THE STRATEGIC RETAIL MODEL

– UNDERSTANDING THE CHALLENGES OF THE FUTURE OF RETAILING

Christopher Gustafsson & Rikard Gustavsson
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Christopher Gustafsson       Rikard Gustavsson
Abstract

Title: The Strategic Retail Model – Understanding the Challenges of the Future of Retailing.

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Purpose
The purpose of the thesis is to present, analyse and verify a self-constructed strategic retail model, consisting of four constituents: product, service, positioning and technology. Each constituent represents a focal area, which forms a basis for discussing and interpreting factors and challenges connected to the future of retailing. Additionally, the thesis aims to examine the significance of the strategic retail model in regards to the future of retailing in a fashion context.

Method
The study is characterised by a qualitative nature, conducted with an abductive approach. The background has been rooted in reality, taking in account the digital revolution, the assumption that traditional marketing is dead and current retail trends. The problem discussion has been based in an academic approach where the concept of business models has been elaborated, along with a presentation of the traditional marketing mix and criticism of its changing nature. The empirical data collection has been conducted through nine interviews, seven face-to-face interviews and two online interviews. The strategic retail model has been verified through an empirical study and a second stage of literature review.

Conclusion
In a market where the consumer empowerment has fundamentally affected the retail environment, and traditional marketing has lost its former importance, the issue regarding the future of retailing remains. It could therefore be assumed that the significance of the strategic retail model is high. By managing each constituent and consistently strive to achieve an integration of the consumer focus in the strategic retail model, the four constituents and translated underlying consumer understanding is unified.

Keywords: Consumer Behaviour, Consumer Empowerment, Fashion Retail, Multi-Channel Retail, Positioning, Product, Service, Technology
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1. INTRODUCTION

The introduction chapter aims to introduce the background of the problem and development of the chosen topic. The first section of the chapter will discuss the changing nature of marketing, consumer behaviour and retailing owing to the digital revolution. The background will culminate into a problem discussion focusing on the understanding and creation of business models. Subsequently, the problem discussion will lead to a purpose and the research question of the thesis. The introduction chapter will be concluded with the delimitations.

1.1 Background

In 2012, the author and researcher Bill Lee published an article in which he declared traditional marketing, including advertising, branding, corporate communications and public relations, to be dead. In his article he demonstrated several interesting evidences substantiating the assertion. Lee (2012) claimed that in the digital social media-infused environment today, where there is an enormous quantity of information available, traditional marketing serves no purpose. He further argues that CEOs are tired of being asked for financial resources without being explained how it would generate increased growth or brand equity. Beside, he emphasized the changing behaviour of today’s consumers, who nowadays find alternative ways of finding product- and service information, often beyond the company’s marketing. This development caused difficulties for businesses in trying to persuade a consumer to spend his hard-earned money on something he doesn’t necessarily need (Lee 2012).

The changing nature of consumer behaviour originates from the digital revolution and growth of E-commerce that is present all over the world (Rigby 2011; Close 2012; Lee 2012). In fact, global figures show that globalisation will double the amount of Internet users and make the Internet accessible to almost 5 billion people by 2017 (Albright 2012). The digital revolution, first led by the desktop computers, has been intensified during the last years with the increasing usage of new devices for browsing and shopping (Kumar 2013). In addition, it has never been more challenging to remain a traditional bricks and mortar retailer (Gummer 2012; Kumar 2013). The offline retailers instantly have to turn to digital technologies in order to transform the physical retail environments into dynamic, amusing and educational shopping experiences to meet the even greater demand from the constantly connected consumers (Greenberg 2010; Hunt 2012).

In a market where the traditional marketing tools could be declared have lost its former importance (Emery 2012; Lee 2012), the issue regarding the future of retailing remains (Hall 2013). It could be questioned that when the consumers have access to a countless amount of information and
subsequently have the possibility to choose between numerous of substitutes in different channels. And when retailers are facing the contemporary challenges of multi-channel strategies in order to meet the consumer demand. Is there a need of a new business model?

1.2 Problem Discussion

The problem discussion addresses the concept of business models, the marketing mix and its changing nature. The problem discussion leads to the construction of a strategic retail model, which derives from the concept of business models.

1.2.1 The Concept of Business Models

A business model can be defined as “a representation of how a business creates and delivers value, both for the customer and the company” (Johnson 2010 p. 22). The business model represents the core of the company and how company activities should perform to serve the customer in order to make profit (Chesbrough & Rosenbloom 2002; Osterwalder & Pigneur 2010). According to Johnson (2010), a business model innovation is needed either when market conditions change, or when a company perceives and want to take advantage of new opportunities outside the core operations. The perception of the new opportunity could be explained as a “white space” (Johnson 2010), which subsequently implies all potential activities that is not defined or addressed by the current business model of the company. The opportunities are frequently related to shifts in the basis competition of an industry (Kaplan 2012), which implies that companies operating on a changing market or experiencing volatile demands have the opportunity to capitalise on a new market possibility (Chesbrough & Rosenbloom 2002; Johnson 2010; Kaplan 2012). Usually, new business models does not necessarily require a completely new innovation, but instead an implication of how to combine and recombine existing concepts and capabilities in different ways to see how value is delivered (Kaplan 2012; Osterwalder & Pigneur 2010).

1.2.2 The Marketing Mix – 4Ps

The marketing mix (see Figure A) is considerably the most renowned business model for influencing the demand of a product or a brand (Armstrong, Kotler & Parment 2011). The marketing mix was first discussed by James Culliton in The Management of Marketing Costs (1948), defined by Professor Neil H. Borden in The Concept of the Marketing Mix (1964), and later elaborated and classified by Jerome McCarthy into the 4Ps model in the 1960s (McCarthy 1960). However, it could be considered that Professor Philip Kotler has made the marketing mix widely known through his publications within the field of marketing management (Kotler & Keller 1972; Kotler, Saunders & Wong 1996). Today the marketing mix is one of the predominant concepts within modern marketing knowledge. The concept comprise of a set of
tactical marketing tools employed for positioning and differentiating the market offering of a company within a targeted marketing segment (Armstrong, Kotler & Parment 2011). The marketing mix consists of four comprehensive elements commonly known as the 4Ps: product, price, place and promotion (Kotler et al. 2008).

**THE MARKETING MIX – 4P’S**

![Figure A: The Marketing Mix. Adopted from Kotler et al. (2009)](image)

**Product**

The definition of a product includes anything offered for attention, acquisition, use or consumption with the major objective to satisfy a need or a want on a market. Product is the central part of the company as it is the ingredient in which the entire company should operate around. Products include tangible- and intangible goods, such as physical objects or services (Kotler et al. 2008).

**Price**

The definition of price can be determined by the full amount of money exchanged for the benefit of acquiring or consuming a product or a service (Kotler et al. 2008). The absolute price of a product or a service, which originates from the difference between total customer value and total customer cost, is determined by the leverage rate of the purchase solution (Popovic 2006). Pricing is considered as the major competitive advantage and a crucial element in order to influence the evaluation process of a consumer (Kotler et al. 2008; Solomon & Rabolt 2009).
Place

By definition, place is considered to include activities within all marketing channels and the communication between them (Popovic 2006). In addition, place consists of the areas supply chain management and positioning (Kotler et al. 2008). Through positioning a company determines how and where to distribute their products in order to attract the desired audience (Kotler et al. 2008).

Promotion

All the activities a company undertakes to approach a target market, including communicating and promoting the products, is by definition promotion (Popovic 2006). The notion of promotion includes two major areas: advertising and public relations (Kotler et al. 2008). Advertising involves communicating the value proposition of a company or a brand through different media channels in order to attract consumers (Kendall 2009). Public relations entail establishing and understanding relations with various stakeholders and thereby maintaining an advantageous reputation (Doole & Love 2008).

1.2.3 The Changing Nature of the 4Ps

A considerable number of academic scholars (see the following section) have devoted a substantial amount of time and effort to criticize and dispute the traditional marketing theory concerning the 4P model.

In the present marketplace, the traditional marketing mix model has been considered too limited in regards to the process of implementation, i.e. how companies in practical terms can make use of the model (Grönroos 2000). It has been argued that the model not truly reflect the current marketing situation and not providing a long-term approach needed for today’s managers (Schultz & Dev 2005). Further, the marketing mix model has been criticized for focusing on short-term operations through a tactical nature, which thereby constitutes a significant restriction in relation to strategic issues and long-term relationships (Berry 1983; Dickson & Ginter 1987; Schultz & Dev 2005). However, as the marketing mix model is originating from an empirical perspective (Håkansson & Waluszewski 2005; Constantinides 2006) and has not been entrenched in a scientific approach, the model has been considered a conceptual framework providing a foundation for short-term tactical programs from a company perspective (Palmer 2004). In regards to the implementation of the marketing mix, the model has been considered too business focused, mainly concentrating on internal operations and activities (Schultz & Dev 2005; Constantinides 2006). Consequently, the conceptualization of the marketing mix has placed the marketers in the forefront, which excludes the importance of the influential consumer perspective (Kennedy 2008). It could be considered that the marketing mix is
deficient regarding the connection and integration between the elements: product, price, place and promotion (Rafiq & Ahmed 1995; Popovic 2006), which exclude the possibilities of individualising marketing activities (Constantinides 2006).

The marketing mix model was originally developed as a resource allocation model during a time when focus lay on the exchange process between a buyer and a seller (Gummesson 2002; Håkansson & Waluszewski 2005). When the service industry was developed, a shift occurred and the traditional marketing mix was considered too insufficient in regards to the transferability to the complex nature of the service industry (Zineldin 1995; Kennedy 2008). Manipulating the traditional marketing mix elements is merely not what creates a basis for successful business, instead by building long-term relationships and abandoning the transactional approach, a higher degree of customer satisfaction could be achieved (Rafiq & Ahmed 1995; Zineldin & Philipson 2007). A distinct example of the incompleteness of the marketing mix is the development and extension into a 7P model, including the areas of participants, physical evidence and processes (Booms & Bitner 1980). These three additional elements incorporate the importance of consumer behaviour, interpersonal behaviour and physical environment (Rafiq & Ahmed 1995). The 7P model addresses the comprehensive complexity of the service industry where production and consumption occur simultaneously (Berry 1984). Despite the prolonging of the marketing mix model, it could be argued whether the additional elements could be incorporated into the traditional 4Ps framework (Bitner 1990). However, by separating the three additional elements, a separate attention is drawn to their importance within the service industry (Bitner 1990; Gummesson 2002).

Scholars argue that the marketing mix has been too business-oriented, not taking the wants and needs of the consumer in consideration (Schultz & Dev 2005). However, businesses do not benefit from pursuing a solely one or the other approach hence both approaches are important for the success of a company (Gummesson 2008; Osborne & Ballantyne 2012). In traditional marketing, consumers often are regarded as passive recipients, not being involved in the value-creation processes of companies (Wikström 1996; Ramaswamy 2006). A distinct example of a more customer-oriented marketing model is the SIVA- model consisting of the elements solution, information, value and access. Instead of focusing on the competitive advantage provided by a product, the SIVA-model provides another approach of product development where the product offers certain problem-solving abilities, in order to provide a solution for the customer (Schultz & Dev 2005).

Regardless of the criticism of the marketing mix, the model is still influential and provides a fundamental basis for managing companies (Grönroos 2000; Gummesson 2000). If a company initially does not provide an optimal
marketing mix, a successful relationship with the consumer cannot be achieved (Kotler et al. 2008). Beside, in order to implement the four elements successfully there is a need to attain transparency throughout all levels of operations within the company (Goi 2009). By changing or adding new elements to the mix does not change the fact that each industry is unique, which needs to be taking in consideration when extending and developing the traditional marketing mix (Zineldin & Philipson 2007).

1.2.4 The Strategic Retail Model

If it would be assumed that the marketing mix would have lost its former importance (Lee 2012) but still possessed a fundamental and influential basis for managing companies (Grönroos 2000; Gummesson 2000). It could be questioned whether there is a need of a strategic marketing model in the context of fashion retail that is taking in account the criticism of the marketing mix. As the tactical nature of the marketing mix could be seen as a major disadvantage (Berry 1983; Dickson & Ginter 1987; Schultz & Dev 2005), it could be assumed that when constructing an alternative model, the strategic perspective would be essential. By using the concept of the 4Ps and instead review the opportunity to transform or replace any of the four elements, the strategic retail model (see Figure B) can be constructed.

The Construction of the Model

By referencing to the digital revolution (Greenberg 2010; Gummer 2012; Hunt 2012; Kumar 2013), the assumption that traditional marketing is dead (Lee 2012) and current retail trends (Hall 2013); the authors have constructed a model based on the concept of the marketing mix, but from a strategic perspective within the fashion retail context. This implies that all four elements of the marketing mix have been redefined or replaced. The strategic retail model consists of four constituents similarly to the 4Ps but where price and promotion have been abandoned in favour of two constituents: service and technology. Service has been added due to the differentiation factor, as many consumers consider service more important than price (Handley 2012). The technology constituent has been added due to the digital revolution and increasing importance of incorporate technology in retailing (Hall 2013). The elements of price and promotion have been removed due to their tactical characteristics, i.e. the necessity of having to select a specific market channel or level in order to contribute to a successful marketing mix (Kotler et al. 2008). In addition, price has been removed due to the fact that pricing is no longer considered a factor of differentiation (Handley 2012; Lee 2012). Similarly, the content of promotion, such as magazines, newspapers and billboards, has been removed due to the same reasons as pricing, along with its claimed inability to reach todays consumers (Lee 2012). Remaining is the four constituents: product, service, positioning and technology.
Further, the authors have incorporated the importance of capturing the full potential of all divisions of an organisation by integrating transparency throughout the strategic retail model. A high level of transparency facilitates the ability to achieve authenticity of the company offering (Gilmore & Pine 2007). In order to create the strategic retail model the authors have elaborated the four constituents through pre-knowledge discussions and a first stage of literature review. Accordingly, each part have not specifically been defined, but rather assigned each constituent with fields of interest, originated from the first stage of the literature review. Consequently, these fields form the basis for constructing the interview guide used in the empirical data collection.

