The key factors in meeting the evolving customer values in Swedish retail, an omni-channel perspective

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DIVISION OF TECHNICAL DESIGN | DEPARTMENT OF DESIGN SCIENCES
FACULTY OF ENGINEERING LTH | LUND UNIVERSITY 2020

MASTER THESIS

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LUNDS
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Published by
Department of Design Sciences
Faculty of Engineering LTH, Lund University
P.O. Box 118, SE-221 00 Lund, Sweden

Publicerad av
Institutionen för designvetenskaper
Lunds Tekniska Högskola, Lunds universitet
Box 118, 221 00 Lund

Subject: Innovation Engineering (INTM01)
Division: Technical Design (MMKM10)
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Examiner: Fredrik Nilsson

Ämne: innovationsteknik (INTM01)
Avdelning: teknisk design (MMKM10)
Huvudhandledare: Emil Åkesson
Bitr. handledare: Fanny Wahlström
Examinator: Fredrik Nilsson

Abstract

The retail industry is in an ongoing transformation with new customer behaviors. In an omni-channel environment, multiple channels are integrated and the customer has a more central role within retail. Customers in an omni-channel environment are in general well-informed, digitally mature and have high demands towards the retailers they interact with. Traditionally, retailers could differentiate themselves with product and price, but today these stand against several other customer values. Omni-channel strategy is limited adopted in Swedish retail although omni-channel has been a topic of discussion for a longer period of time. Moreover, Internet of Things is increasingly integrated in retail in accordance with digitalization and automatization. The purpose of this thesis is to identify the key factors for Swedish retailers in order to meet the evolving customer values in an omni-channel perspective. This was conducted by firstly identifying the evolving customer values, secondly evaluating how Internet of Things technologies can meet these and thirdly identifying what other factors that are important.

This thesis consists of a theoretical review based on existing literature and an empirical study consisting of qualitative interviews with representatives from the retail industry. The empirical findings indicated that Swedish retailers have a history of 'following their gut feeling' and find it challenging to meet the new customer behavior and how to become customer-centric. Six evolving customer values and four Internet of Things application areas were identified and combined with other factors these resulted in a customer value-driven framework. The results of this study indicated that customers have more power and influence in the retail industry today. In order to meet the evolving customer values retailers must, according to this study, adopt a value-driven strategy, which includes being data-driven in all channels and having a clear purpose. Retailers can no longer set the path, instead the customers are in charge and retailers must listen carefully to what their customers have to say in order to stay relevant.

Keywords: Omni-channel, Swedish retail, Internet of Things, Customer value, Value-driven

Sammanfattning

Detaljhandeln befinner sig i en pågående strukturomvandling med nya kundbeteenden. I en omnikanal är flera kanaler integrerade och kunden har en mer central roll. Omnikanalskunder är generellt sett välinformerade, digitalt mogna och ställer höga krav på de detaljhandlare de interagerar med. Förr kunde detaljhandlare differentiera sig med produkt och pris, men idag vägs dessa mot flera andra kundvärden. Omnikanalstrategin har begränsad utbredning inom den svenska detaljhandeln trots att omnikanal har varit ett omtalat ämne under en längre tid. I takt med digitalisering och automatisering integreras Internet of Things alltmer inom detaljhandeln. Syftet med detta arbete är att identifiera vilka som är de viktigaste faktorerna för svenska detaljhandlare för att kunna möta de 'utvecklande' kundvärdena från ett omnikanalsperspektiv. Detta genomfördes genom att först identifiera de 'utvecklande' kundvärdena, därefter undersöka hur Internet of Things teknologier kan möta dessa och till sist identifiera vilka andra faktorer som är viktiga.

Detta arbete består av en teoretisk studie baserad på befintlig litteratur och en empirisk studie bestående av kvalitativa intervjuer med representanter från detaljhandeln. Den empiriska studien indikerar att svenska detaljhandlare har en historik av att 'följa magkänslan'. Sex 'utvecklande' kundvärden och fyra Internet of Things tillämpningsområden identifieras och tillsammans med andra faktorer resulterade dessa i ett kundvärdedrivet ramverk. Den teoretiska och den empiriska studien indikerar att dagens kunder har mer makt och inflytande på detaljhandeln. För att möta de 'utvecklande' kundvärdena, måste detaljhandlarna, enligt denna studie, anta en värdedriven strategi direkt kopplad till dessa som inkluderar att vara datadriven och ha ett tydligt syfte. Detaljhandlarna kan inte längre bestämma spelreglerna. Idag är det kunderna som har makten och för att vara relevanta måste detaljhandlarna lyssna noga på vad deras kunder har att säga.

Nyckelord: Omnikanal, Svensk detaljhandel, Internet of Things, Kundvärde, Värdedriven

Acknowledgments

The authors are Rakel Sieradzki and Elsa Sollbe and this thesis is conducted as a part of the Mechanical Engineering with Industrial Design Engineering program at the Faculty of Engineering at Lund University. This thesis has been written in collaboration with the Digital Transformation and Innovation, DTI, department at KPMG in Stockholm.

We would like to thank our supervisors Emil Åkesson and Fanny Wahlström at LTH for their valuable support and feedback on the thesis. Furthermore, we would like to thank our supervisor Mattias Lindeborg at KPMG DTI for contributing with his expertise and feedback to the research subject. Additionally, we would like to thank all employees at KPMG DTI that have contributed with their expertise and inspiration during our process. At last, we would like to thank all interviewees for taking their time to share their thoughts and knowledge to our work.

All the best!

Lund, June 2020
Rakel Sieradzki and Elsa Sollbe

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1 Introduction

This chapter serves as an introduction to the research area, firstly with background information that describes the relevance of this study. Following, problem definition, purpose and research questions and delimitations are presented.

1.1 Background

1.1.1 The retail industry

Retail is one of the largest and most important industries in Sweden (Swedish Trade Federation, 2019a). Today, the retail industry is in an ongoing structural transformation which is occurring due to factors such as digitalization, globalization, urbanization and automatization within the industry (Anselmsson et al. 2019; Swedish Trade Federation, 2019a). These factors are contributing to a new and more transparent retail landscape with new customer behaviors, new business models and more international competition (Swedish Trade Federation, 2019a). One of the main consequences that has followed this transformation, is the changed relation between trade and location (Anselmsson et al. 2019). In relation to this, an essential structural change in the ongoing transformation is the fact that e-commerce has been taking sales shares from the traditional physical retailing for a long period of time (Swedish Trade Federation, 2019a). Still, the Swedish Trade Federation (2019) presents that the physical store stood for 90 % of the revenue in Swedish retail in 2019, and they forecast that the revenue will stand for 64 to 74 % in 2030 (ibid.) It is to be noted though, that this forecast was conducted before the outbreak of covid-19, which is having an inevitable impact on most industries including retail. Besides the covid-19 pandemic and its consequences, the increasing market revenues for e-

commerce in Sweden indicates that the physical retailing will shrink as a consequence (Anselmsson et al. 2019). It is further stated by Anselmsson et al. (2019), that retail is additionally expanding into new channels.

Retail is, and has always been, a dynamic industry that is constantly influenced by waves of changes and new trends within the society that reshape the retail environment and the customer values (Bhardwaj and Fairhurst, 2009; Rigby, 2011; Swedish Trade Federation, 2019b). The Swedish retail industry has been characterized by increased geographical concentration, fusions and slimmed organizations for the last 30 years (Anselmsson et al. 2019). The digital evolution could be seen as a disruption to retailing but it is not the first time the retail industry is being challenged and has to undergo a transformation (Dawson, 2006). Rigby (2011) discusses the history of retailing and how it began a century and a half ago with the rise of new train communications and the growth of big cities. This transformation was the start of the modern department stores (ibid.).

When the mass production of automobiles began in the early 20th century, the city-based department stores were challenged with new shopping malls in upcoming suburbs (Rigby, 2011). For the Swedish retail industry, Anselmsson et al. (2019), describes the increasing use of cars and department stores as two strong influences in terms of trade, location and establishment, when the future cities were planned during the 40s and 50s. In the mid 20th century, the first discount chains were established and redefined the old-style shopping malls (Dawson, 2006). Further on, it is described that a changing phase in retail was the development of the common market and the subsequent development which contributed to a more integrated European Union (ibid.). Marketing got established as a key activity in retail and different types of retailers differentiated towards different customer needs (ibid.). This transformation was, as stated by Dawson (2006), revolutionary for traditional retailing and retailers began exploring new formats of promoting their brands and how to reach out to customers which resulted in the concept of market segmentation (ibid.).

1.1.2 Trends and driving forces within retail

In the increasingly dynamic and demanding retail industry, retailers' desire to stay competitive by being flexible in terms of organizational design and

market speed as well as to rapidly respond to changes (Bhardwaj and Fairhurst, 2009). The Swedish Trade Federation (2019b) states that changed customer behavior is one of the main driving forces for the future landscape of retail in Sweden.

In accordance with the technical development and the expansion of the Internet, several retailers have grown their operations globally (Dawson, 2006). In line with this, the trend of hyper-personalization has increased within retail (KPMG International, 2019). Customers can today create digital profiles to provide retail companies with data, based on their preferences and past purchases, which retailers can use in order to create customized offers and recommendations (Blazquez, 2014). With the collection of real-time customer behavioral data, retailers can adapt service and communication to the specific customer in the specific situation in real-time (KPMG International, 2019). With this trend being established, a new intimate relationship between the brand and customer is being developed in accordance (ibid.). The customers of today are increasingly demanding interactive tools and customized products to enhance their shopping experiences and in exchange they share their customer data (Bok, 2015).

Bhardwaj and Fairhurst (2009) are describing the retail industry as highly competitive with an increasing need to be innovative and to 'refresh' products and services. The traditional retailing with predicted seasons and trends are redefined and today's retail is dominated by new forces (ibid.). These forces are driven by the customer needs and values, and contribute to the transformation from a product-driven to a customer-driven approach within the retail industry (KPMG International, 2019). Today's customers are more price savvy and expect the price to reflect their values and mission (ibid.). Furthermore, the customers are well-informed about products and know how to make a pricing strategy based on their specific needs and values (KPMG International, 2019; Swedish Trade Federation, 2019b). This has resulted in a demand-driven industry that can easily change and retailers have to be highly flexible (Bhardwaj and Fairhurst, 2009).

When analyzing upcoming trends and the future of retailing, it is also conducive to study the behavioral differences between today's generations (Perry et al. 2019). There are differences in terms of attitude and technology acceptance among customers within the retail industry (ibid.). The younger generations are more digitally mature and empowered by connectivity, in terms of for example social media in their daily lives (ibid.). The Swedish

Trade Federation (2019b) presents that 55% of the younger generation, between 18 - 25 years old, prefer online shopping in comparison to the older generation, 65 years and older, where only 20% prefer online shopping. These differences depend on digital maturity, previous experiences and attitude towards conducting a behavior (ibid). The willingness to adopt the behavior towards the usage of a new technology is influenced by, for example, personal associations and other people's attitude and approval (Perry et al. 2019). People are more likely to adopt a behavior if their friends and social groups do so (ibid.). Millennials are also categorized as the digital generation since they have grown up in a digital world with 'smart' devices and digital features (ibid.).

1.1.3 Towards omni-channel retailing

The opportunities for retailers to sell through new channels, expand and perform their businesses in new geographic areas are creating a competitive retail environment (Grewal et al. 2006). Retailers are to an increasing extent realizing and taking advantage of the benefits of combining multiple channels, both physical and digital, towards an omni-channel environment (Bhardwaj and Fairhurst, 2009; Swedish Trade Federation, 2019b). Omni-channel aims for consistency across all channels and integration could be seen as the heart of omni-channel retailing according to Hossein et al. (2017). In omni-channel, physical retailing and e-commerce are not being seen as separate channels, but rather as an integration, which is to provide a seamless customer experience (Alexander and B. Cano, 2019). Accordingly, physical retailing and e-commerce are getting new roles in the retail environment when coexisting in the omni-channel environment (ibid.).

Moreover, it is predicted that e-commerce will continue to grow and play an even more vital role to people's everyday life in the years to come (Swedish Trade Federation, 2019b). According to KPMG DK (2018), there is a continuous interplay between technology and customer experience and the future challenge lies in not defining digital as a static end-state. Customers are increasingly expecting shopping experiences that are seamless and innovative and at the same time new technologies are generating new customer expectations on experience (ibid.). Bok (2016) is describing the Internet of Things technologies as 'smart' objects that are interrelated to one another and accordingly create a connected system. These 'smart' objects enable new ways of living, interacting and making business and are having

an impact on most industries today including the retail industry (Bok, 2016, Haller, 2008). The Internet of Things technologies have potential to provide traditional retailers tools to compete and coexist with online channels and enable the shopping journey to be more interactive and personalized (Bok, 2016; McKinsey, 2015). With continuous adoption of new technologies, the shopping behavior is changing and increasing in complexity (Blazquez, 2014; Ott and Sonneck, 2006). To keep up with future trends and driving forces within the retail industry, retailers must understand the customers' expectations and values and how these can be met by the implementation of new technologies (Blazquez, 2014).

In line with the digitalization, there are new customer values that influence customers' decision-making processes and shopping patterns (Swedish Trade Federation, 2019b). In order to understand the customer behavior, retailers need to see the customer as highly individual with dynamic needs and how these can change and affect one another (Ott and Sonneck, 2006). One need could be satisfied through one set of channels and another need could be generated by another set of channels (ibid.). Retailers must take the customer needs into consideration in order to meet the evolving customer values in an omni-channel environment and to provide the seamless customer experience omni-channel is striving for (Swedish Trade Federation, 2019b). The future of retailing lies in building a strategy based on the right mix of solutions and actions for a successful integration (Kamme and Sternås, 2018).

1.2 Problem definition

The Swedish Trade Federation (2019c) describes the retail industry as in a paradigm shift where the customer behavior is changing. The customers have, in line with the digital transformation, new demands and expectations that characterize and influence their shopping behaviors and decision-making processes (ibid). Retailers must be innovative and rethink their businesses to meet the evolving customer values (ibid). The literature, based on existing research in this area, states that one of the driving factors of the retail transformation is the changed customer behavior and the evolving customer values accordingly. Moreover, the existing literature indicates that the concept of omni-channel will be a matter of course in the future. There

is, however, to the authors' knowledge, a lack of studies on the evolving customer values in omni-channel retailing in Swedish retail.

It is stated by a customer behavior expert that too few retailers have genuine customer focus (Boström, 2016). Further on, it is discussed how several retailers lack customer insights and a challenge with adapting a customer-centric approach is that retailers do not know that much about their customers (ibid.). "All employees should know who the customer is and what they think and how the customer perceives the company. Customer insight is your rocket fuel for being customer-centric.", as stated following (ibid. paragraph 7). This indicates that there is a lack of knowledge among retailers on how to become customer-centric and meet the evolving customer values accordingly.

The digitalization and omni-channel retailing transform customers' shopping behavior and raise customers' expectations towards retailers accordingly (Becker et al. 2018). According to KPMG DK (2018), the future retail landscape is shaped by technology and customer experience and the interplay between these two. In line with this, retailers respond to this transformation by integrating in-store technologies (ibid.). According to McKinsey & Co. (2015), Internet of Things has several potential application areas in retail environments and could generate value for both retailers and customers. Becker et al. (2018) state that retailers easily get lost when they are to choose what technologies to integrate into their businesses and they tend to lack a starting point for their assessments. This indicates that retailers lack of knowledge on how to meet the evolving customer values with technologies, such as Internet of Things.

1.3 Purpose and Research questions

The purpose of this thesis is to provide Swedish retailers valuable material on how to adapt to the new customer behavior in an omni-channel environment. Further, this thesis has the purpose to guide future research on this subject and to provide the Digital Transformation & Innovation department, DTI, at KPMG, valuable knowledge in the context of consulting

current and new customers. The main research question is divided into three sub-questions, as stated in the following.

What are the key factors in meeting the evolving customer values in Swedish retail, from an omni-channel perspective?
RQ1a: What are the evolving customer values?
RQ1b: How can the Internet of Things technologies meet the evolving customer values?
RQ1c: What other key factors are important in meeting the evolving customer values?

