes, *International Journal of Quality and Service Sciences*, vol. 8, no. 1, pp.102–119.

- Bordonaba-Juste, V., Lucia-Palacios, L. & Polo-Redondo, Y. (2012). The Influence of Organizational Factors on E-business Use: Analysis of Firm Size, *Marketing Intelligence & Planning*, vol. 30, no. 2, pp.212–229.
- Bruner, G. C. & Kumar, A. (2005). Explaining Consumer Acceptance of Handheld Internet Devices, *Journal of Business Research*, vol. 58, no. 5, pp.553–558.
- Bryman, A. & Bell, E. (2015). *Business Research Methods*, Fourth edition., Cambridge, United Kingdom ; New York, NY, United States of America: Oxford University Press.
- Brynjolfsson, E. & Hitt, L. (2005). Intangible Assets and the Economic Impact of Computers, *Transforming Enterprise: The Economic and Social Implications of Information Technology*, pp.27–48.
- Burt, S. & Sparks, L. (2003). E-Commerce and the Retail Process: A Review, *Journal of Retailing and Consumer Services*, vol. 10, no. 5, pp.275–286.
- Chaffey, D. (2009). *E-Business and e-Commerce Management: Strategy, Implementation and Practice*, 4th ed., Harlow, England ; New York: FT Prentice Hall.
- Chanana, N. & Goele, S. (2012). FUTURE OF E-COMMERCE IN INDIA, *International Journal of Computing & Business Research*, p.8.
- Chandler, A. D. (1962). *Strategy and Structure: Chapters in the History of the Industrial Enterprise*, Cambridge, Mass: M.I.T. Press.
- Cherif, E. & Grant, D. (2014). Analysis of E-Business Models in Real Estate, *Electronic Commerce Research*, vol. 14, no. 1, pp.25–50.
- Chesbrough, H. & Rosenbloom, R. (2002). The Role of the Business Model in Capturing Value from Innovation: Evidence from Xerox Corporation's Technology Spin-Off Companies, *Industrial and Corporate Change*, vol. 11.
- Chesbrough, H. W. (2006). *Open Business Models: How to Thrive in the New Innovation Landscape*, Harvard Business Press.
- Childers, T. L., Carr, C. L., Peck, J. & Carson, S. (2001). Hedonic and Utilitarian Motivations for Online Retail Shopping Behavior, *Journal of Retailing*, vol. 77, no. 4, pp.511–535.
- Chiu, C., Ip, C. & Silverman, A. (2012). Understanding Social Media in China, *McKinsey Quarterly*, no. 2, pp.78–81.
- Christensen, C. M. (1997). *The Innovator's Dilemma : When New Technologies Cause Great Firms to Fail*, Harvard Business School.
- Christensen, C. M. (2006). The Ongoing Process of Building a Theory of Disruption, *Journal of Product Innovation Management*, vol. 23, no. 1, pp.39–55.

- Christensen, C. M. & Overdorf, M. (2000). Meeting the Challenge of Disruptive Change, *Harvard Business Review*, vol. 78, no. 2, pp.66–76.
- Christensen, C. M. & Raynor, M. E. (2003). *The Innovator's Solution: Creating and Sustaining Successful Growth*, Harvard Business School Press.
- Clarke, P. (2017). How an Online Grocery Platform Could Reshape Retail as We Know It, *Harvard Business Review*, Available Online: <https://hbr.org/sponsored/2017/05/how-an-online-grocery-platform-could-reshape-retail-as-we-know-it> [Accessed 7 May 2019].
- Clarke, T. & Clegg, S. (2000). Management Paradigms for the New Millennium, *International Journal of Management Reviews*, vol. 2, no. 1, pp.45–64.
- Collis, D. J. (1991). A Resource-Based Analysis of Global Competition: The Case of the Bearings Industry, *Strategic Management Journal*, vol. 12, no. S1, pp.49–68.
- Creswell, J. W. (2014). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, 4th ed., Thousand Oaks: SAGE Publications.
- Creswell, J. W. & Miller, D. L. (2000). Determining Validity in Qualitative Inquiry, *Theory Into Practice*, vol. 39, no. 3, pp.124–130.
- Crook, T. R., Ketchen, D. J., Combs, J. G. & Todd, S. Y. (2008). Strategic Resources and Performance: A Meta-Analysis, *Strategic Management Journal*, vol. 29, no. 11, pp.1141–1154.
- Cui, M. & Pan, S. L. (2015). Developing Focal Capabilities for E-Commerce Adoption: A Resource Orchestration Perspective, *Information & Management*, vol. 52, no. 2, pp.200–209.
- Curry, R. G. & Zhang, P. (2011). Social Commerce: Looking Back and Forward, *Proceedings of the American Society for Information Science and Technology*, vol. 48, no. 1, pp.1–10.
- Dahlberg, T., Mallat, N. & Öörni, A. (2003). Trust Enhanced Technology Acceptance Model - Consumer Acceptance of Mobile Payment Solutions: Tentative Evidence, 2003.
- Dai, J. & Wang, X. (2014). Is China's Dairy Processing Industry Oligopolistic and/or Oligopsonistic?, *China Agricultural Economic Review*, vol. 6, no. 4, pp.644–653.
- DaSilva, C. M. & Trkman, P. (2014). Business Model: What It Is and What It Is Not, *Long Range Planning*, vol. 47, no. 6, pp.379–389.
- Dawson, J. (2001). Is There a New Commerce in Europe?, *The International Review of Retail, Distribution and Consumer Research*, vol. 11, no. 3, pp.287–299.