The Strategic Retail Model

![Diagram of the Strategic Retail Model]

Figure B: The Strategic Retail Model

**Product**

The first constituent, product, originates from the necessity of having a product as a central role of the business, as the product is the ingredient in which the entire company should operate around (Kotler et al. 2008; Solomon et al. 2011). However, by taking a strategic perspective of the product constituent there is no need to have a specific chosen product in order to adapt the strategic retail model. Instead, the product constituent is anchored in the understanding of creating experiences around the product.
Successively, the product constituent consists of understanding trends in retail space design and visual merchandising online and offline (Varley 2006; Varley & Rafiq 2011). By including product in the strategic retail model, a discussion regarding the understanding of creating a store environment that can contribute to a higher level of consumer satisfaction and purchase tendency.

Service

The second constituent service originates from the criticism of the marketing mix where the service perspective as a differentiation factor for businesses was not included (Zineldin 1995; Kennedy 2008). Varley & Rafiq (2011) argues that as a retailer, providing services is of equal importance as providing products. Similarly to the product constituent is the importance of understanding the creation of experiences and expectations through service solutions (Gilmore & Pine 2011). This further addresses two interesting aspects. The first one is loyalty and whether that should be a driving force for retailers in today’s environment (Hill & Alexander 2006). Secondly, by including the service constituent in the strategic retail model, the importance of creating excellent service experiences for online and offline retailers can be discussed (Rafiq & Ahmed 1992; Zineldin & Philipson 2007).

Positioning

The third constituent, positioning, has been redefined from the element place in the marketing mix. It could be questioned whether it is a necessity to have a multichannel perspective in the company activities while having specific knowledge of the chosen target group (Schoenbachler & Gordon 2002; Kumar 2013). The positioning constituent also addresses online and offline positioning (Kotler et al. 2008; Serrano-Cinca, Fuertes-Callén & Gutiérrez-Nieto 2010), how clusters emerge (Porter 1998; Delgado, Porter & Stern 2010) and how the future store platform will appear (Hall 2013). By including positioning in the strategic retail model, the understanding of choosing appropriate sales channels in relation to the target group can be discussed.

Technology

The fourth constituent technology, originates from the digital revolution and the understanding of new technologies and devices for today’s consumers (Greenberg 2010; Hunt 2012). The technology constituent is important in order to understand the development of technology in retail. The constituent also consists of understanding the practical implementation of technology and the possibilities and limitations regarding online and offline retailing (Jolly 1997; Ziamou 2002). By including technology in the strategic retail model, the understanding of how technological solutions can contribute to create excellent consumer experiences can be discussed.
1.3 Purpose & Research Questions

The purpose of the thesis is to present, analyse and verify a self-constructed strategic retail model, consisting of four constituents: positioning, product, service and technology. Each constituent represents a focal area, which forms a basis for discussing and interpreting the factors and challenges connected to the future of retailing in a fashion context. By understanding what the constituents are consisting of and how they are corresponding with the reality, a research question has been developed:

*What is the significance of the strategic retail model in regards to the future of fashion retailing?*

Analysing and verifying the four constituents and which significant it possesses in regards to the future of retailing will fulfil the purpose of the thesis.

1.4 Delimitations

The research has been delimited to solely focus in the fashion retail context. Furthermore, the research has been delimited to companies not focusing their retail strategies on pricing. The aspects of trust and safety regarding adopting of innovations have been excluded due to its abstract nature and necessity of conducting a consumer study, in order to fully understand the content of the concepts (Brannigan & de Jager 2003; Velmurugan 2009). Subsequently, the aspects of trust and safety regarding adopting of innovations are considered having minor importance to the purpose of the thesis.

The selection of respondents consists of individuals from both Sweden and the United Kingdom. However the thesis is not delimited to cover any specific region or country as the purpose of the thesis does not include aspects related to specific companies.
2. METHODOLOGY

The methodology chapter aims to present the chosen method of the study. First, the chapter will present and describe the abductive research process and how the data collecting has been conducted in the empirical and theoretical approaches. The chapter will address a method discussion including an evaluation and criticism of the study.

2.1 The Abductive Research Process

The study is characterised by a qualitative nature, conducted with an abductive approach (see Figure C). The abductive approach combined with a qualitative nature provides the researcher a basis for testing and verifying a research problem (Bryman & Bell 2007; Patel & Davidsson 2011) and simultaneously enabling an in-depth understanding of the problem (Kovacs & Spens 2005). Qualitative research is characterised by the aim of collecting a deeper understanding of the chosen problem and to understand the aspects of what, where and when, but also why and how the problem has emerged (Bryman & Bell 2007). The abductive approach is characterised by its multifaceted nature, which implies that prior theoretical knowledge shapes a problem. The problem is tested by real-life observations and successively matched by applying a theoretical framework. The aim of the abductive approach is to formulate a new theory based on the understanding of the problem, which has been verified through the real-life observations. The new theory is conclusively applied in relation to the problem (Dubois & Gadde 2002; Kovacs & Spens 2005).

THE ABDUCTIVE RESEARCH PROCESS

Figure C: The Abductive Research Process. Adopted from Dubois & Gadde (2002)
The Authors

In the running text, Christopher Gustafsson and Rikard Gustavsson are consistently referred to as the authors. The authors have chosen to use this practice whenever the authors want to emphasise their involvement in what has been done.

The Research Process

The research began by discussing and identifying a suitable problem within the research area of Fashion Management. In accordance to Fashion Management, the area of interest comprised the future of retailing, which subsequently was the field that was chosen as main topic of the thesis. By identifying a problem within the future of retailing, a purpose was formulated and a research question was developed. In order to answer the research question, the authors found that the qualitative nature corresponded with the chosen approach in order to fulfil the purpose of the thesis.

The research process began with a first stage of literature review in order to establish a prior theoretical knowledge providing a basis for the research question. The background was rooted in reality, taking in account the digital revolution (Greenberg 2010; Gummer 2012; Hunt 2012; Kumar 2013), the assumption that traditional marketing is dead (Lee 2012) and current retail trends (Hall 2013). The background questioned whether there is a need of a new business model, in order to face the changing reality of fashion retailing. The problem discussion was based in an academic approach where the concept of business models was elaborated, along with a presentation of the traditional marketing mix and criticism of its changing nature. The problem discussion culminated into a self-created strategic retail model (see figure B p. 11).

The strategic retail model has been verified through an empirical study and successively a second stage of literature review. The verification has been conducted in order to determine the relevance and consistency of the model, in line with the purpose of the thesis (see chapter 1.3).

2.2 Data Collection

In accordance to the abductive approach, the data collection has been conducted through several stages (Dubois & Gadde 2002; Kovacs & Spens 2005). The first step of the data collection was conducted in order to find prior theoretical knowledge that supported the construction of the constituents in the strategic retail model (see chapter 1.2.4). The second step consisted of the empirical data collection that later in the process was matched with the third step, the theoretical framework. Throughout chapter 3, the empirical data is presented before the theoretical framework in accordance to the abductive research process. This implies that several notions that are presented in the
empirical approaches are matched and further described in detail in the theoretical approaches.

2.2.1 Theoretical Approach

The literature study has been conducted in two stages. The first stage involved collecting the theories, which formed the prior theoretical knowledge used for constructing the constituents of the strategic retail model. In line with the abductive research approach, the second stage was conducted in order to confirm and match the empirical data collection (Dubois & Gadde 2002; Kovacs & Spend 2005).

Secondary data has been used throughout the study. All theories have been collected by using the academic search engine Summon that is accessible through the library at the University of Borås (Summon n.d.). In addition, printed references and articles have been found and collected through the database at the library of the University of Borås (Bibliotekskatalogen n.d.). In order to find suitable theories, the theoretical data collection has been delimited to certain keywords. The first stage of the data collection used keywords relevant to the fields of interest in the constituents of the strategic retail model. Subsequently, related keywords in this stage concerned for example: “retail space design”, “loyalty”, “the future retail platform” and “technology in retail”. The second stage of the theoretical data collection used keywords relevant to match the topics, identified through the conducted empirical data collection. Related keywords in this stage was for example: “store concept”, “customer relationship management”, “market segmentation” and “functionality”. By using certain keywords in the different stages of the theoretical data collections, a more focused search result could be achieved, which ultimately supported the construction and modification of the strategic retail model and the theoretical framework. The theoretical data collection has included an appropriate number of theoretical references in order to achieve theoretical saturation.

2.2.2 Empirical Approach

The empirical data collection has been conducted through nine interviews, seven face-to-face interviews and two online interviews. The researches got in touch with a majority of the respondents through a prior experience of their lectures and seminars, or by recommendation from the supervisor at the Swedish School of Textiles. Two of the respondents, Jens Halvarsson and Johan Eriksson were found through an extensive online search with the aim of finding additional relevant respondents. All respondents have been contacted by e-mail, where the thesis objective was presented along with a description of the interview process (see Appendix A). All interviews have been conducted based on the interview guide (see Appendix B).
The selection of respondents has been made based on a crucial appreciation in regards to the topic of the thesis. All interviews have been used during the analysis process. The empirical data collection has involved the number of respondents appropriate in order to achieve empirical saturation.

Selection of Respondents

Bill Webb, Professor at University of the Arts London.  
Interview conducted Online 2013-04-20.  
University of the Arts London is Europe’s largest specialist Arts and Design University with 1,111 academics, research and technical staff supported by 2,074 lecturers. The University of the Arts London comprises of six distinguished colleges, including for example Central Saint Martins College of Arts and Design, London College of Communication and London College of Fashion (University of the Arts London n.d.).

Bill Webb has been selected based on his extensive knowledge in Fashion Retail Management and the fashion industry in general. The respondent has been interviewed in order to establish knowledge in the constituent product and service of the strategic retail model.

Carl Berge, CEO Berge Consulting.  
Interview conducted in Gothenburg 2013-04-08.  
Berge could be described as a full-service agency that is determined to make a difference. Berge create strong brands and improve everyday life through awareness, innovation and sustainable thinking. The company activities include product-, automotive and interaction design, design strategy and brand management, colour, material and finishing, surface design, visualisation and motion (Berge n.d.).

Carl Berge has been selected based on his knowledge in technological trends and innovations. The respondent has been interviewed in order to establish knowledge in the constituent technology of the strategic retail model.

Erik Larson, Financial Adviser and Consultant Swedbank Sjuhärad. Earlier CEO IBYEYOSTUDIO.  
Interview conducted in Borås 2013-04-04.  
IBYEYOSTUDIO is a lifestyle PR and event agency, situated in Stockholm that enables brands to become visible and strengthen their brand value. The ambition of the company is to be perceived as a progressive and passionate company by pushing the boundaries and combining state-of-the-art solutions with more traditional PR craftsmanship at a high level (IBYEYOSTUDIO n.d.).

Erik Larsson has been selected based on his knowledge of the fashion industry and its future development. The respondent has been interviewed in order to establish
knowledge in the constituent positioning, product and service of the strategic retail model.

**Fredrik Widing**, CEO/Senior Manager Gate46. 
Interview conducted in Stockholm 2013-04-18.
Gate46 is built upon knowledge, passion and trust and has a clear issue – Adding Real Estate Value. The company works with both International brands and small stores and is the obvious partner when it comes to retail space premises (Gate46 n.d.).

Fredrik Widing has been selected based on his extensive knowledge of the fashion retail industry and its future development. The respondent has been interviewed in order to establish knowledge in the constituent product, positioning and service of the strategic retail model.

**Jens Halvarsson**, Business Developer Textalk. 
Interview conducted in Gothenburg 2013-04-09.
Textalk is a company that provides powerful and user-friendly do-it-yourself tools including publishing of websites, web magazines, research, web advertising, polls, discussing forums and e-commerce. Textalk does also customise advanced webpages with solutions comprising of graphic design (Textalk n.d.).

Jens Halvarsson has been selected based on his knowledge of adapting technological solutions for companies. The respondent has been interviewed in order to establish knowledge in the constituent service and technology of the strategic retail model.

Interview conducted in Gothenburg 2013-04-09.
Svensk Distanshandel is the trade association for e-commerce in Sweden and has been assigned to represent the industry and to ensure that it is reputable and customer friendly. Svensk Distanshandel constantly monitors the national and international development of e-commerce. Svensk Distanshandel also owns the e-commerce certification Trygg E-handel, which is intended to create a trust for consumers when buying online (Svensk Distanshandel n.d.).

Johan Eriksson has been selected based on his extensive knowledge of e-commerce and online retailing. The respondent has been interviewed in order to establish knowledge in the constituent product, positioning, service and technology of the strategic retail model.

**Jonathan Reynolds**, Academic Director of the Oxford Institute of Retail Management, University of Oxford. 
The Oxford University is one of Britain’s most prestigious and renowned universities. The Oxford Institute of Retail Management is combining
industry knowledge with analytical rigour and objectivity. The institute relates to sound scholarship to the practical needs of retailers and contributes to building a worldwide network of experts in retailing (Oxford Institute of Retail Management n.d.).

Jonathan Reynolds has been selected based on his extensive knowledge of fashion retailing and its future development. The respondent has been interviewed in order to establish knowledge in the constituent product, positioning, service and technology of the strategic retail model.

