The Perceived Customer

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David Eriksson

Amin H Omrani
Abstract
One big issue for the mail order business is how to avoid and manage returns. One approach being taken is that consumer insight can result in better customer satisfaction and fewer returns. The fashion industry delivers more than just a function within the clothes; fashion, excitement, and customer service for example.

It is believed that a part of demand chain management, consumer insight, can help to reduce the amount of returns. This thesis approaches this issue from a company point of view. It is investigated how mail order businesses utilizes opportunities given by eCommerce, how the companies perceives their customers, and how well they are able to tailor their services to different consumer groups.

Online sales channels were reviewed in order to investigate how the company is perceived and what kinds of efforts the companies go through in order to add value to the customers. These results were combined with interviews of three companies in the mail order business and one company selling clothes in retail stores.

The complexity of the customer and the silo mentality in many companies was the first hurdle to emerge. It was hard to get in contact with the right person. The interviews showed both focus on products and focus of really understanding the customer. This showed both in the rigid layout of the homepages and the lack of understanding that customers might have different needs when it comes to value adding services. However, the interviewed companies had varying ways of defining their customer’s needs.

It is evident after this thesis that a lot of work can be done in order to better understand the customers, for example investigating causes to returns and how differentiated services might improve how the customers perceive the service. In order to succeed in a holistic approach, cooperation between mail order companies might be required.
Contents

ACKNOWLEDGEMENTS ........................................................................................................ II
ABSTRACT ............................................................................................................................ III
CONTENTS ........................................................................................................................... IV

1 BACKGROUND .................................................................................................................. 2
  1.1 PROBLEM ......................................................................................................................... 2
  1.2 PURPOSE .......................................................................................................................... 2
  1.3 GOAL .................................................................................................................................. 3
  1.4 LIMITATIONS .................................................................................................................... 3

2 METHOD ............................................................................................................................. 4
  2.1 CHosen METHODS ............................................................................................................ 4
  2.1.1 Literature Search ......................................................................................................... 4
  2.1.2 Qualitative Method ...................................................................................................... 4
  2.1.3 Systemic Meeting Based Interviews ......................................................................... 5
  2.2 EXPLANATION OF METHODS ....................................................................................... 5
  2.2.1 Positivism & Hermeneutics ......................................................................................... 5
  2.2.2 Literature Search ....................................................................................................... 6
  2.2.3 Qualitative Method ..................................................................................................... 6
  2.2.4 Systemic Meeting Based Interviews ......................................................................... 6
  2.3 RELIABILITY AND VALIDITY ....................................................................................... 7

3 THEORETICAL FRAME OF REFERENCES ....................................................................... 8
  3.1 SUPPLY CHAIN MANAGEMENT (SCM) .......................................................................... 8
  3.2 DEMAND CHAIN MANAGEMENT (DCM) ........................................................................ 12
  3.3 DIFFERENTIATED SUPPLY CHAIN STRATEGIES ....................................................... 14
  3.4 VALUE ADDING SERVICES ............................................................................................ 14
  3.5 GAPS .............................................................................................................................. 17
  3.6 FIT, TRADE-OFFS & BRANDING ................................................................................... 17

4 ECOMMERCE .................................................................................................................... 18
  4.1 H&M ............................................................................................................................... 18
  4.1.1 Homepage 2009-03-30 ............................................................................................ 18
  4.2 CELLBES ....................................................................................................................... 19
  4.2.1 Homepage 2009-04-01 ............................................................................................ 19
  4.3 BON’A PARTE ............................................................................................................... 20
  4.3.1 Homepage 2009-04-01 ............................................................................................ 20
  4.4 SCANDINAVIAN PHOTO ............................................................................................... 20
  4.4.1 Homepage 2009-04-01 ............................................................................................ 20
  4.5 KIELL & CO .................................................................................................................... 21
  4.5.1 Homepage 2009-04-01 ............................................................................................ 21
  4.6 HALENS ......................................................................................................................... 22
  4.6.1 Homepage 2009-04-01 ............................................................................................ 22
  4.7 BUBBLEROOM ............................................................................................................. 23
  4.7.1 Homepage 2009-04-02 ............................................................................................ 23
Appendix A: Amin’s Story from Nelly
Appendix B: David’s Story from Nelly
Appendix C: Amin’s Story from Ateljé Margaretha
Appendix D: David’s Story from Ateljé Margaretha
Appendix E: Amin’s Story from H&M
Appendix F: David’s Story from H&M
Appendix G: Amin’s Story from MQ
Appendix H: David’s Story from MQ
You only see two sides of a person; the one you want to see, and the one they want to show you.