- Dawson, J. A. & Shaw, S. A. (1989). The Move to Administered Vertical Marketing Systems by British Retailers, *European Journal of Marketing*, vol. 23, no. 7, pp.42–52.
- Denzin, N. K. & Lincoln, Y. S. (eds). (2011). *The Sage Handbook of Qualitative Research*, 4th ed., Thousand Oaks: Sage.
- Djie, M., Lie, V. V. & Asri, M. (2018). An Overview of Electronic Commerce, *SSRN Electronic Journal*, [e-journal], Available Online: <https://www.ssrn.com/abstract=3299134> [Accessed 8 May 2019].
- Dubosson, M., Osterwalder, A. & Pigneur, Y. (2002). E-business Model Design, Classification, and Measurements, *Thunderbird International Business Review*, vol. 44, pp.5–23.
- Dunbar, R. L. M. & Starbuck, W. H. (2006). Learning to Design Organizations and Learning from Designing Them, *Organization Science*, vol. 17, no. 2, pp.171–178.
- Easterby-Smith, M., Thorpe, R. & Jackson, P. R. (2015). *Management and Business Research*, SAGE Publications.
- Eisenhardt, K. M. (1989). Building Theories from Case Study Research, *The Academy of Management Review*, vol. 14, no. 4, pp.532–550.
- Eisenhardt, K. M. & Martin, J. A. (2000). Dynamic Capabilities: What Are They?, *Strategic Management Journal*, vol. 21, no. 10–11, pp.1105–1121.
- Eisner, E. W. (1991). *The Enlightened Eye: Qualitative Inquiry and the Enhancement of Educational Practice*, Toronto.
- Erevelles, S., Fukawa, N. & Swayne, L. (2016). Big Data Consumer Analytics and the Transformation of Marketing, *Journal of Business Research*, vol. 69, no. 2, pp.897–904.
- Euromonitor. (2018). Dairy Products in China, Available Online: <http://www.portal.euromonitor.com/portal/analysis/tab> [Accessed 9 April 2019].
- Fok, A., Hui, M. & Hui, A. (2017). China Dairy Sector.
- Friedman, B., Khan, P. H. & Howe, D. C. (2000). Trust Online, *Communications of the ACM*, vol. 43, no. 12, pp.34–40.
- Gefen, D., Karahanna, E. & Straub, D. W. (2003). Trust and TAM in Online Shopping: An Integrated Model, *MIS Quarterly*, vol. 27, pp.51–90.
- Ghaziani, A. & Ventresca, M. (2005). Keywords and Cultural Change: Frame Analysis of Business Model Public Talk, 1975–2000, *Sociological Forum*, vol. 20, pp.523–559.