Simon Hjelte, Marketing Director Tärnsjö Garveri, Earlier CEO of SOM Concept. Interview conducted in Stockholm 2013-04-16.
SOM Concept was built upon a mass-customisation retail platform were the customers themselves could design and get tailored clothes. The concept allowed each garment to be unique, requiring a high level of service and individualised interaction process¹.

Simon Hjelte has been selected based on his knowledge of fashion retailing, customer service and creating experiences. The respondent has been interviewed in order to establish knowledge in the constituent product and service of the strategic retail model.

Panagora is a relatively young company with experience of e-commerce since 2001. The company builds customised store concept for retailers mainly within the fashion and beauty industry. Panagora has launched several e-commerce sites, for example: Acne, Caliroots, J Lindeberg, Nudie Jeans and Sneakersnstuff (Panagora n.d.).

Moon-Suck Song has been selected based on his extensive knowledge of e-commerce, online retailing and service solutions. The respondent has been interviewed in order to establish knowledge in the constituent product, service and technology of the strategic retail model.

Semi-structured Interviews
A semi-structured interview is characterised as a flexible interview, where the researcher has formulated an interview guide based on specific topics, but where the respondent is able to freely respond. This implies that the researcher has the possibility to ask follow-up questions based on the answers of the respondent (Bryman & Bell 2007). The flexible nature of semi-structured interviews allows the respondent to immerse into the topic, which consequently gives the researcher in-depth knowledge of the specific area (Carson et al. 2001).

¹ Simon Hjelte, Marketing Director Tärnsjö Garveri, Interview Conducted April 16th 2013.
The interviews have been conducted face-to-face and online. The main objective of the interviews has not been to find a true reflection of the reality, but rather to find interesting aspects of the respondent’s views and opinions. The face-to-face interviews have been conducted on location, by using a predetermined interview guide (see Appendix B), consisting of questions open for discussion in regards to the specific topics. The online interviews was conducted by sending the questions of the specific topics to the respondents, which subsequently gave the respondents the opportunity to at leisure answer the questions before replying. The major differences regarding the interview processes was the limited possibility of asking supplementary questions to the interviews conducted online. As these respondents had the opportunity to spend a longer amount of time responding to the questions, the responds were found sufficient enough. However, despite the quality of all interviews, the results of the face-to-face interviews have been used to a larger extent due to their greater reliability. This could be justified based on the larger amount of information collected and the possibility of asking supplementary questions. The semi-structured interviews allow the researcher to gain deeper knowledge of the selected topic, which matches the qualitative research approach (Bryman & Bell 2007) chosen for this study.

The face-to-face interviews have been recorded by using a Dictaphone, and were successively transcribed. The transcriptions consisted of 160 A4 pages, which due to the extent have not been included as an appendix. In case of interest, the transcriptions are available by the authors.

2.3 Data Analysis Methods

The starting point for most forms of qualitative data analysis is coding. The coding strategy involves categorising the empirical and theoretical data into topics that has been identified during the data collection process. The topics could be considered as the parallels and patterns, which connects the responds of the respondents. Further, the topics successively form the structure of the analysis (Lofland & Lofland 1995; Bryman & Bell 2007).

There are several steps and considerations regarding coding. It is essential to begin the coding as soon as possible in order to identify the most significant topics in the data collection. The researcher has two options when it comes to applying the coding in the transcripts. Either the researcher applies the codes continuously during the transcription, or the researcher applies the coding when the transcription is completed. The choice is dependent of the research topic and the amount of data collected. When the coding has been applied in the transcripts, the researcher reviews the transcriptions in order to verify the parallels and patterns of the respondents. The coding is similarly applied in the theoretical framework where parallels and patterns are being identified coherently with the empirical data collection. By identifying the parallels and
patterns, the researcher can substantiate the results of the analysis (Lofland & Lofland 1995; Bryman & Bell 2007).

As previously described in chapter 1.2.4, the self-created strategic retail model has been constructed of constituents based on fields of interests, which were elaborated during a first stage of literature review. The abductive research process allows the researcher during the process to evaluate and reformulate the previously identified fields of interests with the topics identified during the empirical data collection (Bryman & Bell 2007; Patel & Davidsson 2011). Four topics from the empirical data collection that was coherent throughout all conducted interviews were identified: factors of differentiation, multichannel retailing, purchasing process and target group analysis. The topics formed the basis for the theoretical matching, which culminated into the theoretical framework. The matching has been elaborated in accordance to the consistency of the empirical and theoretical approaches and its relevance to the strategic retail model. Further, the matching resulted into three areas that shaped the structure of the analysis: consumer empowerment, the future retail platform and factors of differentiation.

In the analysis, theories presented in the theoretical framework have been subsumed in the context of the strategic retail model. This implies that notions have been applied, without being further developed. For example, the notion target group has been applied in order to stress its importance to the context rather than elaborating the content of the notion.

By applying the chosen structure of the analysis, the findings of the analysis process have been clarified, which consequently has resulted in the reformulated constituents of the modified strategic retail model (see figure L p. 54). In addition, the applied structure of the analysis has supported the authors in fulfilling the purpose of the thesis and answering the research question.

### 2.4 Method Discussion

The use of an abductive approach implies certain risks. The major risk is related to the initial phase of the research process, where all researchers somehow are influenced by previous experiences and already conducted research (Patel & Davidsson 2011). It could be indicated that the risk results in a too-narrowed approach, where the researcher neglects the full perspective of the problem relevance in relation to the reality (Kovac & Spens 2005). The authors have throughout the process endeavoured a wide spectrum and a holistic perspective by applying a multiple approach to the problem. The qualitative nature could lack in generalisation, because of the in-depth characteristics of a qualitative process. There is also a problem related to whether if the results of a qualitative nature are in accordance with the reality or whether it rather is a representation of the reality. The problem originates
from the fact that a qualitative result cannot be measured (Bryman & Bell 2007). The authors have never had the aim of generalising the findings of the research, but rather to remain within the context of fashion retailing, defined in the delimitations (see chapter 1.4). In addition, the research never had the aim of measure whether the results are in accordance with the reality or not. Instead, the authors believe that their ability of interpret and reflect the findings is sufficient enough to render a valid reflection of the fashion retail context.

The Empirical Study

The ultimate empirical study includes a countless number of respondents, which to the greatest extent possible increases the validity of the findings (Bryman & Bell 2007). It could be argued what number of respondents is essential in order to achieve the ultimate empirical study. However, during the empirical study the research process have aimed to involve the amount of respondents necessary, in order to achieve empirical saturation. Regarding the collecting of the empirical data, it could be argued that the interviews conducted online has a lower reliability than the interviews conducted face-to-face. This is mainly due to the inability of asking follow-up questions and reduced opportunity of questioning the answers (Bryman & Bell 2007; Patel & Davidsson 2011). In addition, there is a possibility that certain interviews may have influenced the empirical approaches to a larger extent than the rest of the interviews. However, the authors have due to their ability of interpret and determine the relevance of the empirical data prevented that certain respondents have a superior position in the analysis, unless it is justified. It could also be questioned whether the results would have been influenced by the fact that all the respondents are men. However, due to the fact that a gender perspective does not have an influence on the area of interest, the issue is obsolete.

The Theoretical Framework

It could be argued that the theoretical framework is too shallow and presents theories without in-depth elaborations. As the research problem originates from multiple dimensions, consisting of four constituents with underlying fields of interests, it could be assumed that the reader would have to possess a certain level of preconceptions in order to fully understand the content. The study has aimed to present a concretised theoretical framework, consisting of relevant parts of renowned theories, in line with the research problem. The original reference has been provided in connection with the theories not fully presented throughout the text. Subsequently, this implies that the reader alone can immerse in the theory via the original reference if needed. In the theoretical framework, the usage of the unconfirmed references could represent a risk for the reliability of the thesis (Bryman & Bell 2007). Two references have been used, which are not to the same extent confirmed by additional references. However, Sonneck & Ott (2010) and Court et al. (2012)
represent significant theories with a high relevance to the research area, which justifies the use of the two references.

*The Coding of the Data*

A major problem in regards to using coding as a strategy for categorising the empirical and theoretical data is related to the possibility of losing the context of the content. By categorising the data into topics there is a risk of fragmentation, which implies that the narrative flow of the respondents could be lost. This can lead to that the purpose and totality of their arguments and elaborations may be distorted (Carson et al. 2001; Bryman & Bell 2007). The problem when using coding is avoided, as a narrative flow to the empirical approaches is not applied. Instead, the content is focused on the empirical approaches to comprise topics, rather than present narrative elaborations of the respondents.

2.4.1 Reliability

In qualitative research there are no possibilities of measuring the reliability in numbers, and therefore it is more complicated to determine the level of reliability of a qualitative study. Reliability relates to the question of whether the result of a study is repeatable, which implies how well repetitive studies can achieve as an equivalent result as possible (Carson et al. 2001; Bryman & Bell 2007). The study has been based in research of renowned theories and an empirical study based on an interview guide was conducted. However, it is impossible to determine whether respondents in similar positions would respond likewise. In addition, it could be assumed that the reliability of the study is dependent on the conditions of reality. If the reality would change rapidly, there is a chance that the reliability of achieving a similar result would decrease.

2.4.2 Validity

Validity refers to the extent to whether a result or measurement is corresponding accurately to the reality. There are two major areas of validity, external validity and internal validity (Bryman & Bell 2007).

*External Validity*

External validity is mainly related to the generalisability of the study, which implies if the results of a study can be generalised beyond the specific research context (Cho & Trent 2006; Bryman & Bell 2007). Since the research primarily has been conducted in the context of fashion retailing, it implicitly involves that a generalisability of the study has been opposed. A discussion about the external validity of the study has therefore been excluded.
Internal Validity

Internal validity relates to whether the match between empirical and theoretical data is reliable, and whether the researcher is observing, identifying or measuring what is initially intended. This implies that the more accurate match between the empirical and theoretical data the greater the quality of the study (Mason 1996; Bryman & Bell 2007). It can be presumed that a high level of validity has been achieved regarding the selection of the respondents, as a majority of the respondents have been selected based on the respondents relation to the Swedish School of Textiles. It could therefore be assumed that the respondents possess a high level of competencies in line with the research area selected for the study. The authors believe that by using an interview guide throughout all interviews, it is believed that the initially intention of the interviews have been fulfilled. However, due to the semi-structured interviews, the respondents have occasionally been led into additional aspects of the problem. Consequently, it has been up to the authors to determine whether the additional data should be applied further in the research process.

The abductive research process has allowed a high level of internal validity to be achieved in the study. The high level has been achieved through the integrated stage of theoretical matching in the abductive research process, which has enabled a confirmation of the empirical data with theoretical references. The high level of internal validity has contributed to conduct the study more accurately in relation to the research context.
3. CONSTITUENTS

This chapter will cover the empirical and theoretical approaches of the four constituents presented in the introduction chapter. The approaches aims to provide a better understanding of the data collection conducted through verifying the strategic retail model. In order to provide a better overview and clarify the content of each constituent, the theoretical and empirical approach will be presented below each constituent.

3.1 Product
The product constituent has been divided into two approaches, an empirical approach and a theoretical approach.

3.1.1 Empirical Approach
All respondents are consistent that competing with assortment is no longer a viable factor of differentiation in today’s fashion retail industry. Simon Hjelte\(^2\) elaborates the argument by explaining the major problem of the overall retail industry to be the excessive emphasis on assortments and its lack of connection to a distinguishable concept. He means that a retailer will not appeal to the consumer solely through their product since the consumer in most cases can find the exact product or a very close substitute, at different retail channels. Instead, Hjelte argues that in a longer perspective a retailer will only be competitive by building a concept, closely connected to the brand, and distinctly communicate it through the layout and design of the retail space.

Moon-Suck Song\(^3\) and Fredrik Widing\(^4\) agree with Hjelte regarding the importance of building distinguishable concept and the concept’s role as the major factor of differentiation. Song further extends the concept’s role by explaining that in the changing nature of fashion, which largely is built around seasonal trends, the concept acts as a translational factor of recognition and reliance. He argues that the concept has to be built upon the values and expectations of the target group, in order to ultimately provide an experience, which is essential when building a loyal customer base. A store without an identity, without a concept has to start selling products to a lower price than the competitors, a strategy not suitable in a longer perspective. Song states, a consumer merely persuaded through price has a significantly lower probability to become a returning consumer. Hjelte explains the importance of experiences through an example saying a white t-shirt will always be a white t-shirt, it can be altered in different ways but

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\(^2\) Simon Hjelte, Marketing Director Tärnsjö Garveri, Interview Conducted April 16th 2013.
\(^3\) Moon-Suck Song, CEO Panagora, Interview Conducted April 18th 2013.
\(^4\) Fredrik Widing, CEO Gate 46, Interview Conducted April 18th 2013.
fundamentally it will always be the same. When entering a store the concept and layout says more about the products displayed, than the product itself. Thereby using a distinguishable concept a retailer adds value to the products displayed and provides the consumer with an experience, Hjelte explains.

Widing argues that concepts are essentially an extension of the brand, making positioning the brand an important part of gaining recognition and awareness in the minds of consumers. Song agrees and argues that the physical layout of the retail space or the design of a web shop has to be constructed in regards to the brand, ultimately creating an identity relatable to the target group. Erik Larson\(^5\) states the important correlation between a brand and sales, arguing that a strong brand works as a driver for sales. He explains that retailers who are experiencing great sales still need to work with their brand in order to avoid a sales curve with large fluctuations, which eventually can lead to a diluted brand. One example of consequences of a diluted brand is the case of the brand One Piece, which initially had great sales but consequently lost its recognition due to the fact that its success was built on one product that easily could be copied. Today the brand recognition has been transformed to the product and the original brand has disappeared. Larson gives an additional example of the phenomena but with a reversed correlation. The fashion brand Ann-Sofie Back, which has won the prestigious ELLE Magazine award as best designer and consistently acclaimed by critics, has several times gone bankrupt due to bad sales. The brand has been too focused on the collections and has not been working on transferring the publicity of the brand towards sales. Larson concludes the argument by explaining that retailer needs to work actively with both brand recognition and sales taking in account their correlation and importance.