1.4 Delimitation

Global companies and research are taken into account, although this thesis focuses on the retail industry in Sweden. In this thesis, the key factors in order to meet the evolving customer values in Swedish retail, from an omni-channel perspective, will be discussed on a high-level and with a retailer perspective. Factors such as customer segment and customer generation will not be taken into further consideration. Moreover, polls and interviews with customers will not be conducted in order to evaluate the customer perspective on customer values. The theoretical review in this thesis is based on existing literature on the subject and includes studies with customers' perspectives on customer values. It was considered by the authors that these combined with the interviews, would give a comprehensive view on customer values. Conducting a study with the customers' perspective on customer values could result in more or equal value to the thesis than the existing studies, but would require more time and resources than available.

Further on, segmentation based on brand, size and product/service assortment will not be further evaluated in relation to customer values. The goal is to give a high-level view on the evolving customer values in Swedish retail and not to be specific for different types of retailer. Additionally, the customer journey will not be analyzed step by step. There is a potential risk that not all customer values will be identified due to this, but this has been carefully taken into consideration in this study.

2 Methodology

This chapter presents the research perspectives and the methods for the literature review, the interviews, the empirical data compilation and the data analysis. Further on, the validation, conducted in order to secure the quality of this study, is described and motivated.

2.1 Theoretical review

A narrative literature analysis has been conducted in order to find relevant literature. According to Bell and Bryman (2017), a narrative literature analysis is better suited for qualitative researchers whose research strategy is based on an interpretive epistemology. The authors considered the interpretative research approach to be relevant due to its general flexibility and helpful in terms of enhancing the process of identifying a relevant scope and formulating research question with no pre-defined problem definition or hypothesis. In comparison to a systematic literature analysis, a narrative literature analysis is less focused and more comprehensive and is in general less explicit in context of determining whether a study is to be included or excluded as research material (Bell and Bryman, 2017). The goal of this study was to identify a research scope based on the existing literature and be able to contribute with new knowledge to the research area accordingly. The first step of the literature research was to find existing literature in relation to the research area that has been published. In the initial phase, the research questions were not formulated and various sources and literature related to the research area were taken into consideration. This enabled the authors to gain a better understanding of the research area and to find relevant keywords, formulate research questions and make further limitations of the study.

The collected literature consists of articles, books, reports and theses, both with national and international origin. Although the study is limited to the Swedish retail industry, international references have been used since they are considered to be of high relevance and contain valuable information. An example of this is countries that are ahead of Sweden in terms of omni-channel adoption, which could be used both as benchmarks and sources of information when evaluating the Swedish retail industry from a future perspective. One book has been borrowed from the Royal Library in Stockholm. Additional literature has been collected from Google Scholar and ResearchGate. Keywords that have been used are for example *Omni-channel retailing*, *Internet of Things technologies*, *Customer value* and *Customer experience*. Additionally, articles from KPMGs internal database have been collected. Getting access to these, enabled the authors to get an insight in KPMG's previous work and knowledge related to the research area.

2.2 Interviews

Three main expertise areas within retail were detected in relation to the research area and the research questions: *Customer values*, *Internet of Things* and *Omni-channel*. In order to gain in-depth knowledge and valuable insights into each area, interviews were selected as the main data source. The interview candidates are from the Swedish retail industry, working as in-house retailers or externals (divided into the sub-categories consulting, research, media and trade and commerce). It is to be noted that the candidates could have expertise or/and experience within one, two or three of the main expertise areas.

14 interviews have been conducted in total, with a total of 16 interviewees. Nine of the interviews were conducted face-to-face in Stockholm, one was on phone and the remaining four were on Skype/Teams. The covid-19 pandemic affected the last four booked interviews which initially were planned to be conducted face-to-face, but had to be on Skype/Microsoft Teams instead.

2.2.1 Interview technique

The methodology that has been used for the interviews is the method of semi-structured interviews. Using this method enabled having the same interview framework for each interview, but being able to adjust and adapt the questions for each interviewee (Bell and Bryman, 2017). Semi-structured interviews allow the interviewer to ask relevant follow-up questions and to change the order of the questions if needed (ibid.).

All interviews were recorded and afterwards fully or partly transcribed with permission from the interviewees. The content of the interview in combination with the relevance to the research area and the research questions accordingly, determined what interviews and what parts of each interview that was fully or partly described. Moreover, specific quotes that were to be used in the text were fully transcribed. Recording the interview enabled the interviewer to have full focus on listening to the interviewee's answers and ask relevant follow-up questions.

2.2.2 Interview framework

The interview framework was developed based on the research questions. It was divided into six clusters: *Background*, *Customer value*, *Omni-channel in physical stores*, *Internet of Things*, *Personal data*, *Future possibilities and risks*. The interview clusters and questions were weighted based on the research questions. Each cluster contained between two to six questions based on the weighing and was additionally modified for the interviewee if needed, as for example if the interviewee had in-depth knowledge in one of the expertise areas. The questions were developed in order to be relatively broad and open-ended. The purpose of having broad questions was due to the chosen interview technique, semi-structured interviews. In this method, the interviewer does not have to follow the framework strictly and follow-up questions are allowed in accordance. This enables having a common starting point for each interview, where each interview can take different directions depending on the discussions. The purpose of developing the questions to be open-ended was to get as much information as possible from the interviews. The interview framework is attached in **Appendix 8.1**.

The interview time was set to one and a half hours as standard based on the framework, but varied between 45 minutes and two hours, depending on the availability of the interviewee. Having the same interview framework for each interview benefited the comparison between the different interviewee's answers.

2.2.3 Interviewee selection

In order to find relevant interview candidates, research was conducted in order to find companies and individuals that are working with or have experience in the expertise areas. The interview candidates were initially contacted through LinkedIn or by e-mail. The authors' own networks were also taken advantage of in order to find interview candidates. Snowball sampling was additionally used in order to find further interview candidates. Snowball sampling is a method in which the participants in a research study are used in order to recruit more participants, according to Ghaljaie et al. (2017). "The snowball method not only takes little time but also provides the researcher with the opportunity to communicate better with the samples, as they are acquaintances of the first sample, and the first sample is linked to the researcher" as stated by Ghaljaie et al. (2017, p. 2). This method was applied to the interviews, as the last question in the interview framework was if the interviewee had any recommendation on another potential interview candidate.

Two categories were identified in order to choose interview candidates: practitioners within retail and externals within retail. The candidates were chosen based on professional experiences and expertise in relation to the research area and the research questions. Additionally, they had various levels of expertise and experience of *Customer values*, *Internet of Thing* and *Omni-channel*. This was taken into consideration before contacting interview candidates in order to get a mix among the interviewees. Having multiple perspectives was considered valuable in order to get comprehensive results and avoid bias. All interviewees were based in Sweden and the majority of the companies are of Swedish origin. The interviewees' professions and practical details of the interviews are presented in **Table 2.1**. The listed professions are those the interviewees had during the interview period and that the interviews were intended for and it is to be noted that these can have been changed at the time this thesis is published. The interviewees are

presented anonymously in order to protect their data integrity and to enhance objectiveness of the results.

Practitioners within retail

The practitioners within retail were candidates that either work and/or have relevant experience of working in a retail company. All of the candidates had a long professional background within the retail industry and been working within multiple retail areas. Some of the interviewees represented retail companies that are in the forefront of omni-channel strategy in Sweden, whereas others had limited experiences. This was confirmed when evaluating each company in general terms on how they worked with organizational questions related to omni-channel strategy.

Externals within retail

The externals within retail were candidates that work with retail externally, defined as not in-house at a retail company, and these were divided into the sub-categories consultant, research, media and trade and commerce. The purpose of interviewing externals was to gain broader perspective and valuable insights to the research area. Given the technical perspective, there was an aim to find externals that have expertise in omni-channel retailing in the context of Internet of Things technologies. Moreover, one candidate was a professor of marketing and retailing at a Swedish university, one candidate was from the media industry working with reporting and investigating the Swedish retail industry and three candidates were working within the trade and commerce sector. The last-mentioned candidates were primarily chosen in order to gain insight in new trends and customer behaviors in Swedish retail related to omni-channel.

Table 2.1 Interviewee list

Interviewee 1 CEO at a Swedish Retail Company within Home Electronics	**Practitioner within retail**	2020-02-19, 120 min Physical Interview, Stockholm
Interviewee 2 Co-founder of a Swedish E-commerce Pharmacy	**Practitioner within retail**	2020-02-24, 60 min Physical Interview, Stockholm
Interviewee 3 Director and Business Development in Retail at a IT & Services Company	**External within retail**	2020-03-03, 75 min Physical Interview, Stockholm
Interviewee 4 Professor at a Swedish Business School and Head of the University Center for Retailing	**External within retail**	2020-03-03, 60 min Telephone Interview
Interviewee 5 Editor in Chief at a Swedish Media Production Company Focusing on Retail	**External within retail**	2020-03-03, 75 min Physical Interview, Stockholm
Interviewee 6 CEO at a Swedish Company within Wine and Spirits	**Practitioner within retail**	2020-03-04, 75 min Physical Interview, Stockholm
Interviewee 7 CEO at two Swedish Retail Companies within Fashion	**Practitioner within retail**	2020-03-05, 75 min Physical Interview, Stockholm
Interviewee 8 & Interviewee 9 Interim Business Unit Director and Commerce Respective Tech Manager at a Digital Agency	**Externals within retail**	2020-03-11, 75 min Physical Interview, Stockholm
Interviewee 10 Former CEO at a Swedish Retail Company within Fashion	**Practitioner within retail**	2020-03-11, 60 min Physical Interview, Stockholm
Interviewee 11 Co-founder of a Swedish Retail Company within Fashion	**Practitioner within retail**	2020-03-13, 60 min Physical Interview, Stockholm

Interviewee 12 Founder of a Swedish Digital Agency Focusing on Customer Experience within Retail	**External within retail**	2020-03-13, 60 min Digital Interview
Interviewee 13 CEO, Co-founder and Senior Consultant at a Swedish Management Consulting Firm Focusing on Omni-Channel	**External within retail**	2020-03-17, 60 min Digital Interview
Interviewee 14 CEO at a Swedish Trade and Commerce Organization Focusing on E-commerce	**External within retail**	2020-04-01, 60 min Digital Interview
Interviewee 15 & Interviewee 16 Retail Analysts at a Swedish Research, Investigation & Analytics Company within Trade and Commerce	**Externals within retail**	2020-04-03, 60 min Digital Interview

2.3 Empirical data compilation

The interviews, with practitioners respective externals, provided the study with empirical qualitative data. The data was compiled for both perspectives respectively and divided into *Customer value*, *Internet of Things* and *Other factors* in accordance with the research questions. The compilation into *Customer value*, *Internet of Things* and *Other factors*, for both perspectives respectively, was conducted by identifying common themes and patterns in the results (Preece et al. 2015). The method used was a form of induction process, where one finding was put up initially, and then the authors searched for findings in relation to this (ibid.). This method was applied both when identifying and compiling customer values and Internet of Things applications areas. The method was also used in order to interpret and categorize findings that resulted in *Other factors.* Further on, each research question was discussed on a more general level in context of the findings for each research perspective.

2.4 Data analysis

The research perspectives in this study were the literature review (theoretical), the interviews with the practitioners within retail (empirical) and the interviews with the externals within retail (empirical). The method of triangulation was chosen in order to analyze the results for the three research areas respectively, *Customer values*, *Internet of Things* and *Other factors,* from all three research perspectives combined. Triangulation is a method used to develop a comprehensive understanding and justifying knowledge by gaining knowledge (Bell and Bryman, 2017). This theory refers to combining several research methods of the same phenomenon and is performed by combining multiple observers, theories and methods to overcome one single bias and gain multiple perspectives (ibid.).

The purpose of using the triangulation method in this study was to gain understanding and be able to map the integration between the three different research perspectives. The triangulation was conducted when the qualitative data from one research perspective was analyzed and compared to the data from the other two research perspectives, and was conducted repeatedly in all research areas. The purpose of the triangulation was to identify and evaluate similarities and differences between the different research perspectives and to summarize the findings on each area related to the research questions.

2.5 Validation

When collecting data there is an aim to reach saturation. If not reaching data saturation, the quality of the research and the content validity can be affected (Fusch and Ness, 2015). Fusch and Ness (2015) state that data saturation is achieved when "there is enough information to replicate the study when the ability to obtain additional new information has been attained, and when further coding is no longer feasible" (ibid. p.1408). In order to achieve data saturation when conducting a qualitative research one must ask the question "How many interviews are enough to reach and achieve data saturation?". Although data saturation is not a new concept and has been universally

discussed for many years, it is still difficult to define. Furthermore, Fusch and Ness (2015) discuss that there is no universal method for reaching data saturation since there is no universal research design. Even though there are no clear guidelines for how to achieve data saturation, the idea of data saturation is helpful when conducting a study. In reference to (Dibley, 2011) data is discussed in the terms rich respective thick, rich in terms of qualitative data and thick in terms of quantitative data.

The sample size chosen for this study was considered to the most suitable for this study in terms of time and resources. The authors strongly believed aiming for data saturation in this study with its resources primary depends on the depth of data rather than a large sample size research. Due to the delimitations of this study, the authors decided to conduct a data collection methodology that has been conducted before.

The application of data triangulation enhances the reliability of the results and data saturation attainment (Fusch and Ness, 2015). The triangulation of data involves different methods of how to collect and analyze the data (ibid.). The authors decided to conduct a methodological triangulation which implies multiple research methods to provide confirmation of the findings and increase the validity and understanding of studied phenomenon. Fusch and Ness (2015), with reference to Denzin (2009), argue that there is no single method, observer or theory that can capture all relevant information. Furthermore, they state that "triangulation is the way in which one explores different levels and perspectives of the same phenomenon. It is one method by which the validity of the study results are ensured" (p. 1411).

The authors had in mind that the data collection and triangulation could result in contradictory results. Due to the delimitations and the broad research area this study was conducted on a high-level with no further segmentations. It can be stated that data saturation has not been achieved and further research must be conducted in order to strengthen the result and to attain data saturation. It was up to the researchers to understand and demonstrate the richness of the result and through methodological triangulation ensure that it was rich in depth for its purpose.

The validation of this thesis was conducted by a senior manager within Customer Experience at KPMG DTI. The senior manager has several years of experience in this area and has additionally skills in business analytics and change management. The main purpose of conducting the validation with a

KPMG employee was to be able to provide KPMG with material that is in line with their earlier work and can be applied to both current and future projects.

The validation was conducted as a one hour meeting through Teams where the authors received feedback and discussed the findings with the senior manager. Afterwards, the authors summarized the key takeaways from the meeting and the thesis was updated in accordance with the general feedback. Further, the feedback from the senior manager was compiled to strengthen the credibility of the thesis and guide further research in terms of additional perspectives.

3 Theoretical review

This chapter has the purpose to present a comprehensive summary of the existing literature and previous findings accordingly, related to the research area and the research questions. In line with this, the theoretical review is divided into Omni-channel retailing, Customer values and Internet of Things.

3.1 Omni-channel retailing

The increasing complexity of the retail environment has generated new ways of retailing (Ott and Sonneck, 2006). As it becomes more common to interact with customers through multiple channels, the distinction between what is offline and online is starting to diminish (Rigby, 2011). To understand omni-channel, one has to understand multi-channel, as omni-channel can be described as an evolution of multi-channel (Hossein et al. 2017). According to Beck et al. (2015, p. 174), multi-channel retailing is defined as "the set of activities involved in selling merchandise or services through more than one channel or all widespread channels, whereby the customer cannot trigger channel interaction and/or the retailer does not control channel integration". This is when the different channels are not integrated and although the customer can use multiple channels, the customer cannot start the purchase in one channel and end it in another.

Omni-channel strategy is contributing to a more dynamic retail industry and companies are driven to do business in line with customers' needs and not only by the traditional organizational structure (McKinsey & Co. 2016). The strategy is customer-centric and aims for consistency within the brand through all channels (ibid). Omni-channel retailing is based on the concept of integrating and uniting all channels, to create a new shopping platform where channels complement each other towards a connected customer (Hossein et al. 2017). Further on, Beck and Rygl (2015, p. 175) defines omni-channel retailing as "the set of activities involved in selling merchandise or

services through all widespread channels, whereby the customer can trigger full channel interaction and/or the retailer controls full channel integration". This refers to the opportunity for customer to move cross channels that are fully integrated with one another. It is to be noted that omni-channel retailing, in this definition, refers to full channel interaction for either both customer and retailer or solely one of the parties (ibid.). It is further on to be remarked that there can be a noteworthy difference between omni-channel retailing theoretically and practically. The definitions of multi-channel and omni-channel by Beck and Rygl (2017) is used consequently in this thesis.