- Gibbs, G. (2007). *Analyzing Qualitative Data*, London United Kingdom: SAGE Publications, Ltd, Available Online: <http://methods.sagepub.com/book/analyzing-qualitative-data> [Accessed 1 May 2019].
- Gordijn, J., Osterwalder, A. & Pigneur, Y. (2005). Comparing Two Business Model Ontologies for Designing E-Business Models and Value Constellations, *BLED 2005 Proceedings*, [e-journal], Available Online: <https://aisel.aisnet.org/bled2005/15>.
- Groeger, L. & Buttle, F. (2014). Word-of-Mouth Marketing Influence on Offline and Online Communications: Evidence from Case Study Research, *Journal of Marketing Communications*, vol. 20, no. 1–2, pp.21–41.
- Guba, E. G. & Lincoln, Y. S. (1994). Competing Paradigms in Qualitative Research, in *Handbook of Qualitative Research*, [e-book] Thousand Oaks, CA: Sage, pp.105–117, Available Online: <https://eclass.uoa.gr/modules/document/file.php/PPP356/Guba%20%26%20Lincoln%201994.pdf> [Accessed 9 May 2019].
- Ha, S. & Stoel, L. (2009). Consumer E-Shopping Acceptance: Antecedents in a Technology Acceptance Model, *Journal of Business Research*, vol. 62, no. 5, pp.565–571.
- Hagel, J. (1999). Net Gain: Expanding Markets through Virtual Communities, *Journal of Interactive Marketing*, vol. 13, no. 1, pp.55–65.
- Hawksworth, J., Audino, H. & Clarry, R. (2017). The Long View: How Will the Global Economic Order Change by 2050?, Available Online: <https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf> [Accessed 9 April 2019].
- Helfat, C. E. & Peteraf, M. A. (2003). The Dynamic Resource-Based View: Capability Lifecycles, *Strategic Management Journal*, vol. 24, no. 10, pp.997–1010.
- Helfat, C. E. & Winter, S. G. (2011). Untangling Dynamic and Operational Capabilities: Strategy for the (N)Ever-Changing World, *Strategic Management Journal*, vol. 32, no. 11, pp.1243–1250.
- High, P. (2019). Lessons From The Man Who Is Revolutionizing The Grocery Business, *Forbes*, Available Online: <https://www.forbes.com/sites/peterhigh/2019/01/14/lessons-from-the-man-who-is-revolutionizing-the-grocery-business/> [Accessed 7 May 2019].
- Hofacker, C. F., Malthouse, E. C. & Sultan, F. (2016). Big Data and Consumer Behavior: Imminent Opportunities, *Journal of Consumer Marketing*, vol. 33, no. 2, pp.89–97.
- Holdsworth, S. D. & Simpson, R. (2016). *Thermal Processing of Packaged Foods*, Third edition., Cham Heidelberg New York: Springer.

- Hoskisson, R. E., Hitt, M. A., Wan, W. P. & Yiu, D. (1999). Theory and Research in Strategic Management: Swings of a Pendulum, *JOURNAL OF MANAGEMENT*, vol. 25, no. 3, p.40.
- Huang, Z. & Benyoucef, M. (2013). From E-Commerce to Social Commerce: A Close Look at Design Features, *Electronic Commerce Research and Applications*, vol. 12, no. 4, pp.246–259.
- International Monetary Fund. (2018). Building a Shared Future, Washington, DC.
- Johnson, M. E. & Whang, S. (2002). E-Business and Supply Chain Management: An Overview and Framework, SSRN Scholarly Paper, ID 385540, Rochester, NY: Social Science Research Network, Available Online: <https://papers.ssrn.com/abstract=385540> [Accessed 4 May 2019].
- Johnson, M. W., Christensen, C. M. & Kagermann, H. (2008). Reinventing Your Business Model., *Harvard Business Review*, vol. 86, no. 12, pp.50–59.
- Karimi, J. & Walter, Z. (2015). The Role of Dynamic Capabilities in Responding to Digital Disruption: A Factor-Based Study of the Newspaper Industry, *Journal of Management Information Systems*, vol. 32, no. 1, pp.39–81.
- Kauffman, R. J., Srivastava, J. & Vayghan, J. (2012). Business and Data Analytics: New Innovations for the Management of e-Commerce, *Electronic Commerce Research and Applications*, vol. 11, no. 2, pp.85–88.
- Kawa, A. & Maryniak, A. (2019). Lean and Agile Supply Chains of E-Commerce: Empirical Research, *Journal of Information and Telecommunication*, vol. 3, no. 2, pp.235–247.
- Kim, Y. A. & Srivastava, J. (2007). Impact of Social Influence in E-Commerce Decision Making, in *ICEC 2007: Proceedings of the Ninth International Conference on Electronic Commerce*, Proceedings of the Ninth International Conference, 14 December 2007, pp.293–302, Available Online: <https://experts.umn.edu/en/publications/impact-of-social-influence-in-e-commerce-decision-making> [Accessed 6 May 2019].
- Kooser, A. C. (2008). Social Shopping, *Entrepreneur*, Available Online: <https://www.entrepreneur.com/article/194428> [Accessed 6 May 2019].
- Kopp, M. (2013). Seizing the Big Data Opportunity, Available Online: <https://www.ecommercetimes.com/story/78390.html> [Accessed 1 May 2019].
- Kotler, P. (1991). Marketing Management: Analysis, Planning, Implementation, and Control, 7th ed., Englewood Cliffs, N.J: Prentice-Hall.