Song further expands the argument of branding by explaining the importance for retailers to build up a strategy for how to communicate the brand towards a suitable group of consumers using different channels. Retailers today need to understand how, where and when a person consumes in order to know what message to communicate and where, Song explains. He believes that by building a retail platform focused on providing consumer experiences and facilitating the purchasing process together with building compatibility in social media. Johan Eriksson\(^6\) states that since the introduction of social media, there has been a paradigmatic shift leading to consumer empowerment, a statement also agreed by Bill Webb\(^7\). Eriksson explains that in today’s society where an unlimited amount of information is available online and where social media enables people to communicate, the consumers have the power over what they are buying.

\(^5\) Erik Larson, Earlier CEO IBYEYO STUDIO, Interview Conducted April 4th 2013.
\(^7\) Bill Webb, Professor University of the Arts London, Interview Conducted April 20th 2013.
At the same time Eriksson explain that retailers, through an online presence, have an opportunity to gather information about the consumer and their behaviour. He argues that it is essential for retailers to identity their target group and build up a platform, from which customer data is collected and later used for improving the customer offer. Although, the retailers are well aware of the fact that there has been a paradigm shift, Eriksson is critical to their lack of commitment and question why several retailers choose not to have an online sales channel. Song believes the lack of commitment is based on attitude problems. Retailers still believe they can educate their customers and tell them what to buy and where, Song explains. He explain the root of the problem being a too introverted point of view, where companies have an inside-out perspective instead of an outside-in. Having an outside-in perspective implies collecting consumer data and taking the consumer focus into account when developing new products and retail channels. Song further argues that retailers with lacks of consumer focus, is experiencing a risk of creating a distance between them and their target group, which could be threatening both for the brand and the company itself.

Eriksson argues that another development that came with the introduction of social media is the death of traditional marketing. He explains that today consumers are exposed to several thousand messages each week, through television, Internet and magazines, making consumers more and more distant towards the content and purpose of the marketing. Instead, marketing has increasingly come to focus on understanding how, when and where consumers make their purchases, Song explains. Eriksson describes that historically consumer behaviour was based on a linear purchasing process, where the purchasing of a product followed a course that was progressively constructed.

Today, with consumers having access to a lot more information and several more retail channels, the consumption behaviour has developed into a circular purchasing process with a numerous of touch points, Eriksson explains. He further says that nowadays every purchasing decision start on Google. The search leads you into a website that sells the particular product the consumer is looking for. After finding the product and gain knowledge about details and prices, the consumer return to Google and perhaps visit a website which compares prices and availability. Thereafter, the goes through an extensive evaluation process, the consumer visit Facebook or other social medias to view if any of his or her friends have bought the product or have knowledge about the store in which it has been displayed. The consumer also considers the reviews of the product, which can be found on the online platforms or forums online, Eriksson explains.

Eriksson argues that each website, store, forum or review represent a touch point, which independently plays a role in the consumer’s purchasing decision. He believes that due to the emergence of a circular purchasing
process that is containing numerous touch points, along with the global competition brought by the Internet, companies need to have a strategy for capturing the consumer at each single touch point. The strategy built up around each touch point has to consist of methods for how to transform the consumers’ awareness into a completed purchase. In turn, the transformation is made possible through a distinguishable concept with associated services. Eriksson explains. Jonathan Reynolds\(^8\) agrees and adds that retailers need to design their concept based on the identified target group, making the platform relevant to the consumers needs and wants.

### 3.1.2 Theoretical approach

The theoretical approach regarding the product constituent consists of store concept and changes in consumer purchasing behaviour.

**Store Concept**

According to several academics (Varley 2006; Kotler et al. 2008; Solomon & Rabolt 2009; Varley & Rafiq 2011) the construction of a distinguishable concept is an essential stage in building a retail platform. The store concept can be referred to as the personality of a brand, a reflection of its image and value, which has been transformed into a physical as well as an online retail environment (Kotler et al. 2008; Solomon & Rabolt 2009; Varley & Rafiq 2011). The concept is built up through several, different factors, where the two most important ones consist of compatibility, in regards to the target group, and coherency with the brand values (Kotler et al. 2008; Solomon & Rabolt 2009). The environment where the concept is managed and where the interaction between retailer and customer takes place needs to be designed in order to attract and satisfy the target group, ultimately encourage them to make a purchase. At the same time, the concept needs to be designed in coherency with the brand and the corporate identity of the retailer (Varley & Rafiq 2011). Also, the concept needs to be fully integrated with the long-term strategy and function as a platform for communicating strong messages of the brand and fulfil the aim of the positioning by saturating the gap within the market (Kotler et al. 2008; Solomon & Rabolt 2009; Varley & Rafiq 2011).

The design of the concept plays a significant role of how consumers perceive the products displayed in the retail space. Collectively, the added features create a factor of differentiation for a retailer (Varley 2006; Kotler et al. 2008; Solomon & Rabolt 2009). Characteristically, it is the concept and added features, which consisting of the service provided and items adding to the consumer experience, that forms the basis of the brand impression. By designing a concept with the aim of creating experiences in line with the expectations of the target group, retailers can achieve long-lasting

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\(^8\) Jonathan Reynolds, Academic Director of the Oxford Institute of Retail Management, Interview Conducted April 26th 2013.
impressions, ultimately forming consciousness within the mind of the consumers (Kotler et al. 2008; Solomon & Rabolt 2009; Varley & Rafiq 2011).

Changes in Consumer Purchasing Behaviour

According to Kotler et al. (2008) and Solomon et al. (2010) consumers experience a linear, purchasing process before reaching a purchasing decision. The process consists of five stages, illustrated in Figure D:

![Figure D: The Linear Purchasing Process. Adopted from Kotler et al. (2008)](image)

The linear purchasing process was initially developed for encouraging marketers to broaden their approach towards the entire purchasing process, instead of solely focusing on the purchasing decision. The construction of the model implies that consumers gradually cross through all five stages in every purchase. By understanding how consumers recognise needs and wants, search for information and evaluates alternatives, retailers achieve a greater understanding of consumer behaviour, which can be used to improve the brand offering (Kotler et al. 2008; Solomon & Rabolt 2009; Ekström 2010).

Marketing has always been about reaching consumers and influencing their purchasing decision by seeking areas of interacting, touch points, where consumers are open to influence (Court et al. 2011). A touch point is defined as “every contact between the customer and the company” (Kotler et al. 2008 p. 393) and incorporates customer purchases, interaction with employees, websites, surveys and market studies (Kotler et al. 2008; Ekström 2010; Solomon et al 2010). Traditionally, touch points has been managed by implementing the perception of the consumers’ purchasing as a linear process. In the process consumers starts with several potential brands or products in mind gathered from the information search related to a
The Strategic Retail Model

previously identified need or want. Then gradually through touch points, marketing decreases the number of alternatives and at the end consumer emerge with a singular brand or product, which is later purchased (Kotler et al. 2008; Court et al. 2011).

However, due to the development of digital technologies and social media, along with the emergence of additional sales channels and an increased assortment of product choices, the consumers’ purchasing process has undergone a significant change. The change incorporates a greater complexity regarding touch points and purchasing factors, which are not compatible with the structure of the linear consumer purchasing process. Based on research of purchasing decisions of 20,000 consumers across five industries and three continents, Court et al. (2011) have determined that the new purchasing process is based on a circular process, illustrated in Figure E (Court et al. 2011; Hudson & Thal 2013):

![Figure E: The Consumer Decision Journey. Adopted from Court et al. (2011)](image)

Rather than systematically narrowing down choices in order to find a brand or product to buy, consumers consider an initial group of brands in which they later add or subtract brands through an active, extended evaluation process. Contrary to the linear process, in the active evaluation process brands that previously have been ruled out can affect the purchasing decision by interaction through touch points and even drive out competitors. Moreover, after the moment of purchase, consumers frequently enter into self-initiated, prolonged relationship with the brand, sharing experiences
through social media. In addition, through the post-purchase experiences the consumers build up expectations, which later works as a trigger by affecting their next consumer decision journey. In addition, the trigger’s level of affecting the next purchase can make the consumer ignore a new decision journey in the next purchasing decision and instead go directly towards the moment of purchase through the loyalty loop (Court et al. 2011; Hudson & Thal 2013).

Due to the Internet, consumers are today much more well informed and educated about alternatives of both brands and products. In addition, the development of social media has created a platform from where consumers can share and exchange experiences about brands and products (Lee 2012). Because of these changes, the stages of consumer evaluation and post-purchase experiences have increasingly relevant target areas for marketers. By understanding the consumer decision journey, companies are able to align marketing activities towards areas where the consumer is active during the evaluation process and the post-purchase experience (Court et al. 2011; Lee 2012; Hudson & Thal 2013). In order to create effective and identify effective touch points the companies need to understand the needs and wants of their target group. Furthermore by knowing how, where and when they consume, the company are able to communicate relevant, authentic marketing that ultimately reaches the consumer (Gilmore & Pine 2007; Court et al. 2011; Lee 2012; Hudson & Thal 2013). Furthermore, companies need to create touch points in the stage of post-purchasing, with the aim of obtaining loyalty and subsequently create brand advocates (Court et al. 2011; Lee 2012; Hudson & Thal 2013).

3.2 Service
The service constituent has been divided into two approaches, an empirical approach and a theoretical approach.

3.2.1 Empirical Approach
Johan Eriksson⁹ states that product and price could be considered as hygiene factors in today’s retail environment. He explains that if a consumer chooses between retailers who purely differentiate themselves offering a wide assortment, the consumer will choose the retailer with the lowest price. Fredrik Widing¹⁰ explains that due to the development of the market, with a growing width of products and brands being available, the physical meeting between consumer and retailer will have an increase importance in the future. He believes that service will go back to be the major factor in which retailers can differentiate themselves. Moon-Suck Song¹¹ agrees and explains that retailers need to ask the question how they can reach the customer? He argues

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¹⁰ Fredrik Widing, CEO Gate 46, Interview Conducted April 18th 2013.
¹¹ Moon-Suck Song, CEO Panagora, Interview Conducted April 18th 2013.
that, as a retailer, differentiation is obtained through providing a high level of service rather than focusing on pricing.

Online service is about how to make the purchasing process as seamless as possible along with offering consumer experiences, Song explains. Jens Halvarsson\(^{12}\) believes online service is built by providing functions that will save time for the consumers. Contrary, Song believes that offline service is the service that the costumer gets through the interaction with personnel working in the store. Song considers the most important part of offline services is by providing the customer with the right kind of information concerning the products. At the same time the personnel need to have a dialog with the customer in order to ascertain each individual’s personal opinions and wants and thereby provide them with a better product, Song explains.

Simon Hjelte\(^{13}\) agrees with Song concerning that providing the right kind of information is an important segment of service. He also enhances that the most significant part of service occurs in the interaction with the customer. In the interaction the personnel has the possibility to influence and emphasise on certain aspects of the brand or concept, which corresponds with the individual needs and wants of the consumer. In accordance to the individual’s preferences, the interactions will positively affecting both the customer’s experience and purchasing decision, Hjelte explain. Although, interaction can prove to have positive effects, the challenge is to keep the consistency of the service level for a longer period of time, Jonathan Reynolds\(^{14}\) argues. He believes that by training the store personnel and promotes their progress; the consistency will more easily be upheld. Bill Webb\(^{15}\) argues that store personnel also need to be up-to-date with the current technology used by consumers and fully engaging them with the brand and brand values.

Eriksson states that in the digital society, services have become an important marketing tool and a factor of differentiation, especially due to the fact that consumers have access to all kind of information and reviews regarding products and prices. Erik Larson\(^{16}\) believes that the retailer needs to have a close relation to the target group in order to build a platform with the appropriate level of service in line with what the customers expect. By building a platform associated with high levels of services, the retailer can generate experiences, which in turn might generate a loyal customer base, Eriksson explains.

Song, Eriksson and Larson explain that building loyalty first requires building trust between the brand and the consumer. Larson believes that the

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\(^{12}\) Jens Halvarsson, Business Developer Textalk, Interview Conducted April 9th 2013.

\(^{13}\) Simon Hjelte, Marketing Director Tärnsjö Garveri, Interview Conducted April 16th 2013.

\(^{14}\) Jonathan Reynolds, Academic Director of the Oxford Institute of Retail Management, Interview Conducted April 26th 2013.

\(^{15}\) Bill Webb, Professor University of the Arts London, Interview Conducted April 20th 2013.

\(^{16}\) Erik Larson, Earlier CEO IBEYO STUDIO, Interview Conducted April 4th 2013.
fundamental way of building trust and obtain a factor of recognition is through a platform with a distinguishable concept and associated services. He further states the importance of a consistent communication through all channels. Eriksson explains that in order to build trust and recognition, the brand needs to be active on every touch points where the consumer is active. He further explains that in each touch points the retailer needs to have a strategy involving how to convert the consumer from awareness to purchasing. He describes this conversion as a funnel, where a consumer enters the funnel through his or hers awareness of the brand or one of its products. The funnel consists of several touch points, in which the consumer interacts with the retailer and where value is created. The value is achieved through the service provided and the experience upheld by the costumer, which ideally leads to a purchase. Eriksson explains that a more complicated or expensive product includes an extended purchasing process, which in turn requires additional touch points. The more relevant touch points the retailer has in line with the product or the brand, the greater the trust achieved, Eriksson concludes.