3.1.1 Channels in omni-channel retailing

Channel is defined as "a customer contact point or a medium through which the company and the customer interact" by Beck and Rygl (2015), and this definition is used thoroughly in this thesis. The retail landscape of today is dominated by new formats of the digital and physical channels (Ott and Sonneck, 2006). Both traditional store-based retailers and retailers only using e-commerce are exploring new ways to communicate with customers by adding more channels to their businesses (ibid). When evolving into omni-channel retailing, retailers integrate and adopt new channels in order to reach new markets, grow their revenues and establish loyal customer-brand relationships (Perry et al. 2019). Channels can be used both as platforms for communication and/or transaction and it is increasingly complex to understand which channels that were used, and for what reason, during the shopping journey (Weitz, 2006). The differences between channels are shrinking in general, in accordance with the technical development and the integration of new channels (Lemon and Verhoef, 2016).

According to Lemon and Verhoef (2016), the customers' choices of channels have influence on one another due to "lock-in effects, channel inertia and cross-channel synergies". Furthermore, it is suggested by Melero et al. (2016), that one essential driver of customer channel behavior is the level of integration in the channel. Thus, a high degree of transparent channel integration and desirable customer behavior are associated with one another (ibid.). Further on, there are differences among channels when it comes to benefits and costs (Lemon and Verhoef, 2016). It is common that one channel is for example more specifically developed for a certain stage in the customer journey in comparison to the other channels (ibid.). According to Hossein et

al. (2017), retailers are facing customer dissatisfaction when not all channels are integrated in an omni-channel environment.

The physical store

The physical store, also referred to as brick and mortar store, is a store with fixed location (Eliasson Sternås and Kamme, 2018). In comparison to digital channels, the physical store provides the customer with the opportunity to "feel, touch and try the product, as well as feel the shop atmosphere", which there still is a customer request for (Cuthbertson and Wojciech, 2014, Paragraph "Changing Role of the Physical Store"). Due to the growth of new channels, the physical store is going through a transformation and its future role and format are uncertain (Alexander and B Cano, 2019).

Throughout history there have been various formats of the physical store such as department stores, factory outlets and niche stores, as suggested by Eliasson Sternås and Kamme (2018). The characteristic for a department store is a single building with a wide product range and in-store service (ibid.). The store is traditionally physically divided into sections based on product category and are often located in large urban cities, but can also be seen in suburban malls (Koumbis and Shaw, 2017). A factory outlet is a type of discount store which has the characteristics of selling quality clothes to noteable discounts (Eliasson Sternås and Kamme, 2018). Discount stores have in general wide product selection, but the in-store service can be limited in comparison to other store formats (ibid.).

A niche store on the other hand, is a store that focuses on a specific product range, but can appear in both small and large formats depending on the retailer (Eliasson Sternås and Kamme, 2018; Koumbis and Shaw, 2017). This type of store has in general focus on a particular market segment and offers high level of service and expertise in the specific niche area (Eliasson Sternås and Kamme, 2018). The market segmentation is varied and could be low, middle or high depending on market position and the product assortment (Koumbis and Shaw, 2017)

Kassim and Hussin (2019, p. 254) describes that physical stores are especially well-suited for products that have "significant high-touch elements or significant non-digital attributes". With the combination of online information and various shopping channels, the format of the physical store can become both a delivery hybrid or a showroom. The concept of a

delivery hybrid, also referred to as Click and Collect service, is to utilize the physical store to pick up products when having placed the order online and the possibility to order online and exchange/return in store (Alexander and B Cano, 2019, Kassim and Hussin, 2019). Showrooming is when customers utilize the physical store to see and access product information but continuing the purchase through other channels (ibid). Other more temporary formats in physical retail are pop-up stores and flagship stores (Rosso et al. 2012). They have the purpose of creating a branded experience by interaction and communication with the customer (ibid.). Retailers are increasingly exploring new ways to make the in-store experience engaging and entertaining, to enhance the experience that is unavailable and impossible to get online (Rigby, 2011). Furthermore, research shows that physical stores can add value to other channels, especially the digital ones. The studies show that opening a physical store in a specific area can increase the digital activity in the same area, which indicates the possibility for retailers to find relevant formats of their physical stores, so that these can complement their other channels (ibid.).

E-commerce

Over the past years, e-commerce has grown significantly (Swedish Trade Federation, 2019b). With the rise of e-commerce, it was predicted that the digital channels would come to outconquer all physical channels such as the physical stores and paper catalogues (Witz, 2006). Today, it is realized that e-commerce will not replace other channels but will become a vital tool within the retail industry (Swedish Trade Federation, 2019b).

The digital retailing is continuing to grow and enabling new opportunities for retailers (Rigby, 2011). The most significant benefit of the digital channel is personalization according to Weitz (2006, p. 312) and describes it as in terms of "use the Internet's interactive capabilities to economically personalize information". The Internet enables several opportunities for retailers to gather large amounts of data and create unique and customized brands that are not limited by traditional retailing in terms of how to merchandise and sell products (Rigby, 2011; Weitz, 2006). Further on, the Internet offers price transparency with multiple sources of information and a greater selection of products (ibid). The online customer can compare wide ranges of products and access information that is frequently updated and available at any time, which increases the likelihood of a purchase (Blazquez, 2014).

Although the digital channels are generating great benefits in general, there are notable limitations that are affecting the growth of e-commerce (ibid.). Weitz (2006) are referring to these limitations as the vulnerability within the Internet, as for example the customer integrity. Still, retailers can approach these limitations to their benefit by establishing trust among customers (ibid.). In line with this, Chandan Kumar and Mimansa (2016, Abstract) state that "the main obstruction in the growth of e-commerce is information or data security, cyber fraud and integrity".

Mobile devices

Shopping through mobile devices is increasingly popular and mobile devices have become important tools within omni-channel retailing (Perry et al. 2019). Wang et al. (2015) describes mobile shopping, also referred to as M-shopping, as when customers use smartphones to communicate, modify and place orders online. Further on, with the usage of mobile devices, retailers can interact with customers through mobile applications (apps), mobile browsers and websites (ibid.). Retailers with an existing website can easily utilize its infrastructure to support the mobile storefront (ibid.). Mobile devices are considered to have an important role throughout the shopping journey, both during the pre-shopping phase, when finding inspiration and product/brand information, and while shopping in store (Perry et al. 2019).

The mobile device can both be seen as an online channel and a tool for bridging digital and physical retail environments (Perry et al. 2019). Research shows that customers believe their own mobile devices are the most important tools when shopping online and in the physical store (Blazquez, 2014). Mobile channels can accordingly, in a direct way, interact and interfere with other channels (Lemon and Verhoef, 2016). An example of this is showrooming, the act in store when the customer researches a product online on their mobile device in order to find the best offer (ibid.). In this way, mobile devices can give rise to cross-channel synergies since the customer can get the product at a lower price as well as getting a sense of 'smart' shopping experience in store (ibid.).

Social media

Social media is having an increasing presence in people's everyday life and is accordingly more integrated in retail (KPMG International, 2018). As with the rise of mobile technologies, social media is growing and in today's retail

landscape the customer "brings into the store their whole social network" (Cuthbertson and Piotrowicz, 2014, Paragraph "Role of Social Media"). These new technologies have enabled a new situation where the customer can for example check product rating, promote a product or share their shopping journey online (Cuthbertson and Piotrowicz, 2014). Social media enhance opportunities for more connectivity and customers can share pictures, videos and comments of their experiences online with their social networks (ibid.).

For millennials, social media is the primary tool used to interact with companies and their brands accordingly (KPMG, 2019). Further on, the millennial generation has an influence on the older generations, as for example their parents, in context of using and being present in these channels. According to a study from 2018, conducted by KPMG CEO Outlook, "38 % of CEOs believe that their brand needs repositioning to meet the needs of millennials" (KPMG International, 2018, p. 18). This shows great indication that the need to be present on social media platforms is being valued by several companies on a management level (ibid.).

Due to the increased customer presence on social media platforms, retailers need to engage in these new interaction points (KPMG International, 2019). Today, social media has been embedded in many customers' shopping journeys and companies gain great benefits when being present on social media platforms, as for example in terms of establishing stronger customer-brand relationships (Kassim and Hussin, 2019; KPMG International, 2019). Social networks have significant influence in the beginning of the shopping journey when people use social media to seek advice and inspiration (Blazquez, 2014). Companies primarily use social media platforms such as Facebook and Instagram for advertising, as for example targeted ads (KPMG International, 2019). Additionally, social media platforms have begun to be used as a new transaction channel, as for example Instagram has shop-able posts (ibid.).

3.2 Customer values

When analyzing the digital evolution and the future of retail, retailers need to understand the customer of tomorrow, the evolving customer with new needs and values (KPMG International, 2018). According to Blazquez

(2014), value is a reflection of the consumption experience as a whole and cannot be limited to product acquisition. Further, Kuusela et al. (2007) discusses that there is no generally approved definition of customer value. Still, "many authors agree on two issues: a customer value should be defined from the customer perspective, and it has a key strategic role within the organization in pursuit of competitive advantage" as stated by Kuusela et al. (2007, p. 622). These two perspectives confirm the complexity in defining customer value. In accordance, there is no explicit definition for customer value in this thesis, but it is referred to as the customer's satisfaction throughout the customer journey, including pre and post purchase.

Customer values have traditionally been divided into two consumption styles, the hedonic and the utilitarian (Yılmaz et al. 2018). Describing the customer values as hedonic and utilitarian is important when analyzing customer behavior since these are both present throughout the shopping journey (Blazquez, 2014). The hedonic customer is individualistic and subjective throughout the shopping journey. Additionally, this type of customer aims for a shopping experience that is multi-sensual and emotive and strives for good and services that are pleasurable and enjoyable (ibid.). In contrast to the hedonic customer, the utilitarian customer value rationality and reliability (ibid). The utilitarian considers their shopping journey to be cognitive and non-emotional, this type of customer is viewed as a rational problem solver (Yılmaz et al. 2018).

Traditional retailing was easier to divide into hedonic and utilitarian (Blazquez, 2014). The physical store was strongly associated with the hedonic cognitive experience because of its visible nature and experiential and emotionally engaging attributes (ibid.). The utilitarian motivation was instead often associated with the online environment because of its broad product assortment and every-hour availability (Blazquez, 2014; Perry et al. 2019). Today, research shows that the distinction no longer applies and that both attitudes are important when shopping both online and in physical stores (Blazquez, 2014). This indicates that the customer values when shopping, hedonic and utilitarian, are both present throughout the shopping journey despite channel (ibid.). Online retailers must use hedonic attributes such as influencing with emotion and on cognitive states when interacting with customers, and the physical stores must add value to the utilitarian experience through convenience and flexibility (Alexander and B Cano, 2019).

KPMG International (2019) presents that a third of today's customers choose retailers based on their environmental and social impacts. The younger generations have in general a more emotional driven behavior and are highly prioritizing values such as sustainability when shopping. Furthermore, today's connected generations are requiring more from retailers (ibid.). It is not enough for the retailer to state how they are working towards for example sustainability through campaigns and advertising, retailers must be transparent with their actions and what tools they will enhance throughout the organization to succeed with their missions (ibid.).

The behavior of omni-channel customers differs from traditional retail customers' (Cook, 2014). In general, these customers are better informed, technology used and also have higher demands towards the retailers they interact with (ibid.). They additionally tend to become very loyal customers towards the retailers who succeed on those terms, and therefore also very profitable for the company according to Cook (2014). Still, it has to be noted that for the customers, the main relevance is not if the retailer operates cross-channel, multi-channel or omni-channel, but rather if the retailer can give them what they want in terms of their needs and desires in a convenient and enjoyable way (ibid.). "Customers think about value, not channels" as stated by Cook (2014, p. 262).

Furthermore, McKinsey & Co. published in 2016 an article on this titled "Linking the customer experience to value" and states that "executives are quick to see the end-game benefits of a customer-centric strategy: more satisfied customers, increased loyalty, a lower cost to serve, and more engaged employees. But they often fail to understand clearly what a superior customer experience is worth and exactly how it will generate value." (Maynes and Rawson, 2016, Paragraph one), which suggests <u>the importance of linking the customer experience to customer values</u>.

3.2.1 Customer experience

Together with the evolving customer values, the experience of purchasing is being redefined and the business has come to realize that <u>how</u> a company is interacting with its customers is equally important as <u>what</u> they deliver (McKinsey & Co. 2016). Customer experience is often described as a "social" experience, how an organization interacts and delivers to customers (ibid.). There are several definitions of customer experience in the existing

literature (Lemon and Verhoef, 2016). One alternative view presented by Lemon and Verhoef (2016), with reference to Schmitt (1999), is the multidimensional perspective that identifies five categories of experience as following: sensory (sense), affective (feel), cognitive (think), physical (act) and social-identity (relate). Additionally, customer experience can be defined as following as suggested by De Keyser et al. (2015, p. 15), "Customer experience is comprised of the cognitive, emotional, physical, sensorial, and social elements that mark the customer's direct or indirect interaction with a (set of) market actor(s)". The last quoted definition of customer experience by De Keyser et al. is applied consequently in this thesis.

Due to the fact that customers today interact and communicate with retailers through multiple touchpoints and channels, the customer journey has become more complex and accordingly the retailers' focus on customer experience has increased (Lemon and Verhoef, 2016). Today, retailers have remarkably less control over the customer experience and the customer journey due to customer-to-customer interaction on for example social media and customer behaviors such as showrooming (ibid). Globally, customer experience has, according to De Keyser et al. (2015), become a top priority among business executives and is additionally pointed out as a key driver of long-time corporate success.

The Six Pillars of Customer Experience Excellence

KPMG International (2018) has identified and validated six fundamental components of great customer experience, called *The Six Pillars of Customer Experience Excellence*. These are based on almost a decade of research on different markets and are in total based on 14 countries (Sweden is not included), 54,233 customers, c. 1,400 cross-sector brands and 593,355 individual brand evaluations (ibid.). The six pillars categorization is about combining today's and tomorrow's experiences, having one foot in the future, as stated by KPMG International (2018). The six pillars are relevant for both B2C and B2B as well as for both the customer and employee perspective (ibid.). The six pillars are listed and defined below.

Personalization:

"Using individualized attention to drive emotional connection." (ibid. p. 10)

Integrity:

“Being trustworthy and engendering trust.” (ibid.)

Expectations:

“Managing, meeting and exceeding customer expectations.” (ibid. p.11)

Time and Effort:

“Minimizing customer effort and creating frictionless processes.” (ibid.)

Resolution:

“Turning a poor experience into a great one.” (ibid.)

Empathy:

“Achieving an understanding of the customer’s circumstances to drive deep rapport.” (ibid.)

3.3 Internet of Things

Internet of Things is defined as “a world where physical objects are seamlessly integrated into the information network, and where the physical objects can become active participants in business processes. Services are available to interact with these ‘smart’ objects over the Internet, query their state and any information associated with them, taking into account security and privacy issues” by Haller et al. (2008, p. 2). According to Kalange et al. (2017, p. 263), Internet of Things is described as “a system of interrelated computing devices, digital machines, objects which are provided with unique id and they have the ability to exchange data over the IoT devices without requiring human or machine interaction”. The definition by Haller in combination with the one by Kalenge et al. are used consequently in this thesis.

3.3.1 Implementation in the retail industry

Technology can be used both to enhance the in-store experience and the experience when shopping online (Blazquez, 2014). When creating a digital ecosystem and implementing advanced technologies, retailers need to both evaluate benefits/opportunities and risks/threats in accordance (Hossein et al. 2017). The challenges lie in for example how to generate customer data through omni-channel touchpoints and create a competitive data-driven strategy (ibid). It is stated by Kalange et al. (2017), that trust is the most essential factor in order for Internet of Things devices to operate properly, in terms of both the physical and digital landscape. Blazquez (20149 describes that retailers must understand the relevance of technology devices and services. Technology is a key element for a successful omni integration within all channels, but must be well thought through in terms of what value it provides and if it meets the customer expectations (ibid.).

A practitioner-oriented workshop in 2013, was conducted as following the Oxford Retail Futures Conference: New Technologies, Business Models and Customer Experience in 2012, and both events were parts of a project by Oxford Institute of Retail Management (Cuthbertson and Piotrowicz, 2014). In the workshop, there was an agreement among those interviewed "that technology should solve problems, not generate new ones; it should not be implemented just "to be there," but for a defined reason." (ibid. Paragraph "Impact of Information Technology on Retail"). In summarizing, the key factors for implementation of technology in the retail industry from the discussion in the focus groups at both events with academics and practitioners were the following: "channel integration, impact of mobile technologies, influential of social media, changing role of the physical brick-and-mortar-store, diversity in customer requirements, balance between personalization and privacy and need for supply chain redesign" (ibid. Abstract).