- Koutsabasis, P., Stavrakis, M., Viorres, N., Darzentas, J. S., Spyrou, T. & Darzentas, J. (2008). A Descriptive Reference Framework for the Personalisation of E-Business Applications, *Electronic Commerce Research*, vol. 8, no. 3, pp.173–192.
- Lai, L. S. (2010). Social Commerce – E-Commerce in Social Media Context, *International Journal of Economics and Management Engineering*, vol. 4, no. 12, p.6.
- Laudon, K. C. & Traver, C. G. (2019). E-Commerce: Business. Technology. Society, Fourteenth edition, global edition., Boston Columbus Indianapolis: Pearson.
- LeCompte, M. D. & Goetz, J. P. (1982). Problems of Reliability and Validity in Ethnographic Research, *Review of Educational Research*, vol. 52, no. 1, pp.31–60.
- Lee, H. L. & Billington, C. (1993). Material Management in Decentralized Supply Chains, *Operations Research*, vol. 41, no. 5, pp.835–847.
- Leung, N. (2019). China Brief: The State of the Economy, Available Online: <https://www.mckinsey.com/featured-insights/china/china-brief-the-state-of-the-economy> [Accessed 9 April 2019].
- Lincoln, Y. S. & Guba, E. G. (1985). *Naturalistic Inquiry*, SAGE.
- Liu, B., Hsu, W., Wan, H. S. & Xia, Y. (2000). Mining Changes for Real-Life Applications, in *Second International Conference on Data Warehousing and Knowledge Discovery*, [e-book] Berlin, Heidelberg: Springer-Verlag Berlin Heidelberg, pp.337–346, Available Online: <http://dx.doi.org/10.1007/3-540-44466-1> [Accessed 6 May 2019].
- Lucas, L. (2019). China’s Tencent and Alibaba Hit the Brakes after Dealmaking Binge, *Financial Times*, Available Online: <https://www.ft.com/content/9f5edbce-1a1b-11e9-9e64-d150b3105d21> [Accessed 7 May 2019].
- Luo, X., Wang, Y. & Zhang, X. (2019). E-Commerce Development and Household Consumption Growth in China, [e-book] The World Bank, Available Online: <http://elibrary.worldbank.org/doi/book/10.1596/1813-9450-8810> [Accessed 9 May 2019].
- Madhani, P. M. (2010). Resource Based View (RBV) of Competitive Advantage: An Overview, SSRN Scholarly Paper, ID 1578704, Rochester, NY: Social Science Research Network, Available Online: <https://papers.ssrn.com/abstract=1578704> [Accessed 9 April 2019].
- Magretta, J. (2002). Why Business Models Matter, *Harvard business review*, vol. 80, pp.86–92, 133.
- Mahadevan, B. (2000). Business Models for Internet-Based E-Commerce: An Anatomy, *California Management Review*, vol. 42, no. 4, pp.55–69.