In order to transform the trust achieved through the conversion into loyalty, Eriksson argues that, retailers need to build up a function as a part of their platform, which takes the post-purchase decisions into consideration. In other words, retailers must listen the opinions from their target group, obtained through feedback taken from the customers. Widing agrees and believes that by creating an understanding of the consumers’ mind-set, loyalty can be obtained. Hjelte further argues that loyalty solely cannot be built on companies’ own profits. He believes that loyalty rather has to be built on open information. In addition, loyalty is never obtained through short-sightedness but rather through a long-term perspective. The most important part of obtaining loyalty is by always ensuring that the customer is satisfied.
3.2.2 Theoretical Approach

The theoretical approach regarding the service constituent consists of service characteristics and customer relationship management.

Service Characteristics

According to Kotler et al. (2008) a company need to consider four different characteristics of service as developing a marketing platform; intangibility, inseparability, variability and perishability (see figure F).

First, because of the nature of services are intangible, and lacking in tangible features, consumers cannot assess the service before they entering consumption. Therefore, in order to reduce uncertainty, consumers search for indicators of quality, by critically examine the tangible aspects they can see, such as the place, store personnel and interactions between other consumers and the personnel (Kotler et al. 2008; Armstrong, Kotler & Parament 2011). As a retailer, who provides services as a part of their platform, the challenge is to establish aspects of tangibility in their services and through it portray quality (Varley & Rafiq 2011). In addition, due to the intangibility of services consumers’ perceived risk of purchase increases, thus they become more influenced by word-of-mouth, making a service provider’s reputation a factor of crucial importance (Kotler et al. 2008).

Second, services are a part of the provider, which means that services are produced and consumed at the same time in the same place. If store personnel are providing the service, then he or she will become a part of that

Figure F: The Four Service Characteristics. Adopted from: Kotler et al. (2008)
service. Because of the inseparability both consumers and personnel are a part of the service outcome, once again making the interaction between the parties a vital part of the services provided (Kotler et al. 2008; Solomon & Rabolt 2009; Armstrong, Kotler & Parament 2011).

Third, due to the variability of services and interrelation with the provider, the level of quality is based on the provider, together with the location, timing and implementation, which makes services hard to control. Therefore, the company providing the services need to build up programs for training the employees in ways of providing the correct information, related to the offer (Kotler et al. 2008; Armstrong, Kotler & Parament 2011).

Fourth, the perishable nature of services makes them impossible to store and later be used in other transaction or purchasing processes. Because of the perishability and in order to cope with fluctuating demands, a company needs to build up flexibility in term of the supply of the service (Kotler et al. 2008; Armstrong, Kotler & Parament 2011).

In the context of fashion retailing, the consumers’ interaction process with store personnel is the most crucial part in fulfilling an individual’s preconceived expectations and obtaining customer satisfaction (Darian, Tucci & Wiman 2001; Pettinger 2004). The interaction process should be considered an extension of a retailer’s strategy, ultimately functioning as a factor of differentiation. The service level provided in the interaction process is partially built up from a pre-determined policy created by the retailer. However the actual service provision has to be based on each, individual interaction (Pettinger 2004). Ultimately, the service level provided in the store has to be based on the values of the brand and the expectations of the target group, built up in regards to the design and layout of the retail platform (Pettinger 2004; Kotler et al. 2008).

According to Grönroos (2007) service quality consists of two segments, functional quality and technical quality. Functional quality consists of services related to the interaction process and technical quality consists of services the customer obtains from in-store functions, such as fixtures, payment systems and exchange services (Grönroos 2007; Sum & Hui 2007). The consumer assesses the level of quality in services through both the process in which the service is provided and the definite outcome consumer experience (Kotler et al. 2008). Sum & Hui (2007) indicates that the outcome of providing services, with concurrent quality, consistent with the expectations of the target group is a higher level of customer loyalty. In turn, customer loyalty provides, in addition to returning customer and increased sales, positive word-of-mouth and publicity (Hill & Alexander 2006; Sum & Hui 2007).
Customer Relationship Management

Customer Relationship Management (CRM) is renowned as a crucial strategy in order to retain customers, building loyalty and trust (Sahaf, Quereshi & Khan 2011). Consumer trust is defined as “the expectations held by the consumer that the service provided is dependable and can be relied on to deliver on its promises” (Sirdeshmukh, Singh & Sabol 2002 p. 17). CRM creates competitive advantages for companies through the ability to develop, understand and communicate with existing customer relationships. CRM creates opportunities for building relationship and obtaining new customers. A structured and efficient CRM strategy aims to customise the consumer’s experiences through each involved touch point of an organisation (Gummesson 2002; Sahaf, Quereshi & Khan 2011). Touch points includes customer purchases, personnel contacts, website visits, social media, payment interactions and market research analyses (Chen & Popovic 2003; Kotler et al. 2008; Sahaf, Qureshi & Khan 2011). Generally, the touch points of a company are widely spread through the organisation’s different divisions; sales, services and marketing, which all function with customer related operations (Kotler et al 2008). Traditionally, the CRM strategy was implemented by using different funnels, each with the aim to increase sales and build loyalty, connected to separate divisions in the organisation (Cohen 2011). However, in the light of recent years, the development in technology, introduction of social media and changing consumer-purchasing behaviour, along with the recognised importance of obtaining loyalty through CRM strategies, a new comprehensive funnel has been created (Cohen 2011; Timimi 2011), illustrated in Figure G:

![Figure G: The New Marketing Funnel. Adopted from Cohen (2011)](image-url)
The new marketing funnel incorporates all customer related operations in an organisation, emphasising on the importance of a flexible organisation with high levels of transparency between divisions and their operations. In addition, by integrating the operations of different divisions, retailers are able to capture the attention of the consumers at an earlier stage in consumer’s purchasing process (Cohen 2011; Timimi 2011). The model incorporates the importance of obtaining loyalty in the target group through retailers’ interaction with consumers by using touch points. By interacting with friends through different social medias consumers are more aware and care about the opinions of others, making the social media an important platform for word-of-mouth marketing (Cohen 2011; Timimi 2011; Fugetta 2012). The introduction and growth of social media has lead to a change in the process of consumer purchasing decisions where the funnel emphasises on using brand advocates. Ultimately, by transforming loyal customers into brand advocates, and creating and implementing additional touch points along the funnel, a company can create powerful word-of-mouth marketers, who contributes to guide other consumers into the funnel (Fugetta 2012; Lee 2012).

3.3 Positioning

The positioning constituent has been divided into two approaches, an empirical approach and a theoretical approach.

3.3.1 Empirical Approach

Fredrik Widing17 believes that we are living in a paradigm shift. He argues that the way people think and consume have been reshaped during the last decades due to the IT-crisis and real estate crisis, which was followed by the latest financial crisis. He further argues that the rapid emergence of e-commerce is a widely debated topic for property owners and that there is an impending risk for traditional shopping areas to disappear if they don’t find new differentiation factors. Further, he compares Sweden with the American market, and states that the markets are very alike historically, and are going to experience a similar development related to retail locations. The traditional city centres was developed into sections through a classification system of A-, B- and C-locations. A-location was the best possible location in the city centre, compared to B- and C-locations that were situated in positions with lower footfall. However, this system lost its importance when shopping centres outside the cities started to emerge, and people could shop everything under the same roof. Today, shopping centres all over the US face the problem following e-commerce, and a large amount of shopping centres that have failed to incorporate service, culture and other differential factors to appeal consumers, have been closed. Widing believes that although some Swedish shopping centres face the same problems, the development has not quite reached as far as in the U.S.

17 Fredrik Widing, CEO Gate 46, Interview Conducted April 18th 2013.
The respondents are consistent that in a time when consumers have a volatile behaviour, online and offline positioning has become increasingly important. Erik Larson\(^{18}\) argues that the conditions have changed during the last decade and that retailers nowadays need to focus on the emphasis of building stronger brands. Widing agrees, and state that the immense challenge is to succeed with the positioning, as there are more brands on the same street competing for the same consumers. However, the respondents are convinced that physical retailers will not disappear in the future, but that the size of the stores might decrease or be remade for other purposes. Widing further argues that e-commerce still needs to be more profitable before brands start to abandon their physical appearance. He stresses that the physical appearance always will be very important for a brand, and by simultaneously working with e-commerce there is a possibility to achieve a profitable spread. In the future, Widing believes that there might be physical spaces entirely assigned for e-commerce, working as social areas with the function of creating and communicating the brand values. Moon-Suck Song\(^{19}\) agrees and argues that retailers will not establish as many physical stores as today. Instead, he believes that retailers will let the geographical spread of online sales data determine where a physical store can generate the highest sales. Furthermore, Song implies that the retailer can open a store in a position where a majority of the target market is located.

Larson and Widing furthermore state the importance of online positioning. Widing explains that large companies have started to acquire different e-commerce sites with the purpose of developing digital 3D-gallerias. However, Larson states that in order to be successfully positioned online, retailers must have an obvious strategy why to have an online presence. What does the retailer want to achieve on the online market? Widing further emphasises that it is an absolute truth that retailers will have to operate through several channels simultaneously in the future in order to survive.

All the respondents are consistent that the future will concern multi-channel retailing. Bill Webb\(^{20}\), Larson and Widing believes that all retailers will experience that success cannot solely be achieved through one channel. Carl Berge\(^{21}\) argues that it will not be about having an online or offline presence, but rather be active through all channels using one, pervading platform built for multi-channel presences. Larson agrees, and states that future retailers will adopt a strategy that will integrate all channels and enables them to communicate identical messages. The integration will be very important in order to achieve consistency. Widing believes that we are facing a major shift regarding integration. The retailer now needs to increase the structure online in order to get the increased integration to work along with the offline

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\(^{18}\) Erik Larson, Earlier CEO IBEYO STUDIO, Interview Conducted April 4th 2013.

\(^{19}\) Moon-Suck Song, CEO Panagora, Interview Conducted April 18th 2013.

\(^{20}\) Bill Webb, Professor University of the Arts London, Interview Conducted April 20th 2013.

\(^{21}\) Carl Berge, CEO Berge Consulting, Interview Conducted April 8th 2013.
channel. Song believes that retailers must change attitude and take advantage of the growth of e-commerce and mobile shopping instead of denying it. He further argues that it is all about creating shopping possibilities that suit the premises of the consumers. As the major objective ought to be to get a transaction, Song states that it should not matter whether the consumer browse for products offline or online. The more often a retailer has the possibility to approach the consumer, the bigger is the chance that a transaction takes place. However, Larson states that regardless of whether a retailer is establishing an offline or online presence, the importance of knowing the target group is inevitable.

Larson believes that many retailers are making mistakes when trying to collect consumer knowledge or data of their brand or products. He argues that retailers need to focus on talking with the consumers, instead of talking to the consumers. He further stresses that consumer behaviour has changed, and that retailers today have to establish and bond a group of fans to the brand, which are passionate and representable of the brand. Although, he believes that retailers in addition, regardless of target group, should focus on the audience that is early adopting new technologies. All respondents are convinced that retailers increasingly need to start focusing on finding their specific target group. Widing stresses that identifying and listening to the target group are the two basic characteristics that all retailers have to manage in todays retail environment. The consumer has the power of purchase, and the retailer therefore needs to appeal on the needs and wants of the consumer. Song agrees, and state that retailing is all about ascertain the wants and needs of the consumers and take advantage of the knowledge they possess. Also Berge is convinced that if a retailer cannot manage to capitalise on experiences or simplifying the buying process, the risk of disappearing from the market increases.

Larson argues that the Swedish retailer Jeans Company (JC) is an obvious example of how important a strategy is in regards to communicate and sell products. JC developed an advanced system online where consumers could look, spin and dress avatars with clothes from their stores. However, the brand did not offer an online shop, which consequently implied that the consumer could not purchase the outfits that they had put together. In the meantime, the brand was very efficient in using social medias. However, the brand believed the target group was consisting of people aging between 25-35, when the actual target group was teenagers. Even though JC did an impressive job of developing an online presence, the lack of a target group analysis led to that the brand nowadays have huge problems with sales and turnover. The optimal goal of positioning should be to generate higher sales and greater brand awareness. It doesn´t matter if you have the coolest website or the most functional communication if it doesn´t hit the target audience, Larson concludes.
3.3.2 Theoretical approach

The theoretical approach regarding the positioning constituent consists of market segmentation and the future retail platform.

*Market Segmentation*

Fashion markets are characterised by a volatile demand (Hines 2001). Retailers therefore need to know who their target group is, in order to understand whom that will be interested in purchasing their products (Handley 2012). Defining the target group is crucial for a company, because by having knowledge about the specific target market, retailers will understand if their product will be appealing to its core market (Solomon & Rabolt 2009; Dann & Dann 2011). Market segmentation (see Figure H) is suggested to be the most efficient tool in order to find the target market. Targeting and positioning are the two underlying steps in market segmentation, and comprises the selection of the specific customers to serve and the decision upon a value proposition. The selection of consumers are conducted through a segmentation phase, in which the market could be divided according to geographic-, demographic-, psychographic- or behavioural segments. The targeting phase subsequently aims to select the segment to enter. When deciding on a value proposition the company differentiate their market offering in order to create a superior customer value. In the positioning phase the company position the offering in a gap on the market and through the gap try to penetrate the minds of the consumers (Armstrong, Kotler & Parment 2008; Kendall 2009; Varley & Rafiq 2011; Handley 2012).