Caro and Sadr (2019) argue that the Internet of Things have a fundamental role in omni-channel retailing and channel integration. When providing several channels, a more advanced supply chain operation is required and an integration of all customer touchpoints (ibid.). Caro and Sadr (2019 p. 48) argue that "IoT can play a fundamental role in bridging supply and demand and that it can act as a countermeasure to the widening gap between information and fulfillment". By adopting 'intelligent' connected devices, retailers enhance the opportunity to bring objects, customers and activities

together (Accenture, 2015). The Internet of Things technologies will grow rapidly in accordance with with less expensive, improved technologies and the maturity towards adoption of common standards (ibid.). Additionally, retailers will increasingly explore how to create a digital ecosystem by using 'intelligent' and 'smart' devices to innovate their services (Bok, 2016). By using Internet of Things technologies, retailers have the opportunity to improve their operational efficiencies and in the more complex supply chains, retailers can use 'intelligent' connected devices to optimize operations throughout the organization (Accenture, 2015).

In the section below, Internet of Things technologies that can be implemented to meet the evolving customer values in omni-channel retailing are presented.

Augmented Reality (AR)

Augmented Reality, AR, is a technology that combines real world environment with virtual elements (Bonetti et al. 2017). Bonetti et al. (2017), with reference to Olsson et al. (2013, p. 288), describes the technology as "to combine real and computer-generated digital information into the users view of the physical world in such a way they appear as one environments". Further on, by using digital cameras or smartphones, AR can capture real-world data and enable interaction with virtual products (ibid.). In this context, AR differentiates itself from VR since it gives the user access to both worlds, the real and virtual one (Perry et al. 2019). In the retail environments, retailers can use AR technology to enhance the shopping experience by enabling virtual interactions between the customer and the brand (Bonetti et al. 2017; Perry et al. 2019). Retailers are using AR technology in several different formats to improve the customer experience both in-store and when shopping online (Perry et al. 2019).

Automated Checkouts

According to Bok (2016), one of the biggest sources of frustration in retail is queuing in line for the checkout. With the usage of Internet of Things technologies, there is potential in completely replacing the traditional checkout desks and saving time for customers as a consequence (ibid.). Bok (2016) discusses how the usage of electronic tags, as for example RFID tags, can be read by the automated checkout system, counting up the prices and following transfer the information to a wireless payment system, which can provide the customer a more convenient and smooth payment process.

Beacon

Beacon is a geo-targeting technology that is used for location-based interactivity and can provide retailers information about in-store movements by tracking customers (Perry et al. 2019). This technology is particularly used in physical stores to connect and interact with customers by providing real-time in-store promotions (Bok, 2016). Customers are identified when their mobile devices connect with beacons in the in-store environments (ibid.). Through the mobile device, the customer extracts information about previous purchases and preferences and in combination with sharing real-time in-store location data with the retailer, the customer can receive customized offers and information (ibid.). The beacon technology gives the retailer the opportunity to provide personalized services and a greater understanding of the customer behavior (Perry et al. 2019).

Digital shelves

Bok (2006) argues that one of the main sources of frustration for customers is not finding the product they are looking for and therefore the out-of-stock status is a critical key point in order to meet the customer values. Further on, Bok (2006, p. 4) states that "On Shelf Availability (OSA) is thus a key metric in ensuring a positive customer experience" and "leveraging IoT capabilities for OSA will significantly enhance the overall customer shopping experience". In the physical store environment, 'smart' shelves can detect and notify when the stock is low (Gregory, 2015). Digital shelves can be implemented both in the in-store environment, in terms of replenishment and real-time inventory monitoring, and in the stock/factory environment where sensors can be used in order to track height and weight of stock items in inventory and can trigger reordering automatically when needed (McKinsey & Co. 2015).

Mobile Point of Sale (mPOS)

Mobile Point of Sale, mPOS, technology is wireless connected devices, such as a smartphone or tablets, functioning as for example cash registers (Lestariningati, 2018). This technology could potentially remove the need for traditional static cashier desks by making the payment process mobile (ibid.). Lestariningati (2018, p. 2) further on discusses how mPOS devices has low energy consumption and can be easily carried around in the physical store and additionally states "there are several advantages to POS systems, besides

the use of sales data from a POS system for marketing purposes, time consuming administrative activities like ordering, customer management, stock control, can be reduced".

RFID

Radio Frequency Identification, RFID, "provides the opportunity to give everyday objects (such as food, clothing, furniture) a digital identity", according to Bok (2016, p. 3). RFID technologies can benefit both the customer and the employees (ibid.). In the physical store, a RFID location map can help the retailer to locate misplaced items (ibid.). Additionally, there are several applicable steps in the supply chain where RFID tags can be utilized as discussed by Gregory (2015). An example of this is that RFID technologies can improve the precision of inventory tracking (ibid.). Gregory (2015) further on remarks how this technology could be beneficial for employees, in terms of improving the process of tracking products in the supply chain, and for customers, in terms of tracking customized products in the production and distribution process (ibid.). Additionally, RFID tags can be utilized in the process of automated checkouts when the product tag is scanned (Bok, 2016).

Virtual Reality (VR)

Virtual Reality, VR, technologies often appear as wearable devices that enable the user to engage with a virtual 3D environment (Bonetti et al. 2017). By wearing the wearable device, often a type of headset, the real-world experiences are blocked out and the user can physically interact in real-time with a virtual world (ibid.). In order to succeed with VR, the headsets must be comfortable and the software that creates visual effects must be reliable and credible (Perry et al. 2019). Retailers are using VR to improve the customer experience both in store and when shopping online (ibid.). Customers can use VR to further explore and interact with the brand, to be part of retailers' fashion shows and exhibitions for example (ibid.). Customers can also use the technology to virtually interact and experience the products from their homes, as a complement to online shopping (Bonetti et al. 2017). Today, VR is in an early stage of implementation and the customers' acceptance and attitude towards this technology is limited (Perry et al. 2019).

QR codes

The Quick Response, QR, code, is a two-dimensional matrix barcode that has the ability to contain several different types of information regarding the product, as for example URLs or images (Murdock and Sang Ryo, 2013). By printing QR codes on products or in advertising, as for example printed ads or product packages, customers can scan the code with their mobile phone, "with a built-in camera and QR code reader software" (ibid. p. 112), and in this way, get access to further content or product information (ibid.). "QR code applications demonstrate that retailers utilize the code to offer customers more enjoyable shopping experience (non-utilitarian) as well as shopping information and convenience (utilitarian) via mobile phones", as stated by Murdock and Sang Ryu (2013, p. 113).

3.3.2 The employee perspective

Another perspective of the implementation of technology is the employees and as stated by Cuthbertson and Piotrowicz (2014), the purpose of implementing technology in store should be to complement the store employees, rather than replacing them. Two of the identified potential challenges in technology integration is to get the store employees aboard with the usage of technology and how it can become a valuable complementary tool to their work tasks (Bok, 2016). For example, lack of technology expertise and part-time employment are two possible barriers among store employees (Cuthbertson and Piotrowicz, 2014). This indicates on the importance of training and promotion of technology for employees in order to success with technology implementation (ibid.) Further on, due to the increasing amount of data generated by Internet of Things devices, there might be an increasing need for new kinds of workers such as data analysts and engineers within the retail industry (Bok, 2016).

Retailers are exploring new ways to provide employees with technical tools to enhance the shopping experience and one example of technology enablement for store employees is hand-held technology (Alexander and B Cano, 2019; Cook, 2014). Providing store employees with hand-held devices could enable their work in terms of being able to recognize customers through the devices based on recent activity as for example (Cook, 2014). Another employee user area of hand-held devices is for transactions, mobile points of sale (mPOS), which could enable the employee to proceed with the

transaction process on the shop floor (Alexander and B Cano, 2019; Cook, 2014). In order to serve omni-channel customers, retailers need to make use of 'smart' technologies in terms of collecting and analyzing data on the customers that can provide the employees with important information when serving those customers (Cook, 2014). The whole organisation must be working towards creating value for the end-customer as stated by the Swedish Trade Federation (2019b).

4 Empirical findings

In this chapter, the empirical findings from the interviews with the practitioners respective the externals within retail are presented in Customer values, Internet of Things and Other factors, in accordance with the research questions. The interviewees' thoughts on each area as well as their general thoughts and reflections on the Swedish retail industry and its future are presented. The findings are presented for both research perspectives respectively, firstly for the practitioners and secondly the externals.

4.1 Practitioners in retail

In this section, the findings from the interviews with the practitioners within retail are presented. The practitioners work in-house at retail companies in Sweden with different retail backgrounds and have various expertise.

Table 4.1 Further information about each interviewee from the interviews with the practitioners within retail

Interviewee	Current position	Additional information
Interviewee 1	CEO at a Swedish Retail Company within Home Electronics	✦ Reward winning retail company in omni-channel strategy ✦ Years of experience within the Telecom sector
Interviewee 2	Co-founder of a Swedish E-commerce Pharmacy	✦ Co-founder of an omni-channel solution company (RFID based product) ✦ Expertise in e-commerce
Interviewee 6	CEO at a Swedish Company within Wine and Spirits	✦ Years of experience within fashion retail ✦ Board member of a label manufacturing company (investigates RFID technologies)
Interviewee 7	CEO at two Swedish Retail Companies within Fashion	✦ Years of experience at one of the leading re-seller companies of IT-products and services ✦ Founder of a consulting firm focusing on e-commerce strategy
Interviewee 10	Former CEO at a Swedish Retail Company within Fashion	✦ Years of experience as CEO at two leading fashion retail companies ✦ Board member at several fashion retail companies
Interviewee 11	Co-founder of a Swedish Retail Company within Fashion	✦ Years of experience within retail as co-founder of a high-end fashion company ✦ Expertise in purpose-driven retail

4.1.1 Customer values

The customer values below are the ones that are highlighted by the practitioners. These have been divided into different clusters based on common themes and patterns. Additionally, the key takeaway in terms of customer values in omni-channel retailing are presented accordingly. The compilation of the findings from the interviews with the practitioners on customer values resulted in six clusters of customer values, **Interactivity**, **Loyalty, Personalization**, **Price and Product**, **Shopping ease** and **Transparency**. Price and Product is included in the result, but is not considered to be an evolving customer value. Price and Product has traditionally been an important customer value and a strong driver within the retail industry with a product-centered approach.

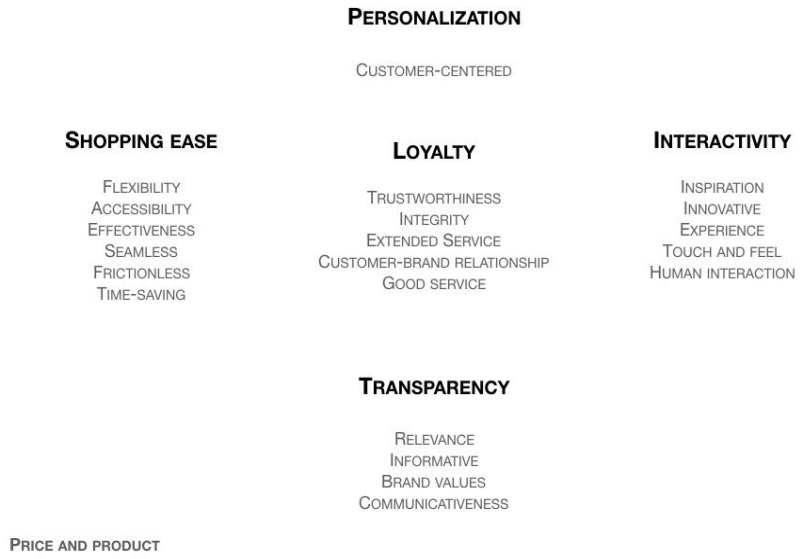

Figure 4.1 Visualization of the compiled result on customer values from the interviews with the practitioners

All of the practitioners agree on that *shopping ease* is an essential customer value. Shopping ease is discussed in terms of providing a convenient customer journey. They argue that shopping should be smooth and highlighted *time-saving* in terms of easy to find and clear information well-integrated in all channels throughout the shopping journey. All of the participants discuss the importance of providing *accessibility* and *flexibility* for customers. Interviewee 2 especially described accessibility for customers in terms of how to access the product/service and terms of delivery and Interviewee 1 adds that it is crucial for retailers to provide a shopping journey that is flexible with several options for the customer. Both Interviewee 2 and Interviewee 1 are Co-founder respectively CEO at companies that started as pure e-commerce retailers. Further on, Interviewee 7 strongly believes that retailers should provide "straightforward" service, meaning to operate with *effectiveness* and to always keep focus on the actual problem. Interviewee 7 had this mindset when the interviewee restructured and turned around the retail company that the interviewee is CEO of. Interviewee 1 agrees with the concept of being "straightforward" in terms of providing services that are

relevant and directly linked to customer values. Moreover, the practitioners agree on the importance of providing services that are of *relevance* and *informative*. These have a close interplay with *transparency* since they are based on what and how the retailer communicates with the customers. In this context, Interviewee 7 states that a successful customer experience is to exceed the customers' expectations, as for example delivering a product in a shorter time than promised.

Some customer values are hygiene factors in retail today, as *price and product*, according to Interviewee 6, who is CEO at a Swedish wine and spirits company and additionally has several years of experiences within fashion retail. Furthermore, Interviewee 6 remarks that retailers do not get away with anything 'bad' anymore and the fashion industry has been under a lot of pressure to become transparent in, for example, environmental issues. *Transparency* was highlighted by most of the practitioners and Interviewee 1, who is CEO at a big home electronic retail company, following states that transparency has become an important customer value in the retail landscape of today.

As customers being more informed and goal-oriented when shopping, Interviewee 11 argues that *loyalty* and service are increasingly important. Interviewee 11 is Co-founder at a Swedish high-end retail company and strongly believes in extended services as customization of products and expertise services in the physical store. Interviewee 1 continues that providing personal and extended services enable a closer and loyal relationship with the customer, which is highly prioritized at the company the interviewee represents. Interviewee 1 additionally adds that it is of value for the customer to have the possibility to receive a personalized experience in accordance with their own values and lifestyle. All practitioners highlight *personalization* as the main benefit for customers in an omni-channel environment. In context of personalization, all of the practitioners agree on the value of having the customer *integrity* in mind in order to establish trustworthy *customer-brand relationships*.

When it comes to the physical store, Interviewee 2 states that the customer values in physical retailing do not differ so much compared to the digital, essentially it is about "checking out with as few clicks as possible". Another perspective, in terms of the physical compared to the digital environment, is

that there is a remarkable difference in terms of the customer demand on frictionless shopping according to Interviewee 11. The interviewee is a former CEO at a fashion retail company and has several years of experience of both physical and digital retailing.

> *"Since I started shopping only online, if at some point, I have to go and shop in the physical store, then it will be like this "but now I go and do your job as picking items, walking and carrying them around". Because once you have adjusted, then you realize how much you accepted in this physical experience that you absolutely do not accept in the digital. I would say that you have much higher demands on frictionless online than you have in the physical store. In the physical store, you can stand in line for a while, it can be a size that is wrong when you are to try it on... you have a different tolerance there because that is how it is in the physical store, but online the competitors are just a click away." (*Interviewee 11, Former CEO at a Swedish Retail Company within Fashion, 2020)

Interviewee 11 highlights that the customers demand and expectations are different in the online respective offline channels. Interviewee 6 discusses that the main two customer values that the physical store can compete with are *"touch and feel"* products and *personnel service* as stated below. The interviewee has several years of experience within the fashion industry and physical retailing accordingly.

> *"The only thing physical stores can compete with, which you can't get when you sit on the couch at home and order online, is service. Touch and feel products and personnel service." (*Interviewee 6, CEO at Company within Wine and Spirits, 2020)

4.1.2 Internet of Things

The Internet of Things application areas and technologies, in context of the research area, that are highlighted by the practitioners are presented in the figure below. The application areas that were identified from the empirical findings are **Experience, Logistics, Payment** and **Personalization**.