- Mansfield, G. M. & Fourie, L. (2004). Strategy and Business Models - Strange Bedfellows? A Case for Convergence and Its Evolution into Strategic Architecture, *South African Journal of Business Management*, vol. 35.
- Mark, K. (2018). BEST BEFORE: The Demands of the Digital Economy Are Being Felt in the Already Complicated Food Supply Chain, *Canadian Shipper*, vol. 121, no. 1, pp.22–25.
- MarketLine. (2016). MarketLine Industry Profile: Dairy in China, *Dairy Industry Profile: China*, pp.1–37.
- MarketLine. (2017). MarketLine Industry Profile: Dairy in the United Kingdom, *Dairy Industry Profile: United Kingdom*, pp.1–39.
- Marsden, P. (2010). Social Commerce: Monetizing Social Media, Available Online: https://digitalwellbeing.org/downloads/White_Paper_Social_Commerce_EN.pdf [Accessed 6 May 2019].
- Mehra, G. (2013). 6 Uses of Big Data for Online Retailers, *Practical Ecommerce*, Available Online: <https://www.practicalecommerce.com/6-Uses-of-Big-Data-for-Online-Retailers> [Accessed 1 May 2019].
- Mendelson, H. (2000). Organizational Architecture and Success in the Information Technology Industry, *Management Science*, vol. 46, pp.513–529.
- Merriam, S. B. (1988). Case Study Research in Education: A Qualitative Approach, San Francisco, CA, US: Jossey-Bass.
- Mittal, A. (2013). E-Commerce: It's Impact on Consumer Behavior, vol. Global Journal of Management and Business Studies, no. 3, pp.131–138.
- Mohapatra, S. (2013). E-Commerce Strategy: Text and Cases, New York, NY: Springer.
- Morris, M., Schindehutte, M. & Allen, J. (2005). The Entrepreneur's Business Model: Toward a Unified Perspective, *Journal of Business Research*, vol. 58, pp.726–735.
- Murthy, N., Mehtre, B., Rao, K., Ramam, G., Harigopal, P. & Babu, K. (2000). Technologies for E-Commerce: An Overview.
- Newbert, S. L. (2007). Empirical Research on the Resource-Based View of the Firm: An Assessment and Suggestions for Future Research, *Strategic Management Journal*, vol. 28, no. 2, pp.121–146.
- Office for National Statistics. (2016). UK Perspectives 2016: Trends in the UK Economy - Office for National Statistics, Available Online: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/ukperspectives2016trendsintheukeconomy/2016-05-25> [Accessed 8 April 2019].

- Orr, G. (2018). What Can We Expect in China in 2019?, Available Online: <https://www.mckinsey.com/featured-insights/china/what-can-we-expect-in-china-in-2019> [Accessed 9 April 2019].
- Osterwalder, A. & Pigneur, Y. (2002). An EBusiness Model Ontology for Modeling EBusiness, p.18.
- Osterwalder, A., Pigneur, Y. & Clark, T. (2010). Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers, Hoboken, NJ: Wiley.
- Osterwalder, A., Pigneur, Y. & Tucci, C. L. (2005). Clarifying Business Models: Origins, Present, and Future of the Concept, *Communications of the Association for Information Systems*, [e-journal] vol. 16, Available Online: <https://aisel.aisnet.org/cais/vol16/iss1/1> [Accessed 6 April 2019].
- Park, E. J., Kim, E. Y., Funches, V. M. & Foxx, W. (2012). Apparel Product Attributes, Web Browsing, and e-Impulse Buying on Shopping Websites, *Journal of Business Research*, vol. 65, no. 11, pp.1583–1589.
- Pateli, A. G. & Giaglis, G. M. (2004). A Research Framework for Analysing EBusiness Models, *EJIS*, vol. 13, pp.302–314.
- Pavlou, P. A. (2003). Consumer Acceptance of Electronic Commerce: Integrating Trust and Risk with the Technology Acceptance Model, *International Journal of Electronic Commerce*, vol. 7, no. 3, pp.101–134.
- Porter, M. E. (1980). Competitive Strategy: Techniques for Analyzing Industries and Competitors, [e-journal], Available Online: <https://www.hbs.edu/faculty/Pages/item.aspx?num=195> [Accessed 19 April 2019].
- Porter, M. E. (1985). The Competitive Advantage: Creating and Sustaining Superior Performance, [e-journal], Available Online: <https://www.hbs.edu/faculty/Pages/item.aspx?num=193> [Accessed 19 April 2019].
- Prater, E., Biehl, M. & Smith, M. A. (2001). International Supply Chain Agility - Tradeoffs between Flexibility and Uncertainty, *International Journal of Operations & Production Management*, vol. 21, no. 5/6, pp.823–839.
- PwC. (2015). UK Economic Outlook: Will Consumer Spending Growth Continue to Fuel the UK Recovery?, Available Online: <https://www.pwc.co.uk/assets/pdf/uk-economic-outlook-full-report-november-2015.pdf> [Accessed 6 April 2019].
- Rappa, M. (2000). Business Models on the Web: Managing the Digital Enterprise.
- Ribbink, D., van Riel, A. C. R., Liljander, V. & Streukens, S. (2004). Comfort Your Online Customer: Quality, Trust and Loyalty on the Internet, *Managing Service Quality: An International Journal*, vol. 14, no. 6, pp.446–456.