-Dexter Morgan
1 Background

As eCommerce has grown to become a large arena for companies to display and sell their products the problems associated with this way of doing business are becoming evident. For a long time companies did not realize the importance of logistics to enable this concept to reach its full potential and as a result, many companies, such as boo.com and eToys, failed to survive this era. Today, the mail order companies are more aware of these factors. Nevertheless, there is a lot of work to be done still, even in the most successful of companies.

One big issue that mail order and eCommerce companies face is returns management. Traditionally, as a non value adding component, it has been desirable to minimize all costs associated with this function. However, a well functioning returns management department could indeed increase customer satisfaction by assessing the specific demands of that particular customer. Thereby, the idea of cost minimization in this function may not always be justified as returns management plays a larger role than initially assumed by some companies.

Generally, mail order companies treat their customers the same way and provide them with the same services, regardless of age and gender. However, ongoing studies indicate differences in customer returns behavior which can be closely tied to different segments.

This thesis is to a certain degree based upon preliminary, yet unpublished, results of studies conducted by Klas Hjort, Ph.D. student at University of Borås. Hjort has been studying the returns behavior of different consumer segments, and is currently awaiting more results.

1.1 Problem

As the retail market has expanded from a somewhat local arena, to a global arena, the competition has increased. If one company is not able to serve customer demands, the customer can easily buy from another company. Moreover, different customer segments vary in their loyalty towards different companies.\(^1\) How well aware are the companies of the segmented customer needs, and how well are they able to cater to the different consumer needs?

1.2 Purpose

The thesis aims to investigate the assumed consumer insight at mail order companies, and the extent to which they are able to cater to these needs. The focus will be on returns management, more specific returns avoidance.

Further, the thesis will hopefully be presented in a workshop, or seminar, with different mail order companies, in order to deepen the collaboration between the research group of the University of Borås, and the local mail order business.

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\(^1\) Klas Hjort Ph.D. student University of Borås, conversation January 2009.
It can be summarized as follows:

- Investigate if companies are utilizing the opportunities given by eCommerce.
- Investigate the assumed consumer insight at fashion companies with an emphasis on mail order and eCommerce.
- Investigate the capability to cater the differentiated customer needs.
- Present the results in the form of a workshop or seminar.

1.3 Goal
This study is part of ongoing and future studies in the field of demand chain management. Therefore, this study does not attempt to result in a final solution. The goal is to investigate what mail order companies perceive that their customers want. This information will become helpful in studies regarding returns management, returns avoidance, customer/consumer insight, holistic approach to management, and consumer centric enterprises.

1.4 Limitations
The scope of the thesis is to lay a theoretical frame of reference regarding demand chain management, returns management and consumer insight. The result is therefore to be seen as a foundation for further investigations or future enhancements within mail order companies.
2 Method

2.1 Chosen Methods
Three main methods were chosen:

- Literature search.
- Qualitative data collection.
- Systemic meeting based interviews.

The thesis starts in theory, compares the theory in the reality (deduction). The approach is based on subjectivity amongst interviewees and the authors’ perception of their stories (hermeneutic).

2.1.1 Literature Search
First and foremost it is important to lay a foundation about the logistics concept we are about to discuss. This will be done by a literature search, presented in the theory part of the thesis. The goal is to clearly define the connections between supply chain management, demand chain management, differentiating strategies, returns management and returns avoidance.

In order to get a basic idea of the marketing concept within mail order companies, their homepages will be reviewed. If the mail order company has retail stores, they will also be examined. In order to broaden the picture these results will be compared to some of the new mail order companies who do not carry a pedigree within the mail order or the retail businesses. The homepages will be viewed in two different ways; the first is to just browse the homepage, the second is to examine how the returns policy is presented. This review will be done in a narrative way; the authors’ story will be the story of a potential customer. This is done in order to mimic the first part of a systemic meeting, the story telling.

2.1.2 Qualitative Method
The analysis of homepages is done in a narrative way. In a systemic approach, all stories are of value. These stories are viewed through the eyes of two male logistics students. If the company presents any company information it will be summarized.