Figure 4.2 Internet of Things application areas and technologies highlighted by the externals

There is a general agreement among the practitioners that when it comes to implementing new technologies, it is essential to find the right timing, meaning not too early, but neither too late. Interviewee 11 who is Co-founder of a high-end fashion company, remarks that they have a management interest in developing their digital services but states that this is a cost issue and requires investors. The interviewee additionally argues that there are several Internet of Things technologies with potential in fashion retail, as for example *digital mirrors,* which could enhance personalization and experience.

Interviewee 1 discusses how all of the home electronics products at the retail company the interviewee is CEO at, are connected with specific *QR codes*. When customers are scanning the QR-code of an item, by using their smartphone camera, they are directly linked to the company website where they can find additional information on the specific product. This is one example of how this home electronics retail company uses technologies to enhance the experience and the logistics. Interviewee 1 and Interview 2, who represent companies that have their origins in e-commerce, strongly believe there is a restraint among customers in the digital landscape due to "too many apps" and advanced complexity accordingly. Despite this, Interviewee 1 predicts a great potential for retailers with the usage of mobile devices, such as smartphones, in store.

Besides QR codes, *RFID* technologies are discussed by the practitioners, in terms of logistics and payment. Interviewee 6 is a board member at a company that manufactures labels for retailers and investigates the potential of RFID accordingly. The interviewee discusses RFID in terms of optimizing inventory and enhancing automated checkouts processes where RFID tags

can be directly scanned and result in a future scenario where cashier desks will not be needed. Interviewee 2 did before his/her current position, co-found an omni-channel solution company based on RFID tags, and discusses the potential benefits of RFID in terms of simplifying and enhancing the customer's shopping experience based on optimizing the supply chain.

Moreover, *Augmented Reality*, AR, and *Virtual Reality*, VR, are two Internet of Things technologies that are discussed by the practitioners in context of experience, but mostly in a future perspective. Interviewee 2 discusses that VR will be used more frequently in future retail, but at this time, VR tends to be more of a topic of discussion. Interviewee 1 exemplifies how the home electronic retail company that the interviewee is CEO at, is experimenting with AR technology solutions. The interviewee explains how this technology might not be ready to be established nor become generally accepted by customers yet, but is considered to be of importance in order to stay relevant in a future perspective.

Furthermore, there is an agreement among all of the practitioners that retailers must identify a need/value before implementing a new technology. It is discussed that technical solutions must generate value and in order to succeed on this, there are several additional functions and surrounding factors that must be in order as for example having dynamic platforms and system integrations. Interviewee 10, former CEO at a fashion company, that has limited implementations of in-store technologies, states that the technologies that generate customer value are the ones that customers will embrace. Moreover, all of the practitioners highlight that it is common in retail that technologies are implemented as "finished solutions" instead of being properly evaluated in terms of what value they will generate. This can accordingly give rise to problems that did not exist in the first place, and the practitioners give examples of situations where new technologies were implemented without taking the in-store employees into account. Further on, Interviewee 10 highlights the inertia among employees in terms of implementation of new technology.

*"The physical stores may have access to the technology, but the customers are not offered the full-service capacity that the technology is offering. In many cases, there is an inertia in learning the technology and understanding the technology. This creates uncertainty among staff when implementing it". (*Interviewee 10, Former CEO at a Swedish Retail Company within Fashion, 2020)

According to Interviewee 1, who represents one of the biggest home electronics retailers in Sweden, the retail industry is dynamic and there are several potential scenarios of its future. The interviewee further states that it is difficult to predict where the industry will be in 10 to 15 years in context of implementation of technologies, but retailers must be prepared and flexible. What retailers are experimenting with or implementing today might be useless for today's industry but be crucial in the future.

> *"Sure, we (retailers) are pretty bad at using technology, but the question is, are the customers there? Do customers demand that there should be technology in it?"*
> *(*Interviewee 1, CEO at a Swedish Retail Company within Home Electronics, 2020)

4.1.3 Other factors

The findings from the interviews with the practitioners resulted in additional two key factors in order to meet the evolving customer values, **data** and **purpose**.

Data

All of the practitioners confirm that retailers have a history of decision-making based on 'following the gut feeling' and 'soft' values accordingly. Interviewee 7, CEO of two fashion companies, discusses this in context of fashion retail and its history of being driven by emotions and beliefs, rather than 'hard' data. Interviewee 10, former CEO at a fashion company and several years of experience within retail, states that in all of the companies that the interviewee has worked at, it has been a major readjustment to start working in a data-driven approach. Moreover, Interviewee 6, CEO at a wine and spirits company and has had several management positions at various fashion companies, adds that retailers within fashion retail are in general quite analogous in their way of working.

> *"Many of these companies (in fashion retail) are quite analog, they sit there with their Excel sheets and do what they have always done and have no idea what is actually out there."* (Interviewee 6, CEO at a Swedish Company within Wine and Spirits, 2020)

There is a consensus among the practitioners that measurements on customer values and customer's behavior in retail are in general conducted to a limited extent, or not at all. Interviewee 10 discusses the need for adjustments within retail towards really listening to the customers. Interview 6, states that none of the companies the interviewee has been at, have conducted proper customer value surveys. Additionally, Interviewee 6 remarks that there can be a restraint towards measuring customer values in fashion retail. All of the participants agree that conducting customer surveys on a regular basis would give a greater overview of customer valuation movements and behaviors in order to be able to adapt in time.

Interviewee 1, CEO at a home electronics company in the forefront of omni-channel strategy in Sweden, discusses the complexity in measuring customer values in an omni-channel strategy due to multiple touchpoints and different measurement methods depending on channel. Interviewee 1 explains how the home electronic retail company the interviewee works at is experimenting with how to measure customer values in store and how to be able to combine these with customer data from the digital channels. Further on, Interviewee 1 highlights the importance of understanding your metrics and not acting incorrectly based on these. Interviewee 7, who strives for data-driven strategy for both of the fashion companies the interviewee is CEO at, argues that data on customers' behavior and shopping patterns should be collected and analyzed in order to build and design the in-store environments of physical stores. Interviewee 2, Co-founder of an e-commerce company, points out that there is a need for better utilization of data on customer values and customers' behavior, in order to for example provide relevant products and offers to customers. In summary, there is a general agreement among the practitioners that the utilization of customer data is one of the main challenges in omni-channel, but also the main possibility as it can result in a more accurate and relevant approach towards customers.

Interviewee 7, who developed a completely new platform at the fashion company the interviewee is CEO at, continues with how several of the systems in fashion retail are inadequate and needs to be updated accordingly. Additionally, Interviewee 2, who has co-founded an omni-channel solution company and an e-commerce company, adds that one common barrier to new technology implementations within retail is that retailers are stuck with several old systems that cannot be changed. Interviewee 7 explains that the systems are not in general developed for the online environment, but for the

physical store. The interviewee further explains that IT will be essential in all organizations and the ones that succeed with their technical solutions, are the ones that will do the best in the industry.

*"It gets very nerdy. It is the nerds who win in the future." (*Interviewee 7, CEO at two Swedish Retail Companies within Fashion, 2020)

There is an agreement among several of the practitioners that one take on omni-channel development is that the physical store should be operated as e-commerce. Interviewee 7, CEO at one of the leading retail company within e-commerce, states that if the physical store is operated with "e-commerce strategy", there will be less complexity when adding for example an app or a digital kiosk and integrating these with other channels. Moreover, Interviewee 1 describes the journey of the home electronic retail company that the interviewee is CEO of, from only e-commerce towards adding physical stores, warehouse shops and pop-up stores. Interviewee 1 argues that one of the main reasons for their success with omni-channel strategy is due to this retail company being an e-commerce retailer and not a retailer in the process of digitizing their business.

Interview 1, CEO of a retail company with several physical stores, detected great potential in how the physical and digital channels strongly depend on each other and have synergies when coexisting. The digital activity in an area can increase in accordance with the opening of a new department store in the same area. The main purpose of the physical store is not to increase the sales in store but to increase the sales online, the physical store should work as a marketplace.

The biggest challenge for retailers in terms of data-driven strategy, for example through Internet of Things devices, is the customer integrity, according to several of the retailers. Interviewee 1, whose company has been awarded for its omni-channel strategy, agrees on that customer integrity versus customer data is one of the main challenges in omni-channel. Interviewee 1 discusses how there are legal restrictions on data collection, but argues that the most essential barrier to overcome is the customer's own restriction on what data they want to share with retailers. The interviewee adds that customers will only share their data when they feel that they receive a clear value from the retailer in return.

"... you will only share data if you feel that you get a clear value out of it, and that's what I believe is the most difficult obstacle to overcome. How can you as a customer feel that this is valuable enough so you are willing to go along with it?" (Interviewee 1, CEO at a Swedish Retail Company within Home Electronics, 2020)

Several of the practitioners argue that as retailers adopt technology, another type of technical expertise will be required within the retail companies. When Interviewee 7 reorganized one of the retail companies the interviewee is CEO of, the interviewee did not hire people from the fashion industry, but instead hired people from example e-commerce and finance, who contributed with new and different perspectives.

Purpose

There is a consensus among the practitioners that 'vanilla' ('mellanmjölk') retailers will not survive in the industry, referring to companies without a clear niche and segmentation to differentiate on. Interviewee 1 believes that retailers must understand what value each channel will generate for the customers. As an example, Interviewee 1 describes how the home electronics company the interviewee is CEO at, has decided to not develop a smartphone application (app) since it will not add value to their customer segment. Interviewee 1 states that retailers must put a lot of effort into evaluating their concepts before adding a new channel since these must "deserve" their place.

It is discussed by the practitioners that the fewer channels, the easier it is for retailers to run their business. It was agreed that adding a channel adds complexity and therefore the channel selection must be well thought through. Retailers must design their concepts and select their channels based on customers' shopping patterns and availability. Interviewee 1 states that when retailers with multiple channels are analyzing customer behavior and shopping patterns they can not only take the channel where the purchase was made into account, since other channels can have been utilized during the pre-shopping or post-shopping phases.

All of the practitioners argue that physical retailing will not disappear, but will decrease significantly. Interviewee 10, former CEO at a fashion company with several physical stores in Sweden, states that physical retailing will always exist, but in new formats.

"We will always have physical commerce but it will be different. You have to find a reason to go to the physical store. It is a disappointment today to go to the store without shopping. In the past, people went shopping as an activity and strolled around in stores, this is no longer done today, and instead people have a mission when they go shopping." (Interviewee 10, Former CEO at a Swedish Retail Company within Fashion, 2020)

Further on, Interviewee 10 states that the physical stores that will survive in the future are the ones that have a clear concept and offer great service that is not available online. Both Interviewee 10 and Interviewee 6 state there is an overflow of physical stores and the ones with no clear purpose or value should never have opened in the first place.

"Is it "the death of brick and mortar" when stores that never should have opened close down?" (Interviewee 6, CEO at a Swedish Company within Wine and Spirits, 2020)

Interviewee 6, who is CEO at a Swedish company within wine and spirits and has had several management positions at various fashion companies, states that retailers must stand out and differentiate themselves in today's competitive and global market, but also be prepared for external changes and events that they cannot control, as for example the covid-19 pandemic. Interviewee 1, whose company has been rewarded for its omni-channel strategy, highlights that it is more important to focus on being in the forefront of the chosen niche, rather than following all predicted future trends.

"What is important for us now when we parry is to have speed. Because we can always have a flexible way forward but the risk is if you stop and look around, and don't really know which way to go." (Interviewee 1, CEO at a Swedish Retail Company within Home Electronics, 2020)

4.2 Externals within retail

In this section, the findings from interviews with the externals within retail are presented. The externals within retail work with retail externally, defined as not in-house at a retail company, and these were divided into the sub-categories consultants, research, media and trade and commerce.

Table 4.2 Further information about each interviewee from the interviews with the externals within retail

Interviewee	Current position	Additional information
Interviewee 3	Director and Business Development in Retail at a IT & Services Company	✦ Years of experience of business development in retail and IT ✦ Expertise in strategically building IT-platforms
Interviewee 4	Professor at a Swedish Business School and Head of the University Center for Retailing	✦ Professor in retail and marketing at a top ranked Swedish university ✦ Published research that has attracted attention worldwide
Interviewee 5	Editor in Chief at a Swedish Media Production Company Focusing on Retail	✦ Years of experience of analyzing the Swedish retail industry ✦ Participates in the arrangements of a yearly retail gala
Interviewee 8 **Interviewee 9**	Interim Business Unit Director and Commerce respective Tech Manager at a Digital Agency	✦ Years of experience of retail strategy solutions ✦ Expertises in digital development and communication
Interviewee 12	Founder of a Swedish Digital Agency Focusing on Customer Experience within Retail	✦ Years of experience of international customer experience ✦ Expertise in improving retail strategically by using data and insights
Interviewee 13	CEO, Co-founder and Senior Consultant at a Swedish Management Consulting Firm Focusing on Omni-Channel	✦ Years of experience as e-commerce consultant ✦ Expertise in omni-channel strategy
Interviewee 14	CEO at a Swedish Trade and Commerce Organization Focusing on E-commerce	✦ Years of experience within communication and media ✦ Expertise in e-commerce and Swedish retail
Interviewee 15 **Interviewee 16**	Retail Analysts at a Swedish Research, Investigation & Analytics Company within Trade and Commerce	✦ Years of experience within the Swedish retail industry ✦ Expertise in data management, analysis and retail

4.2.1 Customer values

The customer values below are the ones that are highlighted by the interviewees. These have been divided into different clusters based on common themes and patterns. Additionally, the key takeaway in terms of customer values in omni-channel retailing are presented accordingly. The compilation of the findings from the interviews with the externals on customer values resulted in six clusters of customer values, **Interactivity, Loyalty, Personalization, Price and Product, Shopping ease** and

Transparency. Price and Product is included in the result, but is not considered to be an evolving customer value.

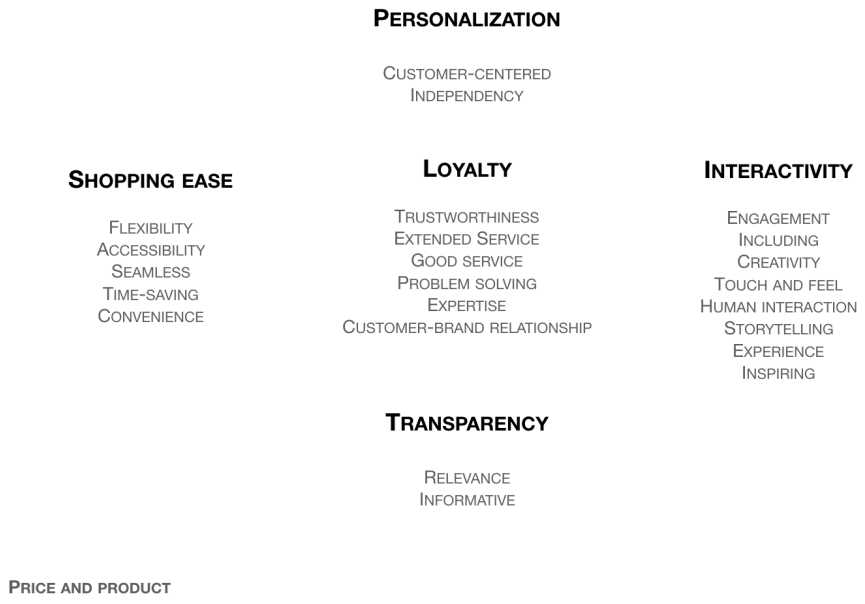

Figure 4.3 Visualization of the compiled result on customer values from the interviews with the externals

There is a general agreement among all of the externals that it is increasingly important to be *relevant* towards the specific customer in terms of for example communication and services. Interviewee 4, retail professor at one of the top universities in Sweden, discusses how customer experience should be *flexible* and adjusted for customer's situation-based needs. There is an agreement among the externals that it is essential to meet each customer in their current mood and with their specific needs, to be able to provide *personalized* service. In line with this, Interviewee 13, who is co-founder of an agency consulting within omni-channel, continues with that it is of high value for retailers to "see" each customer as unique and establish *loyal customer relationships* accordingly.

"I am convinced that the new customer values are about being relevant towards their customers and really treat each customer as the unique customer it is. I think that this will generate a customer value for real. Build customer loyalty, no matter what channel they are in." (Interviewee 13, CEO, Co-founder and Senior Consultant at a Swedish Management Consulting Firm Focusing on Omni-Channel)

According to the externals, *accessibility* and *informativeness* are two important customer values and the customer experience should be overall *frictionless*. Additionally, the customer should be able to connect and interact with the company at any place and at any time. Interviewee 14, CEO at a Swedish trade and commerce organization focusing on e-commerce, discusses the interaction between stock availability and stock information online and how the interplay between digital and physical generates the most essential customer values in the interviewees opinion.