- Riggins, F. J. (1999). A Framework for Identifying Web-Based Electronic Commerce Opportunities, *Journal of Organizational Computing and Electronic Commerce*, vol. 9, pp.297–310.
- Roeg, J. D. (2014). The Impact of Online Food Retail, *Food & Drink Technology*, vol. 13, no. 10, pp.28–29.
- Rose, S., Hair, N. & Clark, M. (2011). Online Customer Experience: A Review of the Business-to-Consumer Online Purchase Context: Online Customer Experience, *International Journal of Management Reviews*, vol. 13, no. 1, pp.24–39.
- Selfin, Y., Bozic, M. & Shah. (2009). Destination 2030: How the UK Economy Could Fare, Available Online: <https://www.pwc.co.uk/assets/pdf/destination2030.pdf> [Accessed 1 May 2019].
- Seong, J., Woetzel, J. & Wang, K. W. (2018). China’s Breakneck Pace of Digitization, [e-journal], Available Online: <https://www.mckinsey.com/featured-insights/china/chinas-fast-climb-up-the-value-chain> [Accessed 9 April 2019].
- Shafer, S. M., Smith, H. J. & Linder, J. C. (2005). The Power of Business Models, *Business Horizons*, vol. 48, no. 3, pp.199–207.
- Song, H. S., Kim, J. kyeong & Kim, S. H. (2001). Mining the Change of Customer Behavior in an Internet Shopping Mall, *Expert Systems with Applications*, vol. 21, no. 3, pp.157–168.
- Southey, F. (2019). Fresh Potential: Is Amazon Shaking up the UK Grocery Sector?, *Foodnavigator.Com*, Available Online: <https://www.foodnavigator.com/Article/2019/03/12/Fresh-potential-Is-Amazon-shaking-up-the-UK-grocery-sector> [Accessed 7 May 2019].
- Stake, R. E. (1995). *The Art of Case Study Research*, Thousand Oaks: Sage Publications.
- Statista [A]. (2018). UK Consumers: Online Grocery Shopping, Available Online: <https://www-statista-com.ludwig.lub.lu.se/study/39216/uk-consumers-online-grocery-shopping-statista-dossier/> [Accessed 6 April 2019].
- Statista [A]. (2019). E-Commerce Worldwide, Available Online: <https://www-statista-com.ludwig.lub.lu.se/study/10653/e-commerce-worldwide-statista-dossier/> [Accessed 6 April 2019].
- Statista [B]. (2018). Big Data, *Statista*, Available Online: <https://www.statista.com/study/14634/big-data-statista-dossier/> [Accessed 6 April 2019].

- Statista [B]. (2019). Multichannel Retail in the United Kingdom (UK), Available Online: <https://www.statista.com/study/61452/multichannel-retail-in-the-united-kingdom-uk/> [Accessed 6 April 2019].
- Statista [C]. (2018). Health and Wellness Food Trends in the United Kingdom, Available Online: <https://www.statista.com/study/39785/health-and-wellness-food-trends-in-the-united-kingdom-statista-dossier/> [Accessed 6 April 2019].
- Stephen, A. T. & Toubia, O. (2009). Deriving Value from Social Commerce Networks, *SSRN Electronic Journal*, [e-journal], Available Online: <http://www.ssrn.com/abstract=1150995> [Accessed 8 May 2019].
- Stevens, G. C. (1989). Integrating the Supply Chain, *International Journal of Physical Distribution & Materials Management*, vol. 19, no. 8, pp.3–8.
- Strauss, A. L. & Corbin, J. M. (1990). *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*, Newbury Park, Calif: Sage Publications.
- Swaminathan, J. M. & Tayur, S. R. (2003). Models for Supply Chains in E-Business, *Management Science*, vol. 49, no. 10, pp.1387–1406.
- Tan, H. (2019). China's Economy Grew 6.6% in 2018, the Lowest Pace in 28 Years, *CNBC*, Available Online: <https://www.cnbc.com/2019/01/21/china-2018-gdp-china-reports-economic-growth-for-fourth-quarter-year.html> [Accessed 9 April 2019].
- Tapscott, D., Lowy, A. & Ticoll, D. (2000). *Digital Capital: Harnessing the Power of Business Webs*, Boston, Mass: Harvard Business School Press.
- Teece, D. J. (2010). Business Models, Business Strategy and Innovation, *Long Range Planning*, vol. 43, no. 2, pp.172–194.
- Teece, D., Pisano, G. & Shuen, A. (1997). Dynamic Capabilities and Strategic Management, *Strategic Management Journal - STRATEG MANAGE J*, vol. 18, pp.509–533.
- The World Bank. (2019). The World Bank in China [Text/HTML], *World Bank*, Available Online: <http://www.worldbank.org/en/country/china/overview> [Accessed 9 April 2019].
- Timmers, P. (1998). Business Models for Electronic Markets, *Electronic Markets*, vol. 8.
- Trading Economics. (2018). China GDP, Available Online: <https://tradingeconomics.com/china/gdp> [Accessed 9 April 2019].
- Trimi, S. & Berbegal-Mirabent, J. (2012). Business Model Innovation in Entrepreneurship, *International Entrepreneurship and Management Journal*, vol. 8.