The investigation about assumed consumer insight and the ability to cater to the customer needs will be done using interviews. The interviewees will be management responsible for logistics, IT, customer relation management, marketing, or any similar position. The goal is to conduct as many interviews as needed to get to the point where additional interviews do not add any significant information for the subject. Companies with proximity to Borås will be contacted for interviews. With the help of ProFlow and the thesis’ supervisor, companies will be selected. The main part of the companies is expected to be in the fashion industry. This is a result of the business environment in Borås.

\[\text{Hans Sarv adjunct professor University of Borås, conversation 30th of April 2009.}\]
The interviews are supposed to answer three main questions:

- Upon what basis are consumer segments identified?
- How should these segments be catered to?
- In what ways is the company able to cater for the consumer needs?

The workshop, or seminar, is likely to be set up by Hjort and ProFlow. Depending on the progress of the thesis, the authors’ role will vary. If the workshop is done in an early stage, the purpose will be presented. If the workshop is done at a late stage, the goal is to present some valid information with regards to Returns Management and Returns Avoidance.

2.1.3 Systemic Meeting Based Interviews

The interviews will be conducted in a way similar to a systemic meeting (explained below). Step one and two will be done according the six step model, steps three, four and five will be done simultaneously, and step six will be done as step six and step one, leaving room for more than one loop of the six steps. This approach is supported by Sarv. A goal with this approach is to give insight back to the interviewee, so that we create a win-win situation.

In order to acknowledge the complexity, transcripts from the interviews will be seen as an important part of the result. Everyone reading the transcript will be able to find his or her own patterns and choices in the interview and the interpretation of the authors. In this way, the learning might continue long after the thesis is finished.

It is important to remember that this thesis is about understanding how companies perceive customers and consumers. Therefore, we are not looking for the “correct” answers but the stories that include the espoused theories about the customers and the consumers.

2.2 Explanation of Methods

The choice of data collecting method is a vital step in the process of arriving at the result. Depending on method, the reliability and validity, and the outcome will vary. There are two ways of doing research. First the inductive method which consists of building theory based upon the reality, second the deductive method which starts in theory and tries to apply it to reality (Eriksson & Wiedersheim-Paul 2001).

2.2.1 Positivism & Hermeneutics

2.2.1.1 Positivism

According to Patel & Davidsson (1994), positivism stems from empiric/scientific tradition and is mainly based on experiments, quantitative measurements, and logical reasoning. Furthermore, the importance of objectivity at all times is highlighted if the results of the research are to be considered scientific. Arbnor & Bjerke (1994) see positivism as explanatory...

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3 Hans Sarv adjunct professor University of Borås, e-mail 14th of April 2009.
science. The researcher’s approach in positivism is logical, analytic, and objective. Also, the researcher has an external relation to the object of research. (Patel & Davidsson 1994).

2.2.1.2 Hermeneutics
According to Patel and Davidsson (1994), hermeneutics is the complete opposite of positivism. Hermeneutics may be described as the development and study of theories and the interpretation and understanding of texts. Arnbor & Bjerke (1994) see hermeneutics as comprehension science. Wallén (1996) views hermeneutics as a non specific doctrine about communication and understanding. During the interpretation, the researcher constantly shifts focus between analytic and synthetic perspectives.

2.2.2 Literature Search
Earlier publications are studied in order to find answers, and/or build a frame of reference.

2.2.3 Qualitative Method
According to Holme & Solvang (1997), qualitative methods can be seen as a gathering of concept for procedures that combines five techniques;

- Informant interviews
- Respondent interviews
- Direct observation
- Participating observation
- Analysis of sources

The goal, when using qualitative methods, is to understand how people experience themselves and their surroundings. Subjectivity relies on methods developed to better understand peoples’ situations. The qualitative method can be summarized as flexible, focused on depth, unique, singular and divergent information, unsystematic and unstructured observations, interviews or questionnaires without fixed questions or fixed answers and description and understanding (p. 78). There is a personal relation between the researcher and the respondent, and therefore the researcher affects the results with his presence (Holme & Solvang 1997).

2.2.4 Systemic Meeting Based Interviews
The systemic meeting is a meeting form intended to strengthen innovation and is part of the systemic change management approach. The systemic approach focuses on the open system that consists of companies, partners, consumers, customers, governments, etc. It incorporates the complexity of the real world, instead of the boiled down easy to handle version that is normally managed (Sarv 2008 & Ericsson & Sarv 2009).

The systemic meeting is a six step process (Sarv 2008):

1. An uninterrupted story.
2. Questions to gain further insight to the story and the story teller.
3. Identification of patterns in the story and the story teller.
4. Identification of choices in the story and for the story teller.
5. Suggestions.
6. Feedback from the story teller.