Interviewee 12, founder of a digital agency focusing on customer experience within retail, discusses how the customer and the customer shopping journey have changed remarkably in the last 30 - 40 years, whereas the physical stores have not. The interviewee raises the question why physical stores have not changed in line with the new customer values and patterns. In context of physical retailing, Interviewee 13, co-founder of an omni-channel consulting firm, states that traditionally, *price and product* were the most crucial values that controlled and ruled the retail industry, but today these stand towards several other values. Interviewee 5, editor in chief at a Swedish media production company, continues with how the physical store provides the customer with the possibility to *"touch and feel"* and try/test products as well as the *personal contact*. Moreover, retailers that "write their story", who are more than just price and product, can provide a holistic customer experience which can generate customer value both in the physical store and online, according to Interviewee 14, who is CEO at a Swedish trade and commerce organization.

Interviewee 12 and Interviewee 13, who are founders of a digital agency respective consulting firm, discuss *experience* respective *convenience* in order to meet the new customer values. Interviewee 12, further on introduces the division of customers into product customers and inspiration customers. The product customers are rational shoppers who know what they want and operate independently throughout the customer journey. These customers are to an increasing extent online since they value their shopping journey to be

smooth and quick. On the other hand, inspiration customers are in need of service and guidance throughout their customer journey since they might not know what they are searching for, and due to this, the physical store can serve a valuable purpose. Further on, Interviewee 8 and Interviewee 9, representatives from a global digital consultant agency, state that retailers must detect and understand the actual problem and accordingly understand how they can solve, simplify and meet these.

"If it simplifies my everyday life in any way with the use of data, regardless of what channel that was used, supports me and meets and simplifies my needs, a real value will arise." (Interviewee 8, Interim Business Unit Director and Commerce at a Digital Agency, 2020)

Interviewee 5, retail professor at one of the top universities in Sweden, highlights the importance of being a *transparent* and *trustworthy* retailer which is highly valued by customers today and can result in successful customer-brand relationships. It was generally discussed in the interviews with the externals that transparency is an important customer value that should be applied in all channels. This is in accordance with Interviewee 15, who discusses the highly dynamic and demanding customers of today.

"In the past, it was the retailers who set the rules in the retail industry. Today, it is much more up to the customers who decide the rules of the game. If you are not satisfied with one actor, you can easily switch to another actor." (*Interviewee* 15, Retail Analysts at a Swedish Research, Investigation & Analytics Company within Trade and Commerce**,** 2020)

In summary, it is a consensus that customers have more power and influence in today's retail industry since they for example can easily access additional information about products and services online and easily can switch retailers.

4.2.2 Internet of Things

The Internet of Things application areas and technologies, in context of the research areas, that are highlighted by the externals are presented in the figure

below. The application areas are **Experience, Logistics, Payment** and **Personalization**.

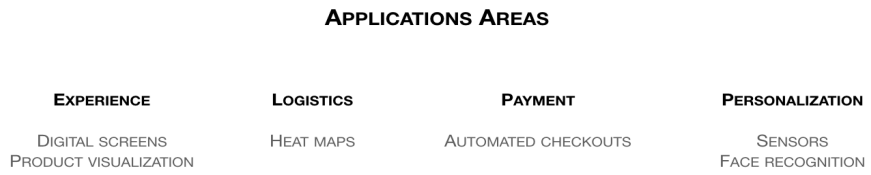

Figure 4.4 Internet of Things application areas and technologies highlighted by the externals

The externals are in general positive towards Internet of Things solutions in retail. Interviewee 8 and Interviewee 9, representatives from a global digital agency specialized within business transformation, talk about connected experiences and describe a digital ecosystem where products are 'intelligent', gather and provide people with relevant information and communicate with one another in real-time. Interviewee 14, CEO at a Swedish trade and commerce organization focusing on e-commerce, predicts that there will be a lot more Internet of Things devices in retail in the future. In line with this, Interviewee 3, director and business development in retail at an IT and services company, states that a lot of people are talking about the Internet of Things, but it will take time before it "booms" and people will use it on a general level. It was discussed by the externals that payment is an area in Sweden with increasing implementation of Internet of Things technologies, as for example *automated checkouts*.

Interviewee 15 and Interviewee 16, retail analysts at a research, investigation & analytics company within trade and commerce, highlights that the most common Internet of Things technologies in retail today are *sensors* that are connected to smartphones. Interviewee 3, who has several years of experience in business development from a technical perspective, describes that by the usage of smartphones, the in-store devices can in real-time connect with the customer and provide personalized offers and services. The Internet of Things devices can ease the shopping experience before, during

and after the purchase and the in-store experience can be customized based on the customers' preferences and earlier purchases. Further on, Interviewee 3 discusses the usage of heat mapping which is a data visualization technique for tracking movement of customers in real-time. By the usage of heat mapping, the logistics in-store can be optimized and the sales associates can accordingly provide better service towards customers.

All of the externals agree that personalization is one of the main potential benefits for the customer with the implementation of Internet of Things. Further on, Interviewee 3 discusses how Internet of Things technologies, such as face recognition, are more common and socially accepted in Asia and the United States. The interviewee further describes that in Europe, especially in the Nordics, the attitude and acceptance towards technologies are different in comparison, no one wants to be the first and there are other regulations from the authorities. All of the externals agree that regardless of the potential with these technologies, in terms of personalization, the customer integrity perspective and the legal restrictions are barriers to overcome. It is highlighted by Interviewee 14, CEO at a Swedish trade and commerce organization focusing on e-commerce, that Internet of Things devices are expensive today and in line with decreasing prices, they will be more commonly implemented in retail. It is agreed that retailers do not in general have the money nor the capacity to integrate it and make it function on bigger scales and additionally the Swedish retailers are "not there yet" in terms of technology maturity.

Interviewee 8 and Interviewee 9 are representatives from a global digital agency that has developed a prototype for a "digi-physical" concept store with various Internet of Things solutions in terms of experience and personalization. As an example, the digital agency has designed and developed a *product visualization* for sneakers, the sneaker is connected to a *digital screen* and when it is being picked up, the customer receives additional information on the screen in terms of materials/ collections/alternatives. This type of technical solution is an example of an Internet of Things device that enhances the customer experience.

It is discussed by the externals that there is a potential risk in adding too many technologies with the purpose that these should solve all problems and meet all customer values. Additionally, it is argued that there is a complexity in data measurement in the context of Internet of Things devices in terms of what to measure and how much data to collect.

"Today, there are products that do not actually create value for customers, sometimes the technology makes the products more complex and the service poorer." (Interviewee 16, Retail Analysts at a Swedish Research, Investigation & Analytics Company within Trade and Commerce 2020)

One additional potential risk with high tech solutions in store, according to Interviewee 5, editor in chief at a Swedish media production company focusing on retail, is that too much responsibility is given to the customers. The interviewee discusses that customers can be in need of guidance when using in-store screens or iPads, and highlights that all customers are not ready to be independent with the technology throughout the customer journey. The interviewee further remarks that prerequisites should not be needed to enter the physical store.

"I think you come to the realization, and I think you get back to, that it should not be so cool, or it can be cool, but above all functional. You have to realize, it works, or this was very cool but it didn't work at all so discard it." (Interviewee 5, editor in Chief at a Swedish Media Production Company, 2020)

The externals discuss the problem when integrating technologies in store, regardless of what personalized experience the technologies can bring, it does not matter if the employees do not understand it. The Internet of Things in store should function as tools for the employees in order to optimize their work tasks and service towards customers.

4.2.3 Other Factors

The findings from the interviews with the externals resulted in two additional key factors in order to meet the evolving customer values, **data** and **purpose**. It is to be noted that these are the same as the ones from the interviews with the practitioners.

Data

Interviewee 8 and Interviewee 9, representatives from a global digital agency, strongly believe retailers have no clear vision on what generates value and loyal customer-brand relationships in a long-term perspective, the main focus has traditionally been how to increase sales and revenues

accordingly. Interviewee 13, founder of a management consulting firm focusing on omni-channel, believes that the main challenges for retailers today are to become technology mature and have the "the basics", as integrated platforms and systems, in place. Interviewee 8 and Interviewee 9 additionally state that it is of high value for retailers to build a dynamic platform that can manage external factors such as societal changes. Retailers cannot rely on systems that are only functioning in one scenario, it must be possible upscale and downscale. There is a general agreement among the externals that the retailers that will survive in a future perspective are the ones that have "the basics" in place and have dynamic platforms.

Further on, Interviewee 14 who is CEO at a Swedish trade and commerce organization focusing on e-commerce, exemplifies how global actors, such as Amazon, Alibaba and Tencent are in the forefront of technology development in retail and are drivers of new technology and new ways of working. Interviewee 3, who has several years of experience within technology development, states that it is difficult for Swedish retailers to build new systems and be in the forefront of new technologies, and instead they are often adaptors of standard technology systems. Further on, Interviewee 13, who has expertise in omni-channel solutions, discusses that the logistics must be well-integrated in all channels and rely on the same systems. Retailers must build a platform and systems that have the capacity to handle more advanced technologies. According to Interviewee 14, it is of high importance to keep track of one's inventory balance and argues that it is "1.0", it might seem to be "basic", but is not that easy to conduct.

It is discussed by the externals how it is beneficial for retailers to make all channels data-driven since the channels are strongly dependent on one another. The e-commerce retailers can more easily collect data and it is part of their daily work to conduct data analyses on their operations. Moreover, several of the externals highlight that this mindset and how to work with data must be the same in the physical store as online. It is when the digital and physical channels communicate and operate on the same terms, retailers can understand each channel's purpose for their customers. The physical store is increasingly functioning as a marketing channel for e-commerce and to take full advantage of this, retailers must adapt a data-driven approach. Further, Interviewee 12, founder of a Swedish digital agency focusing on customer experience within retail, highlights the importance of value-driven commerce, working with 'hard' values instead of 'soft' values.

*"One has to start at, "why do our customers choose to come to our physical stores today?", and then you have to evaluate "how can we make it easier for our customers, how can we make it easier for them to find the products, how can we make it easier for them to find inspiration? "and there, of course, technology can be beneficial, but you have to start at that end. [...] One doesn't look at what makes customers come to them and what drives sales. They start at the other end of it. "(*Interviewee 12, founder at a Swedish Digital Agency Focusing on Customer Experience within Retail, 2020)

A majority of the externals discuss that one of the main challenges with a more data-driven retail is the customer integrity and how to deal with sensitive data and the risks of infringement accordingly. Moreover, the employee perspective is discussed and all of the interviewees share their thoughts on how the role of the in-store employee will transform in line with the implementation of new technologies. Interviewee 5, editor in chief at a Swedish media production company that daily investigates the retail industry, discusses that there will be more jobs with higher prerequisites in retail in a future perspective.

Purpose

All of the externals agree that retailers must have a clear niche, purpose and segmentation in order to survive in the retail landscape of today. Several of the externals discuss the segmentations of premium respective low costs and how the retailers in-between, the 'vanilla' ('mellanmöjlk') retailers, are the ones that will struggle the most. Interviewee 14, CEO at a Swedish trade and commerce organization focusing on e-commerce, states how a retailer firstly needs to be more than price and product, secondly has to have a clear purpose and thirdly has to have a strong brand meaning to show your societal responsibility for example.

There is a general agreement among the externals that retailers must provide customers experience or/and convenience. Interviewee 4, who is a professor in marketing and retail at a top university in Sweden, adds that different channels can have different concepts and purposes, which can provide a more comprehensive wholeness towards the customers. Further on, the interviewee describes that the division into experience and convenience can be difficult for established traditional retailers due to restraint in systems and business models. E-commerce retailers have better prerequisites in this

context, since they have convenience in the digital channels and can add the combination of experience and convenience when opening physical stores.

There is a general agreement among the externals that there will always be a physical retailing although e-commerce is increasing and taking sale shares from the physical stores. Interviewee 8 and Interviewee 9, representatives from a digital agency focusing on business transformation, state that the customer shopping behavior might change but the human behavior will not, people will always have a need for social interactions. Furthermore, Interviewee 14, CEO at a Swedish trade and commerce organization focusing on e-commerce, does not believe that the concept of having for example 50 stores in Sweden with the full assortment, will be relevant in the future retail landscape. Instead, the retail environment will be characterized by clear concepts and niches. The interviewee further states that the main platform for retailers will be digital, e-commerce will be the basis although other channels, as the physical stores, will be relevant. Additionally, there is a consensus among the externals that it is essential to be present in the relevant channels, primarily based on what the customer's request. Retailers should never add channels that do not serve a purpose, each channel must be clearly motivated on how to contribute to and sync with the other channels.

Interviewee 14 continues with that value-driven companies, that stand for something, have better chances of surviving in the retail landscape. The interviewee remarks that the covid-19 pandemic is hastening the transformation within the retail industry and predicts that due to covid-19, the industry is hastened with ten year periods. In the report "Läget i Handeln" from 2019, published by the Swedish Trade Federation, it is stated there are 23 thousand stores within durables in Sweden and predicted that there will be 16 thousand in scenario 1 and 11 thousand in scenario 2 in 2030. Due to the current circumstances, the interviewee 14 argues that is can almost be settled that scenario 2 is more correct.

All of the externals highlight that it is increasingly important for retailers to create a strong brand and establish loyal customer relationships accordingly. Interviewee 3, director and business development in retail at a IT & services company, describes how responsible retail has a central role within the brand and brand values, and the customer expects transparent information on the retailer's missions and their actions to achieve these. Purpose-driven e-

commerce has, according to several of the externals, become an important topic and will be even more present in the future. The customer no longer just wants to buy a product, the customer wants to understand why they should buy the product, which puts higher demand on strong brand values and missions. Further on, Interviewee 14, who has years of experience within Swedish trade and commerce, states that it is the customer who sets the restrictions for the consumption and not the retailer.

5 Analysis

In this chapter, the empirical findings from the interviews and the findings from the theoretical review will be analyzed and compared. These are based on the three research questions and will be presented in Customer values, Internet of Things, Data and Purpose. Data and Purpose have resulted from the empirical findings as two additional key factors for retailers in order to meet the evolving customer values.

5.1 Customer values

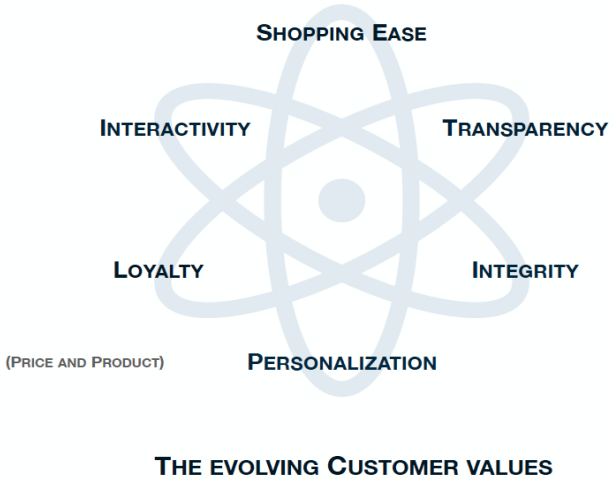

Figure 5.1 Visualization of the evolving customer values

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The results from the three different research perspectives, was compiled into seven customer values in retail: **Integrity, Interactivity, Loyalty**, **Personalization**, **Price and Product**, **Shopping ease** and **Transparency**. These seven customer values are, according to this study, important for Swedish retailers to take into account in an omni-channel perspective. The practitioners and the externals argued that Price and Product is a traditional customer value, whereas the other six are evolving customer values. In line with this, Blazquez (2014) stated that value is a reflection of the consumption experience and not limited by product acquisition. The seven customer values are presented on a high-level, and it has to be noted that retailers must put these in context of their customer segment and brand niche. The data collection of this study is not saturated enough to provide results on a general level, instead this study contains insights and examples and the results are rather indications than conclusions of the Swedish retail industry. The were no remarkable difference in the context of customer values between the practitioners and the externals.