- Tsai, T.-M., Yang, P.-C. & Wang, W.-N. (2013). Pilot Study toward Realizing Social Effect in O2O Commerce Services, in A. Jatowt, E.-P. Lim, Y. Ding, A. Miura, T. Tezuka, G. Dias, K. Tanaka, A. Flanagin, & B. T. Dai (eds), *Social Informatics*, Vol. 8238, [e-book] Cham: Springer International Publishing, pp.268–273, Available Online: http://link.springer.com/10.1007/978-3-319-03260-3_23 [Accessed 6 May 2019].
- Venkatraman, N. (1994). IT-Enabled Business Transformation: From Automation to Business Scope Redefinition., vol. Sloan management review, no. 35, pp.73–87.
- Vierk, K. A., Koehler, K. M., Fein, S. B. & Street, D. A. (2007). Prevalence of Self-Reported Food Allergy in American Adults and Use of Food Labels, *Journal of Allergy and Clinical Immunology*, vol. 119, no. 6, pp.1504–1510.
- Wang, C. (2009). Linking Shopping and Social Networking: Approaches to Social Shopping, in *AMCIS*, 2009.
- Wang, K. W., Lau, A. & Gong, F. (2016). How Savvy, Social Shoppers Are Transforming e-Commerce, p.15.
- Wang, L., Zhan, J., Luo, C., Zhu, Y., Yang, Q., He, Y., Gao, W., Jia, Z., Shi, Y., Zhang, S., Zheng, C., Lu, G., Zhan, K., Li, X. & Qiu, B. (2014). BigDataBench: A Big Data Benchmark Suite from Internet Services, in *2014 IEEE 20th International Symposium on High Performance Computer Architecture (HPCA)*, 2014 IEEE 20th International Symposium on High Performance Computer Architecture (HPCA), Orlando, FL, USA, February 2014, Orlando, FL, USA: IEEE, pp.488–499, Available Online: <http://ieeexplore.ieee.org/document/6835958/> [Accessed 4 May 2019].
- Wang, Q., Parsons, R. & Zhang, G. (2010). China's Dairy Markets: Trends, Disparities, and Implications for Trade, *China Agricultural Economic Review*, vol. 2, no. 3, pp.356–371.
- Wei Phang, C., Tan, C.-H., Sutanto, J., Magagna, F. & Lu, X. (2014). Leveraging O2O Commerce for Product Promotion: An Empirical Investigation in Mainland China, *IEEE Transactions on Engineering Management*, vol. 61, no. 4, pp.623–632.
- Weisbrot, M. & Merling, L. (2018). The UK Economy at the Crossroads, p.33.
- Wernerfelt, B. (1984). A Resource-Based View of the Firm, *Strategic Management Journal*, vol. 5, no. 2, pp.171–180.
- Wigand, R. T., Benjamin, R. I. & Birkland, J. L. H. (2008). Web 2.0 and beyond: Implications for Electronic Commerce, in *Proceedings of the 10th International Conference on Electronic Commerce - ICEC '08*, The 10th International Conference, Innsbruck, Austria, 2008, Innsbruck, Austria: ACM Press, p.1, Available Online: <http://portal.acm.org/citation.cfm?doid=1409540.1409550> [Accessed 9 May 2019].