During steps one and six, the story teller is uninterrupted, during step two both listeners and the story teller are allowed to speak, during steps three, four and five the story teller is only allowed to listen – he is placed behind an imagined glass wall (Sarv 2008).

A systemic approach is based on managing both what is possible simple and what is all important. The possible simple is also called answer management, and the all so important is also called inherent search. The systemic meeting swings between these two, back and forth (Ericsson & Sarv 2009). Even shorter versions of the systemic meeting are helpful ways to communicate. For example, the uninterrupted story alone can produce far better results than the more usual meetings (Sarv 2008).

Kvale (1997) lists seven stages that an interview should follow, and five quality criteria. The purpose of the investigation should be formulated before the interview starts, one must have an open approach towards the interplay between the people taking part, short questions and long answers are preferred and the quality is dependent on the extent of spontaneous, specific and relevant answers from the interviewee.

Starrin & Svensson (1996) has a list of criteria focusing on the interviewer. Since the systemic meeting has a different approach, not all of these are applicable. However, a few of them are still important. The interviewee should be presented with the purpose and the procedure, the interviewer should listen actively and be open to subjects important for the interviewee and the interviewer should be interpreting and be able to widen the meaning of statements made by the interviewee.

### 2.3 Reliability and Validity

High focus on reliability might inhibit the creativity and flexibility of the interview. Reliability comes from the skills of the interviewer and his or her knowledge during seven different stages of the interview. These stages span from the preparation phase to the actions taken after the interview (Kvale 1997). Kvale states that validity is not only the final product, but the complete process of the interview. The systemic approach states that there is validity in every story, and in every interpretation of every story (Sarv 2008).

Articles, books and homepages in the subject of the thesis were studied before the interviews took place in order to increase the reliability of the interviewers. The interviews and their goal were carefully planned. In order to validate the result of the interviews, the interviewers made separate transcripts of the interviews. The interviewees were then allowed to examine the transcripts.
3 Theoretical Frame of References

Earlier studies have involved reading several scientific articles. These articles are mainly confined within the field of supply and demand chain management. The reason for choosing articles is mainly the lack of other forms of literature within demand chain management. In addition, professors and Ph.D. students are consulted in order to broaden the article base, so that the theoretical frame of references is as solid as possible. Literature from earlier logistics courses will also be used.

Returns avoidance is one part of returns management. There is no published work done in the area of returns avoidance. However, Hjort is currently researching the area and we share his hypothesis that consumer insight can help mail order companies to reduce and improve their Returns Management. If this hypothesis is proven to be true, Demand chain management is closely linked to returns avoidance.

3.1 Supply Chain Management (SCM)

Vitasek (2009) uses the definition of supply chain management made by the Council of Supply Chain Management Professionals:

“Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, supply chain management integrates supply and demand management within major business functions and business processes within and across companies into a cohesive and high performing business model. It includes all of the logistics management activities noted above, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance and information technology.”

There are mainly two types of supply chain strategies discussed in the literature, lean/efficient or agile/ responsive (Fisher 1997 & Waters 2006). Which to choose is often defined by characterizing the product as functional or as innovative. This is in most cases referred to Fisher (1997) who developed a matrix to help matching supply chains with products.
Fig 3.1-1. Fisher’s (1997) matrix for matching supply chains with products.

<table>
<thead>
<tr>
<th>Aspects of Demand</th>
<th>Functional (Predictable Demand)</th>
<th>Innovative (Unpredictable Demand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product life cycle</td>
<td>more than 2 years</td>
<td>3 months to 1 year</td>
</tr>
<tr>
<td>Contribution margin*</td>
<td>5% to 20%</td>
<td>20% to 60%</td>
</tr>
<tr>
<td>Product variety</td>
<td>low (10 to 20 variants per category)</td>
<td>high (often millions of variants per category)</td>
</tr>
<tr>
<td>Average margin of error in the forecast at the time production is committed</td>
<td>10%</td>
<td>40% to 100%</td>
</tr>
<tr>
<td>Average stockout rate</td>
<td>1% to 2%</td>
<td>10% to 40%</td>
</tr>
<tr>
<td>Average forced end-of-season markdown as percentage of full price</td>
<td>0%</td>
<td>10% to 25%</td>
</tr>
<tr>
<td>Lead time required for made-to-order products</td>
<td>6 months to 1 year</td>
<td>1 day to 2 weeks</td>
</tr>
</tbody>
</table>

* The contribution margin equals price minus variable cost divided by price and is expressed as a percentage.
According to Fisher (1997) the functional product fills a basic need and the order winner is price. Gasoline is an example of such a product. Gasoline should be delivered and forecasted in such a way that the station can sell it at lowest possible price. The innovative product has a short life cycle span, a volatile demand and the order winner is not price. Hence, a fashion shirt with high margins can afford higher delivery costs.