The interviews and the theoretical review contributed with several aspects and insights on customer values. Overall, the findings from the three different research perspectives indicate that retailers must be relevant towards their customers and aim to ease and enhance the customer journey. There was an agreement between the practitioners and the externals that personalization, in terms of being relevant towards the customer, is one of the main customer benefits with omni-channel retailing and is an evolving customer value that has a close interplay with integrity. This is in line with KPMG International (2018) that argued that personalization has a significant role in customer experience and is one of the most essential values accordingly. This study indicates that as the retail industry is becoming more customer-centric, personalization is getting more attention among both customers and retailers. In line with this, the results of this study indicate that it is important for retailers to know who their customers are and what they want. It was confirmed by all interviewees that personalization is getting increased attention on a management level in retail companies. Still, the interviewee list is not saturated enough to represent the state of Swedish retailers in general.

All three research perspectives stated that transparency has become an increasingly important value in retail. The customers have more control and influence on the retail industry and demand that retailers are transparent with

how they act to achieve their missions, which was also discussed by KPMG International (2019). The results of this study, from all three perspectives, indicate that there is an increasing need for retailers to be transparent due to data integrity and how to collect personal data. The customer values transparent information and services when sharing personal information with retailers. Another take on transparency was the legal perspective, how retailers handle the legal regulation of customer data. Furthermore, the practitioners highlighted loyalty as an essential customer value and exemplified with extended services and customer-brand relationships, which is in line with Cook (2014) who stated that omni-channel customers tend to become very loyal customers towards the retailers who can satisfy their needs during the customer journey.

It is stated by Yılmaz et al. (2018) that customer values traditionally have been divided into hedonic and utilitarian. In comparison, the division of customers into product customers and inspiration customers are discussed by the externals. It is argued in this study that there are similarities between hedonic customers and inspiration customers as well as between utilitarian customers and product customers. Although these divisions can be applied to customers and customer values, it has to be noted that as the customer journey increases in complexity, these are getting more difficult to distinguish.

KPMG International (2018) presented the six pillars of customer experience as personalization, integrity, expectation, time and effort, resolution and empathy. The six pillars describe the customer experience across channels and can be put in relation to the evolving customer values. It is considered by the authors that the combination of the six pillars and the evolving customer values would give a more comprehensive view on the customers of today and the customer journey. For example, loyalty and resolution have a close interplay and shopping ease and time and effort additionally.

Descriptions of the seven customer values are presented below. It is to be noted that the descriptions are fully based on the compilation of the three research perspectives, and are not general definitions.

Price and Product

Price and Product is a customer value from traditional retailing, and is the most 'rational' of the seven customer values. It is the customer evaluation of "What do I pay and what do I get?". Historically, this has been what retailers could differentiate on, but in the retail environment of today, this customer value has to be put in comparison to the other customer values. Although the customers have changed, Price and Product still has a significant role in the customers' decision-making processes.

Shopping ease

Shopping ease is what customers value throughout the customer journey in terms of flexibility, accessibility, time-saving and seamlessness. Seamlessness is strongly associated with omni-channel retailing since this involves that the customers should be able to move frictionless across multiple integrated channels.

Transparency

Transparency is what customer value in terms of how retailers provide and communicate relevant and honest information towards the customer, both during the customer journey but also in the bigger picture as the brand values and missions.

Interactivity

Interactivity is the customer valuation on engagement, fun and "touch and feel" attributes. This customer value is both applicable in the physical and the digital environment, although "touch and feel" is directly linked to the physical store.

Personalization

Personalization is the customer valuation of receiving a personalized customer experience. This is about having a customer-centered approach during all of the steps in the customer journey and derives from the fact that each customer is unique and has different preferences and needs. Personalization is concluded to be one of the most essential customer values and the core of a customer-centric approach in retail.

Integrity

Integrity is the customer's valuation on their own privacy and resistance towards external intrusion. This is a customer value that is strongly related to the customer's trust towards the retailer in terms of how they collect, store and utilize their customer data. In omni-channel, there is a trade-off between sharing data and receiving a personalized experience.

Loyalty

Loyalty is what the customer values in terms of how reliable and supportive the retailer is during the customer journey and pre- and post-customer journey in terms of for example extended services and resolution. Due to the increasing competition in the retail industry, this value is getting more attention and if retailers succeed on this, long-term customer-brand relationships can be established as a consequence.

5.2 Internet of Things

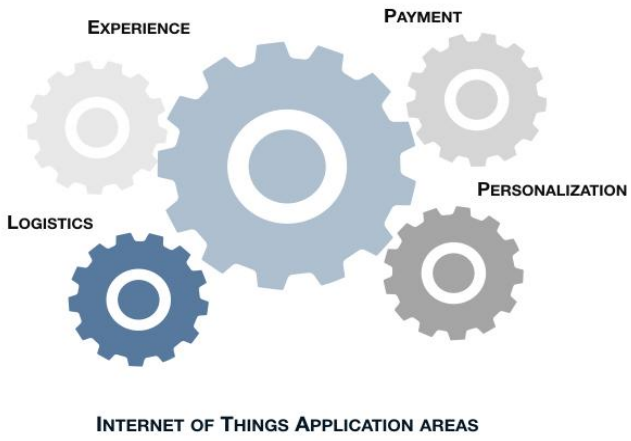

Figure 5.2 Visualization of Internet of Things application areas

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The findings from the three different research perspectives, resulted in four application areas in retail: **Experience**, **Logistics, Payment** and **Personalization**. It is to be noted that these application areas are not mutually exclusive and personalization and experience have, according to this study, a close interplay. These application areas are, according to this study, considered to be of importance in order to meet the evolving customer values in Swedish retail from an omni-channel perspective. There are more potential application areas of Internet of Things in retail, but these were the ones identified related to the evolving customer values in this study. Since each application area covers various technologies, each area is not explicitly connected to certain evolving customer values.

One takeaway that was highlighted by the practitioners and the externals, in the context of Internet of Things implementation in retail, is the importance of identifying a value before implementing a technical solution. This was strengthened by the results from the workshop presented by (Cuthbertson and

Piotrowicz, 2014), where there was an agreement among the participants that technology should be implemented for a defined reason, and not just "to be there". In accordance, it was discussed by the practitioners and the externals how it is common that retailers implement Internet of Things as "finished solutions", which can generate new problems, instead of solving existing ones. In line with this, Hossein (2017) stated that retailers need to evaluate benefits/opportunities and risks/threats before implementing new technologies. The findings from all three perspectives indicate that technology implementation must be value-driven and that it is important to first identify a clear value/need/problem, and then if needed, find a technical solution that can meet/solve this. Furthermore, Blazques (2014) stated that retailers must understand the relevance of technology in order to meet the evolving customer values and in conformity with the interviewees, this study showed that customers will only embrace technologies that generate customer values.

The externals had in general a more optimistic view than the practitioners on the possibilities of Internet of Things implementations in retail. It was noted that the practitioners were more concerned due to the complexity in linking the technologies to the customer values. In comparison, the externals discussed several potential solutions and what values these could generate, but they mostly highlighted the value for the retailer rather than the customer. The practitioners did in general have more focus on customer values in this context whereas the externals had a more business transformation approach. This indicates on the importance of having multiple perspectives in context of technology implementation in order to generate value for both the customer and the retailer.

The practitioners and the externals highlighted customer integrity as one of the main challenges with implementation of Internet of Things technologies. Both research perspectives discussed the potential of several Internet of Things technologies, but strongly believed that the legal perspectives, such as GDPR, and technology maturity and acceptance among customers are barriers towards implementation. This is in line with the Swedish Trade Federation (2019b) that discussed that customers' attitude towards technology adoption depends on digital maturity and earlier experiences. Another challenge with the implementation of Internet of Things, stated by all three research perspectives, is how to utilize the customer data that the Internet of Things devices are generating, in order to create a data-driven

strategy. This study indicates, based on the results from the interviews with the practitioners respective the externals, that there is a retailers' interest in Internet of Things technologies, but that the Swedish retail industry is "not there yet", both from a retailer and customer perspective. Further on, this study indicates that retailers do not in general have the capacity nor the money for integration in larger scales. This is in accordance with Accenture (2015) that states that Internet of Things technologies will grow rapidly with less expense in general.

The practitioners highlighted that one challenge with in-store technologies is to get the employees onboard. The results of this study indicate that there can be an inertia in learning new technologies and how to use technical devices when providing services towards customers, which was agreed by Bok (2016) who discussed that technologies must become valuable complementary tools to employees. Further on, all three research perspectives argued that the in-store employees must be taken into account when implementing Internet of Things technologies in the physical store and these must collaborate in order to provide the customer optimized service.

The four application areas are presented below and include technologies that can be applied in each area in order to meet the evolving customer values. It is to be noted that these application areas are not mutually exclusive. The four application areas are fully based on the three research perspectives, and are not general definitions.

Experience

Implementing technologies to change and enhance the shopping experience are of importance for retailers in order to meet the evolving customer values as interactivity, fun and personalization. Examples of technologies that are providing retailers with opportunities in this context are Virtual Reality, VR, and Augmented Reality, AR. Further on, product visualizations with interactive products and digital mirrors in fitting rooms can create engaging and personalized customer experiences based on the customer's preferences and previous shopping pattern.

Logistics

There is great potential in implementing Internet of Things technologies in order to improve the logistics within a retail company and improve the customer experience accordingly. These technologies can be applied both online and offline and generate value for both the frontend and the backend experiences. In terms of optimizing storage and inventory, technologies as RFID tags and digital shelves can be implemented in the physical store environment. Additionally, these technologies can contribute to a more updated and precise product availability online, both in terms of availability in store and in stock. This can generate great value for the customer in terms of informativeness and availability.

Further on, an additional Internet of Things area within logistics is tracking of customers and employees, which can provide the retailer valuable information on movement patterns in store. For example, heat maps can be utilized in order to collect information on where in the physical store customers spend most time, which enables optimized service towards customers.

Payment

There are several technologies that can contribute to a more digital and convenient transaction for the customer. Automated checkouts are established in the Swedish retail industry to a certain extent, but still, many retailers would gain benefits with the application of this technology. Implementing automated checkouts in store, can eliminate the traditional cashier desks. Automated checkouts and mobile payment technologies, such as Mobile Point of Sale (mPOS), can generate value for the customer in terms of time-saving, convenience and flexibility.

Personalization

Internet of Things technologies are essential when creating a personalized customer experience both in store and online. Retailers can use Internet of Things technologies to provide in real-time personalized promotions and

offers to enhance the customer experience. Further on, retailers can provide in-store employees with Internet of Things tools to provide a more personalized and efficient service toward customers. The mobile devices are of high value in order to make these interactions possible as for example with the usage of location-based Beacon technologies.

5.3 Data

Figure 5.3 Visualization of data

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Three main areas have been detected in the results in context of **data**. The three areas are as follows, **Dynamic platforms/system integration**, **Measuring customer values** and **Data-driven strategy.**

Dynamic platforms/system integrations

Both the practitioners and the externals agreed that dynamic platforms and system integrations are highly important in order to adapt to the transformation in the retail industry and accordingly provide the customer a

more convenient shopping experience. The findings in this study indicate that this is especially challenging from a supply chain perspective when bridging the in-store logistics with the digital channels. The practitioners discussed platform and system integration in terms of how these limit their businesses and omni-channel adoption, as for example how adding channels or technologies can add complexity accordingly. This is in line with Caro and Sadr (2019) that stated that a more advanced supply chain operation is required when integrating all customer touchpoints and adding channels. Furthermore, the externals stated that several retailers do not have "the basics" in place and highlighted that the challenge for many retailers is to become technology mature on an organizational level. The interviewees stated that there is a notable difference between a seamless experience backend and frontend and as Hossein et al. (2017) stated, customers can be dissatisfied if not all channels are integrated.

Measuring customer values

It was stated by the practitioners that measurements on customer values are in general conducted to a limited extent or not all, in the retail industry today. It is to be noted that this study is not comprehensive enough to provide results on how it is in general in Swedish retail, but it can provide examples and indications of a general context. It was further indicated that there is a restraint towards measuring customer values, especially in fashion retail. Additionally, both the practitioners and the externals stated that there is complexity in how to measure customer values in an omni-channel strategy due to multiple touchpoints and channels, which is in line with Weitz (2006) that stated that it is increasingly complex to understand what channels that were used for what reasons during the customer shopping journey. Still, both the practitioners and externals agreed that it is essential for retailers to conduct data analysis on customers' shopping behaviors and patterns, both in the digital and the physical channels, to stay accurate and relevant towards customers. This is in line with De Keyser et al. (2015) who highlighted that customer experience has become a top priority among business executives and is additionally pointed out as a key driver of long-time corporate success. The results of this study indicate that it is importance for retailers to <u>know</u> who their customers are and <u>listen</u> to them accordingly, in order to survive in the competitive retail environment where customers have higher demands and easily can switch retailers if they are not satisfied.

Data-driven strategy

The practitioners and the externals both highlighted the potential benefits of operating "e-commerce strategy" in all channels, in other words to operate in a data-driven approach. Both argued that the physical store should be operated with data-driven strategy, in order to meet the evolving customer values. This would be beneficial for retailers in line with Alexander and B Cano (2019) who stated that combining physical stores with digital channels is increasingly common. Additionally, both the practitioners and the externals stated that physical stores can add value to digital channels, which is also discussed by Rigby (2011). An example of this, is that the physical channels can generate value when being operated as marketplaces to increase the digital activity, as stated by the practitioners. Moreover, it was stated by the practitioners that e-commerce retailers have in general it easier when adding physical stores, than traditional retailers who are digitizing their businesses. The results of this study indicate that having a data-driven strategy is of importance for retailers in order to stay relevant and meet the evolving customer values. The more data-driven a retailer is, the more customer data can be collected, which is a prerequisite to understand the customers and their values in accordance with this study.

5.4 Purpose

Figure 5.4 Visualization of purpose

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Two main areas have been detected in the results in context of **purpose**. The two areas are as follows, **Brand - niche and concept** and **Channel - selection and concept**.

Brand - niche and concept

There was an agreement among the practitioners and the externals that retailers will not survive in the future retail landscape without a clear brand niche and concept and due to this, the 'vanilla' ('mellanmjölk') retailers will suffer the most. They were both convinced that retailers additionally must be adjusted for their specific customer segment and have a clear purpose with their brand values and missions. Furthermore, the interviewees discussed that different channels can have different purposes, concepts and formats which can provide a more comprehensive wholeness towards the customer. Bhardwaj and Fairhurst (2009) described the retail industry as highly dynamic with a constant need for change and innovativeness, which was agreed by the practitioners and the externals who stated that there is an increasing need for retailers to differentiate themselves in order to stay relevant and competitive. Furthermore, the results from all three perspectives indicates that the brand has a new role within retail today. Creating a strong

brand niche that is in line with the evolving customer values is, according to this study, important for retailers in order to establish loyal customer-brand relationships and stay relevant within the industry.

Channel - selection and concept

There was a consensus among the practitioners and the externals that retailers should be present in the relevant channels, based on the customer's request, shopping pattern and availability. It was further clarified, that omni-channel is not exclusively about merging online and offline, as a retailer could have only digital channels for example, but to aim for full integration between the chosen channels. Lemon and Verhoef (2016) stated that the differences between channels are shrinking in general, and the practitioners and the externals discussed how channels, especially the physical store, are increasingly integrated with technologies that enable cross-channel interactions. The practitioners highlighted that adding a channel adds complexity, as for example in terms of system integrations, and therefore each channel must have a clear purpose on how to sync with the other channels and meet the customer values. Additionally, a noteworthy point to this subject, stated by Cook (2014), is that customers think about value, not channels, which indicates that the retailers' channel selection must be strongly linked to the customers' values. Overall, it was stated by the practitioners and the externals, and strengthened by Bhardwaj and Fairhurst (2009) and the Swedish Trade Federation (2019b), that retailers are increasingly recognizing the benefits of combining multiple channels, both physical and digital, in order to meet the evolving customer values.

Further on, there was a consensus among the practitioners and the externals that each channel must have a clear concept. They argued that this is increasingly important for the physical store in order to stay relevant. The physical store was discussed in all research perspectives, in terms of that it can appear in several formats and that its future formation is uncertain. Interviewee 14, highlighted that the concept of having for example 50 stores in Sweden with full product assortment will most likely not be relevant in the future, and that the retail industry instead will be characterized by clear concepts and niches, and due to the interviewee's CEO position at a Swedish trade and commerce organization focusing on e-commerce, this statement is valued to be of high credibility.