![Market Segmentation Diagram](image)

*Figure H: The Market Segmentation. Adopted from Kotler et al. (2008)*

Through market segmentation, companies can divide the heterogeneous markets into smaller segments and create a value proposition, which its appealing to the specific and unique need of the selected target group (Kotler et al. 2008). The value proposition is not necessarily intertwined with the benefits gained from a specific product. The value can also derive from the
The Strategic Retail Model

The total consumer experience, as well as specific parts of the total product offer such as surrounding services (McDonald & Dumbar 2012). McDonald & Dumbar (2012) suggests that companies need to compare their value propositions with its competitors in order to predict how the competitors will improve. This can provide a basis for understanding how the marketing activities of the own company can improve. It could be suggested that successful market segmentation can lead to a better understanding of the consumers (Quinn, Hines, Bennison 2007), and companies should take advantage of the knowledge about consumers and incorporate it in all stages of the business plan. The consumer data in conjunction with a competitor analysis (McDonald & Dumbar 2012), can support the company in the in a strategic perspective (Quinn, Hines, Bennison 2007).

The Future Retail Platform

The retail environment has changed, and commercial retailers are nowadays finding themselves in a complex environment of constant change. The new environment has been shaped through the establishments of new retail channels and formats, but also through a changing consumer behaviour and increasing demand of multi-channel options. Customers expect more and want to spend less time on making their purchases, consequently they will search for a channel that best suits their needs and wants (Sonneck & Ott 2010). Multi-channel retailing could be referred to as retailers using several channels to sell their merchandise, and is usually common for retailers who combine traditional distribution channels with Internet (Schramm-Klein 2005). A well-integrated multi-channel format is characterised by a customer possibility to browse for a product in one channel, purchase in a second channel and finally picking it up in a third channel (Berman & Thelen 2004). The multi-channel strategy enables a retailer to take advantage of the benefits of using several formats, and also having the possibility of approaching the customers more frequently (Schramm-Klein 2003).

One of the major challenges for multi-channel retailers is the integration of the channels, as a company need to provide a consistent image through all different channels (Schramm-Klein 2003). Schoenbachler & Gordon (2002) argues that a majority of retailers have not devoted the same amount of time and energy of launching the online counterpart of their stores, but instead relied on the assumption that “more is better”, and that an online presence naturally would generate growth and more profit. However, there are also difficulties related to moving into a multi-channel strategy, as each channel has a unique combination of strengths and weaknesses (Berman & Thelen 2004) and there still is a lack of knowledge of what drives consumers to be either single- or multi-channel buyers (Schoenbachler & Gordon 2002; Solomon & Rabolt 2010; Sonneck & Ott 2010). Sonneck & Ott (2010) states that consumer motives are the decisive point in the purchasing behaviour and that it is influenced by several intensions and situations. A multi-channel buyer is characterised by a combination of behavioural patterns and attitudes towards
the channels, which contributes to the complexity of the new retail environment.

Sonneck & Ott (2010) claims that there are three guiding principles for successful multi-channel retailing. First, a retailer needs to see oneself as an observer and participant of the market. This principle could be seen as innovative approach, where a retailer needs to be in the forefront, and have courage to try or launch something new. The courage is considered vital as a competitive advantage. Secondly, a retailer needs to incorporate forwardness with the aim to explore and identify the latest trends in consumer behaviour and retailing. Consumers are the best judges of their needs, and this should subsequently be taken advantage of. The retailer therefore has to research the customers in order to gain knowledge about these issues. Third, a retailer needs to do a segmentation of existing customers, get aside from hard economic facts such as turnover etc. and instead focus on trying to identify all potential market opportunities. How and through which channel are the customers purchasing their products? And what commercial relevance has that kind of behaviour? These types of questions are all essential in finding the information needed in order to develop a successful multi-channel strategy.

One of the leading forces for the future of multi-channel retailing is the role played by technology. E-commerce will somehow be redefined and presumably the change will occur when breaking the barrier between the reality and the virtual environment. The future store environment will have to enable multi-channel options for the consumers, and data mining along with web analyses will gain insight in what customers are looking for, and what they have purchased. Retailers need to connect the channels and encourage the consumers to use them to a larger extent. Regardless of whether the single- or multi-channel is the most suitable for the future, it is crucial to develop a channel mix that naturally is recognised by the consumers and subsequently drive emotional added value for the targeted customers (Sonneck & Ott 2010).

3.4 Technology

The technology constituent has been divided into two approaches, an empirical approach and a theoretical approach.

3.4.1 Empirical Approach

The respondents are consistent that retailing is experiencing a shift due to the technological and digital development during the last years. Bill Webb\textsuperscript{22} describes the change as a shift of empowerment, moving the emphasis from the company to the consumer. This implies that the marketing Ps has been

\textsuperscript{22}Bill Webb, Professor University of the Arts London, Interview Conducted April 20th 2013.
replaced by the retail Es: efficiency, experience and enjoyment. Carl Berge\textsuperscript{23} is convinced that there are huge changes to come related to the development of digital and technological solutions, a statement that is supported by Moon-Suck Song\textsuperscript{24}, who believes that technology will have a huge impact on shopping in the future. Erik Larson\textsuperscript{25} believes that due to the boosted competition on the market, the importance of technology as a factor of differentiation has increased. Larson, Song and Jens Halvarsson\textsuperscript{26} believe that the major motivation for companies to introduce and implement new technological solutions must be to facilitate the purchasing process and contribute to the consumer experience.

Halvarsson reflects that despite the rapid technological development since the late 90s, companies are still concerned and suspicious with new IT-solutions. He believes that this suspiciousness originates from the early 00s, when many entrepreneurs got huge amounts of risk-capital to develop highly functioned IT-solutions, which didn’t correspond with peoples Internet connection. Consequently, the development led to the IT-boom during the same period, but also resulted in a major crisis, where several companies went bankruptcy and large amount of capital were lost. Halvarsson further states that although the possibilities regarding new and innovative IT-solutions today are unlimited, it must still be taken in consideration that many consumers use very old-fashioned browsers. Consequently, the lack of compatibility could lead to that the usefulness of newly implemented technology can get the opposite effect. Song believes that we have managed the first phase of technological implementation online with the emergence of e-commerce. He further argues that the industry now needs to take the second phase of the development in consideration, namely the widely use of smart-phones and tablets. This second phase has added a new perception of shopping and a new possibility for consumers to shop whenever they want, wherever they want. It is crucial for companies to embrace the new development and ultimately profit from these shopping possibilities. Larson relates to the early issue of payment methods online, and that consumers were very suspicious when using credit cards online in the beginning, but today the technology is widely used and accepted. He argues that the acceptance of new technological solutions follow the traditional adoption curve, and that innovators plays an important role before it becomes a general trend. Hence, Larson relates to the usage of online banking, which due to the major adoption of new technologies of managing payments online has made the old conducts of payment almost obsolete. This development has led to that banks nowadays often charge people for services when doing them manually over desk.

\textsuperscript{23} Carl Berge, CEO Berge Consulting, Interview Conducted April 8th 2013.  
\textsuperscript{24} Moon-Suck Song, CEO Panagora, Interview Conducted April 18th 2013.  
\textsuperscript{25} Erik Larson, Earlier CEO IBEO STUDIO, Interview Conducted April 4th 2013.  
\textsuperscript{26} Jens Halvarsson, Business Developer Textalk, Interview Conducted April 9th 2013.
Berge and Song highlight the importance of flexibility in management when considering the decision of implementing new technologies. Berge believes that either retailers need to follow the stream, or they will become out-dated and increasing the risk of disappearing from the market. Song states that there are large limitations in regards to old technology today. He further relates back to the technical issues online and that companies either have to develop their old technical infrastructure and incorporate new functions for example global sales, currency converter and multi-language possibilities, or use an external company to take care of these issues. The respondents are consistent that many retailers have incorporated digital technology in their stores without a distinct motivation. Berge, Halvarsson, Larson and Song argue that it is the functionality and usefulness of the technology that is important, and that future technologies must be consumer-focused and be developed with the aim to increase customer satisfaction. However, Song states that it is a challenge to construct an ultimate platform for the consumer and the respondents are convinced that technological solutions should be tested in a larger extent before they are implemented. Berge argues that some retailers today have put up digital screens around their stores with hope that it would generate higher sales. Instead, consumers have become confused and rejected the technology. In the end, he claims that the ultimate technological solution is what can generate the highest positive value for the consumer.

Berge highlights Adidas as a perfect example of how technology can be useful and contribute to the purchasing process. The brand use virtual walls in some of their stores, where the consumers can interact, browse and to some extent also buy the products. Song and Fredrik Widing\(^\text{27}\) relate to the cosmetic industry, and how companies with a large amount of articles incorporate technology in order to increase the consumer experience without having to expand the stores. Widing describes that if a consumer need a specific colour or brush that is not in stock, the staff use the digital platform in order to find the correct product. Song describes an online shop where the customer can fill in personal information and get a customised selection of products suited for the buyer. However, both Widing and Song still believe that there is a problem related to “instant buy”, i.e. the fact that consumers want to have the products instantly after purchase, and that the big challenge is to deliver the product in a short matter of time.

Berge believes that when it comes to the construction and implementation of technologies in retail, companies need to make sure that the solution actually can improve the consumer experience. Berge and Halvarsson further believe that the technological development will lead to a more digitalised shopping experience with 100% photo-realistic solutions, and a larger use of moving

\(^{27}\) Fredrik Widing, CEO Gate 46, Interview Conducted April 18th 2013.
media both online and offline for all devices. However, Jonathan Reynolds and Halvarsson state that although moving media easily can support the buying process, it still takes a huge amount of time and money to develop. Reynolds further argues that technology quickly becomes out-dated and that retailers might be seduced by the blandishments of IT suppliers. Larson agrees and says that functions that are not corresponding with the consumer behaviour will be rejected. He also argues that retailers must strive for easier ways to checkout and pay. Also Webb and Halvarsson highlight the importance of time efficiency for technological solutions, and Halvarsson says that functionality must be built with the customers in mind, and that solutions must be developed to facilitate transaction and increase the usefulness. The respondents are convinced that all technological solutions need to be developed using a consumer focus. The acceptance of new technology among consumers will be determined depending on how the technology is developed to increase the customer experience, or/and simplifying the purchasing process.

3.4.2 Theoretical Approach

The theoretical approach regarding the technology constituent consists of diffusion of innovation and functionality.

Diffusion of Innovation

Diffusion can occur progressively on a market when information and opinions are shared among potential users through different communication channels (MacVaugh & Schiavone 2010). The diffusion of innovation model (see Figure J) could be considered the most appropriate theory for investigating the adoption process (see Figure I) of new technology (Rogers 1962; Kotler et al. 2008; Solomon et al. 2011). Although the model was developed as a marketing tool for understanding the adoption process of products (Rogers 1962; Armstrong, Kotler & Parment 2011), the model could also apply on the innovations of new functions (MacVaugh & Schiavone 2010). The adoption process consists of five stages: knowledge, persuasion, decision, implementation and confirmation, and could be defined as “the mental process through which an individual passes from first learning about an innovation to final adoption” (Armstrong, Kotler & Parment 2011 s. 157). The importance of each step differs depending on cultural background, willingness to try new things and how much the individual already know about the innovation (Kendall 2009; Solomon & Rabolt 2009).

28 Jonathan Reynolds, Academic Director of the Oxford Institute of Retail Management, Interview Conducted April 26th 2013.
The process begins with the knowledge phase, where the consumer has awareness but still no personal opinion of the new product or innovation. The consumer therefore wants to seek more knowledge and information in order to be able to judge the innovation. In the persuasion phase, the consumer has begun to form a favourable or unfavourable opinion of the new innovation, and has started to relate to the perceived risk and consequences of using it. This further leads to the decision phase, where the consumer evaluates the advantages/disadvantages and decides whether to adopt or reject the new innovation. In the implementation phase, the consumer determines the usefulness of the innovation by putting it to use. This might lead to that the consumer wants to seek more detailed information about the innovation. Subsequently, in the confirmation phase, the consumer seeks reinforcement for the decision of the innovation (Rogers 1962; Kotler et al. 2008; Solomon & Rabolt 2009).

There are differences in the adoption process even within the same culture. Some consumers adapt new products or innovation rapidly, while some consumers never do it at all (Solomon & Rabolt 2009). In the diffusion of innovation curve, the population has been divided into five groups and are classified based on their innovativeness (Rogers 1962). The groups consist of: innovators, early adopters, early majority, late majority and laggards (Rogers 1962; Kotler et al. 2008; Solomon & Rabolt 2009).
The innovators comprises approximately one sixth of the population, and are the fashion-forward consumers who are the first in to try new offerings. Despite that this group is small, marketers are very interested in trying to identify them. The early adopters share characteristics with innovators but the major difference is that this group seek social acceptance before adopting a new product or technology (Solomon et al. 2011). The early- and late majority comprises the majority of the population. While the early majority are cautious even though they adopt new products or technology before the average person, the late majority are very sceptical and adopt new products or innovations after everyone have tried it. The laggards are the most suspicious consumers and do not like changes. This group is usually adopting new products or technologies when it has become a tradition or when other alternatives no longer exist (Armstrong, Kotler & Parment 2011).