- Winter, S. G. (2000). The Satisficing Principle in Capability Learning, *Strategic Management Journal*, vol. 21, no. 10/11, pp.981–996.
- Wirtz, B., Pistoia, A., Ullrich, S. & Göttel, V. (2015). Business Models: Origin, Development and Future Research Perspectives, *Long Range Planning*, vol. 46.
- Wirtz, B. W. (2019). Digital Business Models: Concepts, Models, and the Alphabet Case Study, [e-book], Available Online: <https://doi.org/10.1007/978-3-030-13005-3> [Accessed 8 May 2019].
- Woetzel, J., Seong, J., Wang, K. W., Manyika, J., Chui, M. & Wong, W. (2017). China's Digital Economy: A Leading Global Force, McKinsey & Company, Available Online: <https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/China/Chinas%20digital%20economy%20A%20leading%20global%20force/MGI-Chinas-digital-economy-A-leading-global-force.ashx> [Accessed 7 April 2019].
- Wolfenbarger, M. & Gilly, M. C. (2003). ETailQ: Dimensionalizing, Measuring and Predicting Etail Quality, *Journal of Retailing*, vol. 79, no. 3, pp.183–198.
- Wrigley, N. & Currah, A. (2006). Globalizing Retail and the 'New e-Conomy': The Organizational Challenge of e-Commerce for the Retail TNCs, *Geoforum*, vol. 37, no. 3, pp.340–351.
- Yu, Y., Wang, X., Zhong, R. Y. & Huang, G. Q. (2016). E-Commerce Logistics in Supply Chain Management: Practice Perspective, *Procedia CIRP*, vol. 52, pp.179–185.
- Yusuf, Y. Y., Gunasekaran, A., Adeleye, E. O. & Sivayoganathan, K. (2004). Agile Supply Chain Capabilities: Determinants of Competitive Objectives, *European Journal of Operational Research*, vol. 159, no. 2, pp.379–392.
- Zhang, E. (2014). Customer' Loyalty Forming Mechanism of O 2 O, *International Journal of Business and Social Science*.
- Zhu, K., Kraemer, K. L. & Xu, S. (2006). The Process of Innovation Assimilation by Firms in Different Countries: A Technology Diffusion Perspective on E-Business, *Management Science*, vol. 52, no. 10, pp.1557–1576.
- Zott, C., Amit, R. & Massa, L. (2011). The Business Model: Recent Developments and Future Research, *Journal of Management*, vol. 37, no. 4, pp.1019–1042.

Appendix: Interview Guideline

General Information

- Students at Lund University, Sweden
- Master thesis project in MSc International Strategic Management
- Your company and your name will be kept strictly confidential
- This study will aim to gain an understanding how firms react to E-commerce trends in the China and UK packaged food industry (dairy as a focal case)
 - The goal will be to investigate how a firm can sustain competitive advantages by facing e-commerce trends in its environment

Introduction

1. Allowance to record?
2. What is your current role?
 - a. For how long have you worked in this role?
 - b. What actors or stakeholders do you interact within the market and company environment?

General Industry Questions

3. History of retailing (with focus on packaged food/dairy)?
 - a. How will the packaged food retailing landscape develop in the future (3; 5; 10 years)?
4. What are the market trends in retailing?
 - a. How do companies have to adapt?
5. How is E-commerce affecting business activities in the packaged food retailing sector?
 - a. Are there any salient market dynamics observable?
 - b. What are the main drivers for E-commerce trends?
 - c. Is e-commerce pushing industry or is industry pushing towards e-commerce?
6. What are success factors/value drivers for packaged food/dairy retailers?
 - a. How does E-commerce affect that structure?
 - b. Are there any ramifications for dairy products in particular?

7. What factors are observed that affected/affect the direction of business development process?
 - a. Are there linkages to E-commerce?
8. How will the value and the volume of online food/dairy shopping develop?
 - a. What are possible business model implications for incumbents?
9. What resources, activities, and processes within a firm do you see as vital for future survival, success, and prosperity in the market?
10. What industries have experienced similar changes and how could the packaged food retailing industry learn from it?
11. Any last suggestions in what we could look into, have we overlooked any important aspects?