5.5 The Customer Value-driven Framework

The Customer Value-driven Framework is a guide for retailers on how to adopt a customer value-driven strategy. The purpose of this framework is to demonstrate the interplay and integration between **Customer values** and the key factors **Internet of Things**, **Purpose** and **Data** and how these combined can be utilized to meet the evolving customer values. The framework illustrates the key factors and how these depend on each other in a customer value-driven strategy. This framework is developed for retailers as an illustration of the process of implementing a new idea, as for example adding a channel or implementing a new technology. It is to be noted that that the purpose of this framework is not to be a hands-on guide but rather a visualization for retailers on how to conduct implementations with a customer-centric approach.

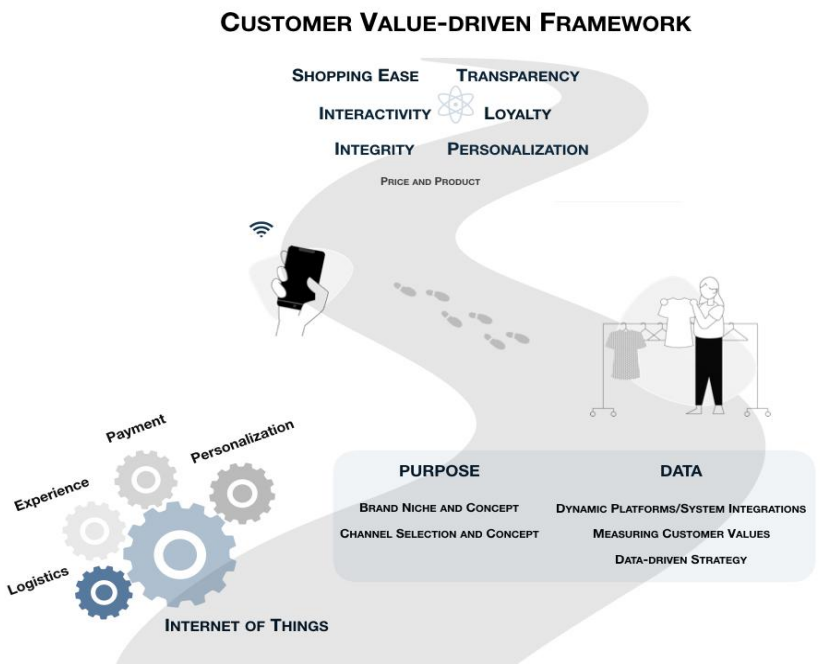

Figure 5.5 Visualization of the Customer Value-driven Framework

The figure is created in Keynote version 8.1 (5683)

Illustration 5.1 Holding Phone - Monochrome (MIT License: Copyright 2018-2019a James Daly)

Illustration 5.2 Fashion Tees - Monochrome (MIT License: Copyright 2018-2019b James Daly)

The customer values are illustrated on the top of the framework to visualize the importance of understanding and listening to the customer of today. Retailers must, according to this study, identify which customer values that are relevant for their customer segment and brand niche, and in line with these build a strategy. Purpose and data are, according to this study, two important building blocks in order to develop a data-driven strategy to meet the evolving customer values, they are equally important and are strongly dependent on one another. The results of this study indicate that being data-driven should include having a dynamic platform and system integrations, measuring customer values on a regular basis and implementing data-driven strategy in all channels. Further on, the results of this study indicate that retailers need to identify a clear brand niche and concept and a relevant channel selection and concept, that are in accordance with and dependent on the data-driven strategy. This framework illustrates how purpose and data combined, 'open up a path' for retailers towards meeting the evolving customer values and staying relevant in today's highly dynamic retail industry.

The Internet of Things technologies have according to this study a valuable role in the framework but need to be well thought through before being implemented, in terms of what value they can generate. The results of this study indicate that it is of importance to have "the basics" in place before implementing advanced technical solutions. As the gears show, the Internet of Things technologies can be part of the path in order to meet the evolving customer values but must have clear purposes. Additionally, retailers need to have the capacity that allows for these technology implementations. If so, the Internet of Things has four important areas of application, **Experience, Logistics, Payment** and **Personalization**, that can meet the evolving customer values and contribute to a **Customer Value-Driven Framework**. Personalization is according to this study the core of a customer-centric approach and it is to be noted that it could be categorized both as a customer value, a customer experience area and Internet of Things application area. The multiple applications of personalization in this study indicates its importance in retail today and its role in the customer value-driven framework.

5.6 Validation and Reliability

The senior manager within Customer Experience reviewed the thesis and evaluated it in comparison to his/her expertise and KPMG's previous work on the subject. In general, the manager highlighted that the interviewee list was impressive and contributes to trustworthy and comprehensive results. In the analysis, the manager remarked the importance of strengthening the findings with more empirical data. Moreover, the manager stated the conclusions were reliable in general. In terms of the evolving customer values, the manager agreed that these were in line with KPMG's *Six Pillars of Customer Experience Excellence*, but remarked that *Shopping ease* is not an established academic term.

The manager further discussed other criteria and factors that need to be taken into consideration for retailers when implementing new ideas. Besides understanding the new customer values and building a model based on organizational strengths and capabilities, retailers must create a business model that is sustainable and profitable. The senior manager discussed desirability, feasibility and viability in a business model and refers to Orton (2017). In a trifecta figure these three should all be taken into consideration in order to succeed with innovation (ibid.). The manager stated that this thesis mainly considers desirability and feasibility and that viability also need to be taken into account. Moreover, the manager remarked that this thesis is not based on a business case and therefore the viability is getting less attention, but for further research, this area should be evaluated and put in comparison to the framework.

6 Discussion and Conclusion

This chapter has the purpose to discuss the research area from a broader perspective and following answer the research questions. Moreover, the findings from the study are put in context of future research and its opportunities.

6.1 Discussion

This study indicates that there are today decreasing discussions about omni-channel and more about redefining retail. The omni-channel strategy became a topic of discussion when retailers started using multiple channels, but the more digital the retail industry gets, the more omni-channel will be taken for granted. This study highlights the importance of lifting the question "What is retail?". The ongoing transformation of the industry is according to this study necessary, but it indicates that too few retailers are aware of what needs to be done and where to begin. The results of this study suggest that retailers should start from a customer perspective and begin with the basics to be prepared and adapt in accordance with the transformation. The customer journey does not end with a purchase and it is predicted in this study that what will be of discussion in a future perspective in retail is how to be one step ahead of the connected and highly individual customer.

There are additionally always going to be changes in the society that one cannot prepare for, and an ongoing example of this is the pandemic of the covid-19. This has and will continue to have a major impact on the retail industry. The covid-19 pandemic is an example where the e-commerce platforms get new essential values as people, particularly in the risk zones, are "forced" to use the digital channels. One potential long-term effect that could be beneficial for the e-commerce platform and a noteworthy impact on the future retail industry, is if these customers continue to utilize the online channels.

It is likely that the customer values will be affected by the pandemic and its consequences and one could be certain that this is not the first nor the last time the world will face a global crisis. Societies will continue to change due to global and unpredictable events. Customer values will always be transforming to some extent, due to for example the globalization, digitalization and automatization. In general, these are, according to this study, having 'slower' effects on customer values compared to the covid-19 pandemic, as this one causes drastic changes in comparison. It is predicted in this study that covid-19 is hastening the retail transformation with ten-year periods, which have to be taken into consideration when analyzing the current customer values in retail. Customer values are, and always will be, dynamic, and therefore it is of importance for retailers to be dynamic in accordance.

Being value-driven is the core of the future retail landscape, according to this study, and this is highly relevant in terms of technology implementations. As with the implementation of Internet of Things, customers and employees are increasingly collaborating with technologies in the retail environment. Today, several companies have digital departments within their companies, but in a future perspective will all departments go digital? Technology is increasingly integrated in all industries and it is getting more difficult to distinguish what is technology and who is working within technology.

The authors of this thesis strongly believe that the collected empirical data of this study is reliable due to the highly credible interviewees with expertise in the research area. Still, there have been several delimitations and there are perspectives that has not been taken into further consideration, such as the viability of a business. There can be additional evolving customer values and Internet of Things application areas that have not been detected in this study, and this study needs to be put in comparison to other similar studies, in order to provide more trustworthy results. This study does not cover all types of retailers and therefore no general conclusion of Swedish retail nor retailers can be stated. This study rather provides insights and examples of Swedish retail and retailers. Due to this, the results of this study, including the framework, has to be put in a context of other factors and additional studies in order to be able to be of hands-on usage for retailers. Still, the authors consider this study to be of usage for further research on this research area and an inspiration tool for retailers on how to meet the evolving customer values in Swedish retail.

6.2 Conclusion

6.2.1 What are the evolving customer values?

To be able to answer how retailers can meet the evolving customer values, it was essential to investigate what are the evolving customer values. The authors first wanted to understand what defines a customer value and its relation to customer experience. Moreover, the authors evaluated customer values from an omni-channel perspective with focus on the Swedish retail industry which so far is a less researched subject. The approach towards understanding the evolving customer values was to combine existing studies on customer values, with a customer perspective with empirical studies (interviews), with a retailer perspective on customer values. The identified evolving customer values must be put in a more comprehensive context in order to be able to generate value for retailers. These are by the authors considered to be a complement to further research on customer values and an insight in customer values in Swedish retail for both retailers and consultants.

The findings from the theoretical review and the interviews resulted in six evolving customer values: **Integrity, Interactivity, Loyalty, Personalization, Shopping ease,** and **Transparency**. The overall finding of this study in terms of the evolving customer values was that retailers should be relevant towards their customers and treat each customer as unique. In line with this, it is to be noted that each customer has different needs and values, but the ones listed above are according to this study important in order to understand the general customer behavior. Each evolving customer value can have different meaning and priority for each unique customer. The general customers of today are more digitally mature, informed and use multiple touchpoints during their shopping journey. Customers have more control and influence today and therefore it is important for retailers to understand their customer values. This study indicates that the evolving customer values have a driving impact on the retail industry and that retailers must be relevant towards customers in order to stay relevant themselves.

6.2.2 How can the Internet of Things meet the evolving customer values?

It was further investigated what role Internet of Things technologies have in today's retail environment and how these can meet the evolving customer values. To do so, the authors approached this area by investigating what role technologies have in omni-channel retailing today and Swedish retailers' general approach and attitude towards implementation of new technologies. The Internet of Things technologies were analyzed in relation to the evolving customer values.

The results of this study indicate that when implementing Internet of Things technologies there are four primary application areas that could meet the evolving customer values: **Experience, Logistics, Payment** and **Personalization**. These application areas are, according to this study, considered to be of essence when implementing new technologies and meeting the evolving customer values in a omni-channel perspective in Swedish retail.

The findings from the interviews indicates that retailers' general approach towards Internet of Things technologies is that there is potential in implementing technologies but that the Swedish retail industry is not technologically mature for this transformation yet. It was clarified that this was due to the fact that Swedish retailers in general do not have the 'muscles' nor the capacity for advanced technologies implementations. It is to be noted that the interview list in this study is not comprehensive enough to be able to make conclusion of Swedish retail in general. Instead, the interviewees provide the study with insights and examples and the results are rather indications than conclusions. The theoretical review indicated that Internet of Things technologies have an important role within omni-channel retailing when bridging digital and physical channels and how these could be of advantage in the future retail landscape. Further on, the overall findings from the theoretical review and the interviews suggested that retailers must have a clear purpose when implementing Internet of Things technologies and how these meet the evolving customer values. The technologies must meet/solve a need/problem in order to be of value for both the retailer on an organizational level and the customer. In other words, technology implementation must be value-driven according to the results of this study.

6.2.3 What other key factors are important in meeting the evolving customer values?

In order to detect how retailers can meet the evolving customer values in retail, other key factors were interpreted from the empirical findings, and following supported by the theoretical review. It was interpreted from the results of this study that what is the most essential for retailers, in order to meet the evolving customer values, is to have a value-driven strategy, directly connected to the customer values. Further on, the results of this study suggest that in order to be value-driven, retailers must have a clear purpose and be data-driven. A clear purpose includes having a clear brand niche and concept, be present in the relevant channels and have suitable channel concepts accordingly. Being data-driven and to work with 'hard' values instead of 'soft' values and 'following the gut feeling', is considered to be of importance in this study in order to be able to understand the customer behavior and values. The most highlighted points of this, from the theoretical review and the interviews, was to have dynamic platforms and system integrations, measuring customer values and have a data-driven strategy in all channels. Having dynamic platforms and systems integrations is of importance in context of integrating channels and customer touchpoints and to be able to follow and understand the customer behaviors in all used channels. In addition, the level of channel integration is valued by the customer in terms of shopping ease. It was exemplified and indicated on a general level that Swedish retailers measure customer values to a limited extent, or not at all. Having an "e-commerce strategy" in all channels is basically being fully data-driven in all channels which could decrease the complexity within channel integration.

To summarize, **purpose** and **data** are according to this study, two additional important key factors for retailers in order to meet the evolving customer values in an omni-channel perspective. They both derive from being value-driven, which is the main key point in how to meet the evolving customer values, according to this study. This study contains examples of that Swedish retailers do not truly work in a value-driven approach today, where the customer values have a central role, and where purpose and data are the building blocks. It has to be noted that since the data collection of this study is not saturated, the investigation of other key factors must be viewed with a critical eye. Purpose and data derived from the empirical result and a more comprehensive interviewee list would provide more comprehensive results.

6.3 Future Research

This study provides insights for retailers and consultants in context of how to meet the evolving customer values in the Swedish retail industry with an omni-channel perspective. This study does not contain customer segmentation or customer polls/interviews due to the retailer perspective and time and resource constraints. For future research, polls and interviews should be conducted with customers to gain additional views on customer values. This could further be put in relation to the three research perspectives in order to provide more comprehensive results.

Additionally, this study contains several perspectives on the retail industry, and these should be segmented and evaluated in comparison to one another in a future perspective in order to gain a better understanding of the evolving customer values. Moreover, although the evolving customer values are considered to be of high relevance and strongly influential on the retail industry according to this study, it is to be noted that there are other value drivers to take into account in a value-driven strategy. Additionally, data and purpose derived from the empirical findings and must be further researched and put in comparison to other potential factors that can be of importance in order to meet the evolving customer values. This could for example be the employee perspective, which should be further investigated in context of omni-channel retailing. Moreover, there are other factors that retailers must take into consideration for successful implementations in general such as viability, and this must be evaluated in relation to the framework in future research.

In a future perspective, this study indicates that researchers should investigate "What is retail?" rather than "What is omni?". It will additionally be particularly interesting to follow this transformation within the retail industry due to the covid-19 pandemic and its consequences. At this current state, it is difficult to fully predict what the effects will be in a long-term perspective and for how long this pandemic will go on, but it is likely to say that all industries will be highly affected. The retail industry is in a redefining state and it must be further evaluated and researched.

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8 Appendix

8.1 Appendix A – Interview framework

(All questions have been translated from Swedish to English)

All interviews with both practitioners and external have followed the same framework, but the questions have been modified and adopted for the interviewee and the specific situation. Additionally, the method of semi-structured interviews allowed follow-up questions that neither are included below.

1. **Background**

- Tell us about your career/professional background in retail.
- Tell us about your role at xx.
- *(personalized question/s)*

2. **Customer values**

- What characterizes a good customer experience?
- What are the new customer values in an omni-channel transformation?
- How do you/how should retailers measure customer values in order to develop your/their digital services to optimize the customer experience?
- What customer values do you/should retailers focus on in your/their physical stores?

3. **Omni-channel in the physical store**

- How do you define omni-channel and what does it mean to you?
- Do retailers in general mainly adapt new technologies or are they also developers themselves?
- What are your thoughts on 'the death of the brick and mortar retail' and 'experience shopping'?

- *Tell us about your vision for physical stores at xx. (for practitioners)*

4. Internet of Things

- What does Internet of Things technologies mean to you?
- How do you/how should retailers connect Internet of Things technologies to the new customer values?
- What opportunities and risks do you predict with the Internet of Things technologies in an omni-channel strategy in physical stores?
- How can retailers identify customers who enter the physical store?
- How can in-store employees be integrated with technology in increasingly digitized physical stores?
- How do you think the role of the in-store employees will change with the implementing Internet of Things technologies?

5. Personal data

- How do you/how should retailers work with master data to offer loyalty programs/personal data?
- *How has the GDPR legislation affected your company in terms of management of personal data? (for practitioners)*

6. Future possibilities and risks

- What do you think are the biggest opportunities and risks with implementing omni-channel in physical retail stores?
- The omni-channel transformation has changed customer behavior and how we shop, how do you think the retail industry will be in 10 years?
- Is there anything you would like to add or raise related to our thesis topic?
- Who do you think we should interview next for our essay topic?