There are five characteristics of innovations that have an influence on the consumer decision of whether to adopt an innovation or not (Solomon et al. 2011). These five comprises: relative advantage, compatibility, complexity & simplicity, trialability and observability (Rogers 1962; Armstrong, Kotler & Parment 2011). In addition, the initial and on-going costs, risk uncertainty and social approval influences the rate of adoption (Armstrong, Kotler & Parment 2011). The relative advantage implies that the new innovation possess an advantage in comparison with similar products or functions on the market. The consumer must believe that by using the new innovation it will provide a benefit other products or functions cannot offer. The compatibility implies that the innovation should be compatible with consumers’ lifestyle, which relates to the complexity and simplicity of the innovation. This implies that innovations or functions that are easy to use have a higher chance of being adopted by consumers. The trialability relates to the perceived risk of using the new innovation as an unknown function is accompanied by a higher degree of risk. Consumers have a higher chance of adopt the innovation if they have the possibility to experiment with it. Observability implies that consumers are more likely to adopt a new innovation or function if they become aware of the benefits it provides (Armstrong, Kotler & Parment 2011; Solomon et al. 2011).

![Figure K: The Technology Acceptance Model. Adopted from Davis et al. (1989)](image-url)
The technology acceptance model (see Figure K) comprises of two views about new technology, the perceived usefulness and perceived ease of use, which determine a person’s attitude toward and intention of using a new technology. The model can be used in order to understand a consumers adoption process related to technological innovations. The perceived usefulness could be defined as the degree to which an individual believes that the technology will improve a performance, while perceived ease of use could be defined as the degree to which an individual believes that using the technology will be effortlessly (Davis et al. 1989; Ziamou 2002).

**Functionality**

Functionality could be referred to as what a product or technology does for a consumer (Ziamou 2002). Retailers are known for early adopting new technologies in regards to improve customer service (Varley & Rafiq 2011). A new technological development could be considered as a new factor of differentiation for a retailer, but the value of the innovation lies in the context in which the innovation can be incorporated (Jolly 1997; Ziamou 2002). This implies that the retailer needs to identify the optimal functionality of the technology in order to reduce the consumer uncertainty and increase the adoption intention (Jolly 1997; Veryzer 1998; Ziamou 2002).

Shopping has several underlying motivations (e.g. utilitarian and hedonic, intrinsic and extrinsic) (Solomon et al. 2011) and different shopping goals drive consumers shopping behaviour in different ways (Shang, Chen and Shen 2005). The differences between utilitarian and hedonic motivations are that utilitarian motivations refer to the functional and tangible values of shopping, while the hedonic motivation refers to the pleasurable and intangible experiences (Solomon et al. 2011). Enjoyment could be considered a major factor that drives consumers to use new technology (Bruner Il & Kumar 2005; Lee, Cheung & Chen 2005), which further implies the importance of the shopping experience (Pine & Gilmore 1998; Solomon et al. 2011). However, despite the functional benefits of new technologies, retailers need to take the motivational factors of consumption in consideration when implementing new technologies. The functions must be incorporated with pleasurable experiences in order to facilitate the adoption process (Childers et al. 2001; Ha & Stoel 2009).
4. ANALYSIS

This chapter aims to analyse and verify the empirical and theoretical approaches in order to draw parallels and identify patterns based in the empirical and theoretical approaches. First, the chapter relate to the introduction and presents the initial strategic retail model. The authors have identified three fields, in which the findings are presented and discussed. The analysis chapter is concluded with the results of the thesis: the modified strategic retail model.

4.1 The Strategic Retail Model

As previously presented, the strategic retail model (see Figure B) has been elaborated and developed through the first stage of the literature review. The model has been constructed with regards to the digital revolution (Greenberg 2010; Gummer 2012; Hunt 2012; Kumar 2013), the assumption that traditional marketing is dead (Lee 2012) and current retail trends (Hall 2013). The strategic retail model consists of four constituents: product, service, positioning and technology.

![Figure B: The Strategic Retail Model.](image)

Each part has not specifically been defined, but rather has each constituent been assigned with several fields of interest. The product constituent consisted of understanding future directions in creating experiences related to retail space design and visual merchandising (Varley 2006; Varley & Rafiq
both online and offline. Similarly to the product, the service constituent related to the importance of understanding the creation of experiences and expectations through service solutions (Gilmore & Pine 2011) and whether loyalty is an important factor in today's retail environment (Hill & Alexander 2006). The positioning constituent addressed online and offline positioning (Kotler et al. 2008; Serrano-Cinca, Fuertes-Callén & Gutiérrez-Nieto 2010), the importance of target group analysis (Schoenbachler & Gordon 2002; Kumar 2013) and how the future store platform will appear (Hall 2013). The technology constituent consisted of understanding the implementation of technology and the possibilities and limitations regarding technology in online and offline retailing (Jolly 1997; Ziamou 2002).

The content of the constituents has been verified through an empirical approach, and elaborated through a second stage of the literature review. Subsequently, the analysis consisting of the empirical and theoretical approaches, aims to identify patterns and connections in order to verify the content of the strategic retail model.

4.2 The Analysis Process

In the analysis process, the authors aim to draw parallels and identify patterns based in the empirical and theoretical approaches.

4.2.1 Consumer Empowerment

According to Court et al. (2011), the purchasing process has undergone significant changes during the last decade. Moon-Suck Song²⁹, Fredrik Widing³⁰ and Erik Larson³¹ agree, and explain that customer nowadays has a more volatile behaviour concerning shopping. As the traditional purchasing process is characterised by a linear process (Kotler et al. 2008; Solomon & Rabolt 2009), Johan Eriksson³² argues that the process of purchasing in today's digital society is instead characterised by a circular process. Due to the emergence of Internet, development of technology and social medias, the retail environment has developed into additional sales channels and increased assortment of product choices. Subsequently, consumers nowadays have access to an increased amount of product information, which consequently has led to that the evaluation stage of the process has been extended (Court et al. 2011). Eriksson argues that every purchasing decision starts on a search engine, such as Google, which leads the consumer to a website where the desired product is found. However, the particular characteristic of the circular purchasing process is an extensive evaluation stage, where the consumer constantly adds and subtracts alternatives within the spectrum of the purchasing intention (Hudson & Thal 2013).

²⁹ Moon-Suck Song, CEO Panagora, Interview Conducted April 18th 2013.
³⁰ Fredrik Widing, CEO Gate 46, Interview Conducted April 18th 2013.
³¹ Erik Larson, Earlier CEO IBEYO STUDIO, Interview Conducted April 4th 2013.
Contrary to the linear purchasing process, an extended evaluation process implies that brands that previously have been ruled out from the initial search phase, can affect the final purchasing decision through interaction with touch points (Court et al. 2011; Hudson & Thal 2013). A touch point is defined as “every contact between the contact and the customer” (Kotler et al. 2008 p. 393) Eriksson argues that each website, store, forum or review represent a touch point, which independently constitute a role in the consumer purchasing decision. As traditional marketing could be considered insufficient with regards to reach the consumers and affect their purchasing decisions (Lee 2012), the importance of creating touch points throughout the circular purchasing process has increased. Song argues that retailers need to have a strategy for capturing the consumer at each single touch point, containing methods for how to transform the initial consumer awareness into a completed purchase. He further states that retailers need to understand how and when an individual consume in order to know what message to communicate and where.

Larson argues that retailers need to focus on talking with the consumers instead of talking to the consumers. Song agrees, and states that retailers still believe they can educate customers and tell them what to buy and where. He believes that companies are stuck with having an inside-out perspective, instead of having an outside-in perspective. Having an outside-in perspective implies identifying the target group and taking the consumer perspective into account when developing new products and retail channels. Retailers need to define their target group, understand the wants and needs and through this understanding create a value proposition that corresponds with the targeted segment of consumers. By creating a superior customer value, the retailer will have a larger possibility to fill a gap on the market and ultimately penetrate the minds of the consumers (Armstrong, Kotler & Parment 2008; Kendall 2009; Varley & Rafiq 2011; Handley 2012).

It can be assumed that there is a paradigm shift under way in the retail environment, where the power of purchase has been transferred from the retailers to the consumers. The shift has led to consumer empowerment, forcing the retailers to a larger extent understanding their target group and how to approach them. By using touch points, retailers have the ability to capture consumers more frequently through the circular purchasing process.

4.2.2 The New Retail Platform

All respondents are convinced that the physical store will not disappear in the future, but in regards to the changing volatile behaviour of consumers, the

34 Moon-Suck Song, CEO Panagora, Interview Conducted April 18th 2013.
35 Fredrik Widing, CEO Gate 46, Interview Conducted April 18th 2013.
physical stores will serve another function. Fredrik Widing\textsuperscript{36} argues that e-commerce needs to be more profitable in comparison with bricks and mortar stores before retailers start to abandon their physical presence. Widing and Moon-Suck Song\textsuperscript{37} believe that retail spaces will work as social areas, where online and offline retailing is integrated and function as creating and communication the brand values. Customers will expect more and want to spend less time on making their purchases, consequently they will search for a channel that best suits their wants and needs (Sonneck & Ott 2010). Bill Webb\textsuperscript{38}, Erik Larson\textsuperscript{39} and Widing believe that all retailers will experience that success cannot solely be achieved through one channel. Carl Berge\textsuperscript{40} and Larson argue that retailers have to adopt a strategy that will integrate multiple channels into a pervading platform built for communicating identical offerings throughout all channels. Subsequently, all respondents are consistent that the future will concern multi-channel retailing. A well-integrated multi-channel format is characterised a customer possibility to browse for a product in one channel, purchase in a second and finally picking up the product in a third (Berman & Thelen 2004). A multi-channel strategy enables a retailer to take advantage of the benefits of using several formats, which further enables the possibility of approaching the customers in the channels where they consume and are active (Schramm-Klein 2003). Having a multi-channel strategy does not necessarily mean that a retailer will achieve success. A multi-channel retailer needs to be aware of the behavioural patterns and attitudes among consumers, in order to be able to capitalise on the purchasing intentions\textsuperscript{37, 38} (Sonneck & Ott 2010).

With regards to the consumer empowerment, retailers need to a larger extent focus on transforming the repurchase intention among customers through interacting with touch points. Ultimately, the retailer will get a possibility of creating loyalty in the target group (Hill & Alexander 2006; Court et al. 2011; Lee 2012; Hudson & Thal 2013). Larson states that retailers nowadays need to establish and bond a group of fans, which are passionate and representative of the brand. Song and Johan Eriksson\textsuperscript{41} explain that building loyalty first requires building trust and recognition between the brand and the consumer. Larson\textsuperscript{36} explains that in order to build trust and recognition, the brand needs to be active on every touch point where the targeted consumers are active. He further explains that in order to achieve trust, a retailer has to interact with the consumer in the post-purchase stage of the funnel (Cohen 2011; Timimi 2011) by using touch points and hence creates additional customer value. The more relevant touch points the retailer use in line with the product or brand, the more likely loyalty can be achieved\textsuperscript{36}.

\textsuperscript{36} Fredrik Widing, CEO Gate 46, Interview Conducted April 18th 2013.
\textsuperscript{37} Moon-Suck Song, CEO Panagora, Interview Conducted April 18th 2013.
\textsuperscript{38} Bill Webb, Professor University of the Arts London, Interview Conducted April 20th 2013.
\textsuperscript{39} Erik Larson, Earlier CEO IBEYO STUDIO, Interview Conducted April 4th 2013.
\textsuperscript{40} Carl Berge, CEO Berge Consulting, Interview Conducted April 8th 2013.
\textsuperscript{41} Johan Eriksson, Head of Secure E-Business, The Swedish Trade and Invest Council, Interview Conducted April 9th 2013.
It could be presumed that multi-channel retailing is vital for all retailers due to the consumer empowerment. By creating a platform for multiple channels, retailers have the possibility to capture the consumer where they are active and to a larger extent transform the awareness into a transaction. In addition, retailers need to interact with the customers in the post-purchase stage in order to have possibility of obtaining loyalty among the target group.

4.2.3 Factors of Differentiation

The respondents state that in the digital society competing with assortment is no longer a viable factor of differentiation. Instead, it has become increasingly important to have multiple factors of differentiation, in order to capture the consumer in all stages of the purchasing process.\textsuperscript{42} The empirical data collection identified store concepts\textsuperscript{43}, interaction of services\textsuperscript{39} and functionality of technologies\textsuperscript{44} as important factors of differentiation within fashion retailing.

Concept – A Factor of Differentiation

Simon Hjelte\textsuperscript{43} argues that in a longer perspective, a retailer will only be competitive by building a concept, closely connected to the brand and distinctively communicate it through the layout and design of the retail space. According to Kotler et al. (2008), Solomon et al. (2010) and Varley & Rafiq (2011) the construction of a distinguishable concept is an essential stage in building a retail platform. The store concept can be referred to as the personality of the brand, a reflection of its image and value, which has been transferred into a physical as well as an online retail environment. Moon-Suck Song\textsuperscript{45} and Jonathan Reynolds\textsuperscript{46} argue that the concept has to be built upon the values and expectations of the target group, in order to ultimately provide an experience, which is essential when building a loyal customer base. Hjelte\textsuperscript{43} further explains that when entering an online or offline retail space, the concept says more about the product displayed, than the product itself. Thereby, when using a distinguishable concept a retailer adds value to a product and provides the customer with an experience. The design of the concept plays a significant role of how consumers perceive the products displayed in the retail space. Collectively, the added features create a factor of differentiation for a retailer (Kotler et al. 2008; Solomon & Rabolt 2009; Varley 2006).

\textsuperscript{42} Johan Eriksson, Head of Secure E-Business, The Swedish Trade and Invest Council, Interview Conducted April 9th 2013.
\textsuperscript{43} Simon Hjelte, Marketing Director Tärnsjö Garveri, Interview Conducted April 16th 2013.
\textsuperscript{44} Jens Halvarsson, Business Developer Textalk, Interview Conducted April 9th 2013.
\textsuperscript{45} Moon-Suck Song, CEO Panagora, Interview Conducted April 18th 2013.
\textsuperscript{46} Jonathan Reynolds, Academic Director of the Oxford Institute of Retail Management, Interview Conducted April 26th 2013.
Service – A Factor of Differentiation

The environment where the concept is managed is also where the interaction between a retailer and consumers takes place (Varley & Rafiq 2011). In the context of fashion retailing, the consumer’s interaction process with personnel is the most crucial part in fulfilling an individuals preconceived expectations and obtaining customer satisfaction (Darian, Tucci & Wiman 2001; Pettinger 2004). The interaction process should be considered an extension of a retailer’s strategy, ultimately functioning as a factor of differentiation (Zineldin 1995; Pettinger 2004; Kennedy 2008). Hjelte argues that interaction is the most significant part of service. When creating a platform, the retailer needs to connect an appropriate level of service corresponding with the expectations of the customer, which incorporates functionality. Kotler et al. (2008) describes service as a term containing four characteristics, which retailers need to consider when constructing a platform: intangibility, inseparability, variability and perishability. Because of the intangibility of service, the level of quality is dependent on the provider, which subsequently implies that it cannot be inseparable or stored for later use. Song believes that service is about how to make the purchasing process as seamless as possible along with offering consumer experiences. Halvarsson agrees and explains that service, ultimately, is about offering functionality.

Technology – A Factor of Differentiation

The technological development is considered as a factor of differentiation for a retailer. The value of the new technology lies in extension in which it could be implemented as a functional benefit for the consumer (Jolly 1997; Veryzer 1998; Ziamou 2002). All respondents are consistent that retailers need to have a distinct motivation when incorporating digital technology in their platform. Carl Berge, Halvarsson, Larsson and Song argue that its the aspect functionality that is important, and that future technologies must be consumer-focused and be developed with the aim to increase customer satisfaction. The diffusion of innovation model is considered the most appropriate theory for investigating the adoption process of new technologies (Rogers 1962; Kotler et al. 2008; Solomon et al. 2011; Hunt 2012). Larsson explains that the acceptance of new technologies in retail follow the traditional adoption curve, which subsequently implies that the functionality of the technology is depending on its usefulness. It is the perceived usefulness and the perceived ease of use of the new technology that affects the usage intention (Davis et al. 1989). In addition to the functional benefits of technologies, retailers need to take the motivational factors of consumption in consideration when implementing new technologies. The functions must be incorporated with pleasurable experiences in order to facilitate the adoption process (Childers et al. 2001; Ha & Stoel 2009).

47 Erik Larson, Earlier CEO IBEYO STUDIO, Interview Conducted April 4th 2013.
48 Carl Berge, CEO Berge Consulting, Interview Conducted April 8th 2013.
With regards to the consumer empowerment and the subsequent multichannel retailing, factors of differentiation have become a vital part when construction retail platforms in today’s digital environment. Therefore, it could be assumed that the content of the strategic retail model needs to be modified in order to correspond with the conditions of the retail environment in the digital society.

4.3 The Modified Strategic Retail Model

Based on the empirical data collection and analysis, new aspects of the four constituents have been identified. The aspects have led to that each constituent partially has been redefined. As the power of purchase has been transferred from the retailers to the consumers \(^{49,50,51,52}\) (Lee 2012; Court et al. 2011; Hudson & Thal 2013), a consumer focus of the strategic retail model is inevitable. The authors have therefore incorporated a consumer focus by translating each constituent into an understanding of what each constituent does for the consumer. In addition, remaining is the importance of capturing the full potential of all divisions of an organisation, by integrating transparency throughout the strategic retail model. A high level of transparency facilitates the ability to achieve authenticity of a company offering (Gilmore & Pine 2007). By achieving transparency throughout each constituent and consistently strive to achieve unification of the consumer focus in the strategic retail model, the four constituents and translated underlying consumer understanding is unified, illustrated in Figure L. This leads to the modified strategic retail model (see Figure M).

\[\text{UNIFICATION} \]

\[\text{AUTHENTICITY} \]

\[\text{TRANSPARENCY} \]

\[\text{PRODUCT} \quad \text{SERVICE} \]
\[\text{POSITIONING} \quad \text{TECHNOLOGY} \]

\[\text{BEHAVIOUR} \quad \text{INTERACTION} \]
\[\text{AWARENESS} \quad \text{FUNCTIONALITY} \]

*Figure L: The Unification of the Consumer Understanding*

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\(^{50}\) Jonathan Reynolds, Academic Director of the Oxford Institute of Retail Management, Interview Conducted April 26th 2013.

\(^{51}\) Simon Hjelte, Marketing Director Tärnsjö Garveri, Interview Conducted April 16th 2013.

\(^{52}\) Moon-Suck Song, CEO Panagora, Interview Conducted April 18th 2013.
**Product – Behaviour**

The product constituent contains the understanding of the circular consumer behaviour, and the importance of reaching the consumer in all stages of the purchasing process, through a distinguishable concept and usage of touch points. As a product is the ingredient in which the retailer should operate around, the necessity of having knowledge of how to communicate and offer the product to the target group is vital.

**Service – Interaction**

The service constituent comprises the importance of interacting with the consumers through all channels in the retail platform. Online service incorporates functionality, and forms the basis of providing a seamless and time efficient customer experience. Offline service is characterised by the encounter with store personnel, which allows individual interaction. In addition, the service experience enables the retailer to generate loyalty.

**Positioning – Awareness**

The positioning constituent implies the necessity for a retailer to identify the target group. By understanding how, when and where the target group is active, the retailer obtains valuable knowledge concerning which positioning
strategy to choose. A multi-channel strategy enables the retailer to be situated in several channels and subsequently capture the consumer’s awareness more frequently.

*Technology – Functionality*

The constituent contains of the understanding that technology is a factor of differentiation. Implementing technology in a retail platform enables the retailer to facilitate the purchasing process and provide consumer experiences. The functionality of the new technology is decisive for the period of time it will take for a consumer to adopt the innovation. The greater the functionality, the quicker the consumer moves along the adoption process.
5. CONCLUSIONS

This chapter presents the research question and the conclusions of the study. Further the definitive strategic retail model is presented, which is followed by a discussion of the results and the research process. The chapter is concluded with the contributions and suggestions for future research.

Ascertaining what the constituents are consisting of and how they are corresponding with the reality in the strategic retail model (see Figure M), the study have accumulated an understanding in order to answer the research question:

What is the significance of the strategic retail model in regards to the future of fashion retailing?

In a market where the consumer empowerment has fundamentally affected the retail environment, and traditional marketing has lost its former importance, the issue regarding the future of retailing remains. By managing each constituent and consistently strive to achieve an integration of the consumer focus in the strategic retail model, the four constituents and translated underlying consumer understanding is unified. It could therefore be assumed that the significance of the strategic retail model is high.

![Figure M: The Strategic Retail Model](image_url)
Analysing and verifying the four constituents and which significant it possesses in regards to the future of retailing, the purpose of the thesis has been fulfilled.

5.1 Discussion

The conducted research and conclusion forms the basis for an interpretation and discussion concerning the results. Subsequently, the authors find the reflections and discussion regarding the findings as valuable as the findings itself.

The research process began by taking the changing nature of retailing into consideration. The authors subsequently created a business model, consisting four constituents, each containing predetermined fields of interest. By having the traditional marketing mix as a basis of the strategic marketing model, the authors subsequently had distinctive and reliable structure to work with. Independently of the content of the marketing mix, the structure formed a perspicuous framework for constructing a business model within the field of marketing and in the context of retailing.

During the empirical data collecting, the authors discovered that a majority of the respondents highlighted the consumer focus as an additional dimension when constructing the strategic retail model. Consequently this implied that the authors had to change direction and additionally incorporate a consumer focus in the business model. The authors were able to identify the additional dimension due to the fact that the respondents were given the opportunity to spontaneously reflect within the confines of the topic. In retrospection, the authors found the additional dimension interesting and exciting when continuing with the research process. Additionally, the new consumer focus assisted the authors in the analysis and contributed to provide a more reliable reflection of the reality.

5.2 Contributions

The contributions of the thesis have been divided into two separate fields of contributions, an academic contribution and an industrial contribution. The contributions forms an understanding of what the authors have identified and what the thesis have contributed. The contributions also form a basis for understanding future research within the field of topic.

5.2.1 Academic Contribution

The traditional marketing mix has been criticised for lacking a long-term approach needed for today’s retailers (Schultz & Dev 2005). In addition the business model has been considered too business-focused, mainly concentrated on internal operations and activities (Schultz & Dev 2005; Constantinides 2006) along with excluding the importance of the influential consumer perspective (Kennedy 2008). With this thesis, the authors have
aimed to fill the gap of the traditional marketing mix’s lack of strategic approaches and consumer focus. The authors have adapted, modified and introduced the traditional marketing mix into a fashion retail context. Subsequently, the authors have developed a modified strategic retail model that addresses these issues.

5.2.2 Industrial Contribution

In regards to the decreased importance of traditional marketing activities (Lee 2012), and the emergence of consumer empowerment (Court et al. 2011; Hudson & Thal 2013) owing the digital revolution (Kumar 2013), the authors have identified the need of a new business model. The strategic marketing model comprises the changing nature of retailing by incorporating a consumer focus, a new retail platform and the importance of factors of differentiation. As fashion retailing fundamentally has similarities to retailing in general, where the main objective is to get a transaction (Varley & Rafiq 2011), it could be argued that the strategic marketing model may be adapted and implemented in other retailing industries.

In an organisation, the usage of the strategic retail model takes place after the determination of the business idea and product offering, but before the launching. This implies that the strategic retail model should be used as a part of the business strategy concerning communication, marketing, and retail establishments in order to differentiate the retailer on the market. As the strategic retail model takes advantage of the consumer empowerment and the multi-channel perspective, the model can contribute to introducing retailers to understand the changing nature of consumer behaviour in the digital society.

5.3 Future Research

In regarding to the results of the thesis, the future research could comprise an investigation in understanding of the implementation phase of the strategic retail model. This implies, that the strategic retail model could be practical implemented as a case study in a newly established retail company. Future research also comprises an extended empirical research, where researchers can examine an extended amount of data in order to further validate the significance of the strategic retail model.
REFERENCES


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The Strategic Retail Model


Appendix A – E-mail Template to Respondents

Dear [NAME],

We hope everything is very well with you.

In accordance with our master in Fashion Management at the Swedish School of Textiles, we’re currently working on our master thesis within the topic of "Future of Retailing".

Regarding the thesis, the purpose is to identify, analyse and present four constituents: location, product, service and technology, which together form a platform for future retailers. Each constituent represents a research field, which collectively forms a basis for understanding the numerous factors and challenges connected to online and offline retailing.

We have got in contact with you because we believe that you could help us with some valuable information regarding the fields of interest [FIELD / S].

We would really appreciate if you could dedicate some of your time to share your knowledge by answering an interview guide regarding our thesis topic in the context of the future of retailing. The interview guide is built up by using questions opened for free mind discussions. What’s interesting is not to present an accurate reality, rather your view of the future within this area.

If you have the time and are interested in helping us, we will share more information by sending you the interview guide.

Thank you very much in advance, we’re looking forward to your answer.

Best Regards,
Rikard Gustavsson
Christopher Gustafsson
Appendix B – Interview Guide

Retail Product

Fields of interests
- Retail space design and management
- Visual merchandising
- Category and stock management

Specific questions:
1. What are the directions within retail space design and layout, what is your view of the development?
2. In order to attract a customer to a physical and online store, how important is the assortment of products today in relation to the future?
3. What are the directions within visual merchandising, what is your view of the development?
4. Is increased transparency something that the future retail stores should strive for, why or why not? Regarding increased transparency, can the consumer’s satisfaction and buying decisions be affected?
5. What is a retail concept? Describe its possible importance for a fashion retailer.

Retail Service

Fields of interests
- Experiences and expectations
- Trust and safety
- Service quality (The GAP-model)
- Loyalty

Specific questions:
1. What are the trends within service solutions online and offline?
2. What are the opportunities and limitations within services?
3. Can services be built up on predetermined practices, or is it always crucial that the present interaction process guides it?
4. How can a service be customised in order to fulfil each individual’s personal needs and expectations without loosing the holistic perspective of the retailer?
5. As a company, how do you build up trust and safety regarding already existing and new service solutions?
6. From the company’s perspective, how can a good service quality be upheld?
7. Describe the importance of loyalty. Is loyalty something that a company should strive for and take advantage of?
Retail Positioning

Fields of interests
- Positioning – digital and physical
- Target group analysis
- Cluster
- Future location – pop-up store, destination store

Specific questions:
1. Describe how digital positioning works and what results it can achieve in regards to the brand?
2. Explain the importance of digital positioning.
3. Explain the importance of physical positioning, its origin and its development until today.
4. Will physical positioning keep its importance in regards to future retail establishments?
5. Define the term “cluster” with regards to retailing. Is clusters an urban phenomenon?
6. Would you consider clusters an efficient strategy for generating sales and brand recognition? Can a company establish a brand in an environment where you are not having a unique assortment?
7. Describe the future retail platform. Which sales channels will be decisive?
8. Explain the importance of physical retailers in the future. (If important, how will they survive?)

Retail Technology

Fields of interests
- Past, present and future
- Implementation and acceptance
- Limitations – online and offline

Specific questions:
1. How has the technological development affected how companies offer their products? What are the directions in technological solutions that companies can use in the future?
2. Explain the technological directions in retailing, online and offline.
3. Which factors determine the implementation of new technologies in retail? What are the limitations today and in the future?
4. How can a retailer build trust and safety for new technologies in order to make consumers use them?
5. Is it possible that technology in the future can be too prominent and constitute a limitation for the consumer experience, both online and offline?