Macmillan & McGrath (1997) discusses ways of differentiating a product and the services that goes along with the product. This is done by mapping the consumption chain and analyzing the customer’s experience. In this way a functional product can be presented as an innovative and thus compete on a market that is not defined by competition on price. This might lead to higher margins. As an example, the toothbrush Oral B is mentioned. The toothbrush loses its color and lets the consumer know that it is time to change brush. Porter (1996) addresses the issue where operational effectiveness replaces strategy in a race for low price. As the case with Oral B, Porter (1996) finds it important to choose activities so that a unique value-mix is delivered. Both these claims suggests that a innovative product is not innovative for all eternity and one should always be prepared to redefine the nature of one’s products.

The lean and the agile supply chain are often combined to a leagile supply chain (Dapiran 1992 & Feitzinger & Lee 1997). Its purpose is to combine the cost efficiency of the lean supply chain, with the ability to swiftly adapt to the changes in demand and unpredictability of the market associated with the agile supply chain.
### 3.2 Demand Chain Management (DCM)

Walters (2006) defines the difference between supply chain management and demand chain management to be based upon company emphasis. He claims that even though supply driven organizations can, to a certain extent, be consumer driven, the emphasis is on efficiency. Cost is leading the management and an adequate level of service is espoused to be delivered. Demand chain management is said to take a broader approach and tries to overlap customer management and supplier management. The demand process needs to be linked to the supply chain process through information systems. Walters (2006, p. 249) summarizes it as: “Supply chains, by contrast, emphasize efficiencies in the production and logistics processes, while the demand chain emphasizes effectiveness in the business.”

Bingham (2004) argues that even companies that claim to be customer focused do not fully understand what the customer wants. There is a gap between the espoused theories about customer needs, and the facts of what the customer really wants. This, Bingham continues, is often caused by people inside the company that thinks that they are a representative sample of the customers. Bingham states that in order to survive, companies must understand their customers better than anyone else – perhaps even their customers themselves (p. 210).

Bingham presents (p. 212) five key stages of demand chain management, where the fifth stage is full demand chain management. This stage is characterized as follows:

- **Product/service drivers:** customer pain drives all products and services.
- **Competitive advantage:** The breadth and depth of the insight into customers’ needs, prospects wants, and marketplace changes, translated into business strategy.
- **Customer insight:** Gathered at every touchpoint, made actionable, and disseminated throughout the organization.

A common misconception by fellow students is that a lean supply chain directly correlates to supply chain management and an agile supply chain directly correlates to demand chain management. According to Bingham’s statement above this is not true. A lean supply chain can be the result of consumer insight in correlation to a functional product.
Hilletofth et al. (2008, p. 6) supports the claim that it is not enough to think about the customer, firms have to create a truly customer-driven organization in order to survive on mature markets.

Jüttner et al. (2007) shift focus when they present demand chain management. They lay the emphasis on the combined efforts of marketing and supply chain management. Their ideas are summarized with three main points (p. 377):

Demand chain management involves

- Managing the integration between demand and supply processes.
- Managing the structure between the integrated processes and customer segments.
- Managing the working relationships between marketing and supply chain management.

Ericsson (2003) defines demand chain management as a concept where the recent trends in marketing and logistics need to converge. Business is done in a new way with the customer in mind, value innovation is of essence. Value innovation is related to how the customer values the supplier’s offering, the perceived customer value. The value is customer-specific and specific to the individual customer. In order to do this, the companies need consumer insight, not only about how the purchase is made, but the driving forces behind the purchasing transaction. The different demands require not only different products, but also different logistic systems, delivery methods, value presentations and marketing channels. The success
is hidden in the interfaces between logistics, marketing, research and engineering. In doing this companies need to raise their visions and let the visions form the tools, not the other way around.

3.3 Differentiated Supply Chain Strategies
As consumers demand individualized attention (Bingham 2004, p. 210) one effort made by companies is to differentiate their products and services different customer segments. Mark Levin (Champion 2001) is maybe the most extreme example. His vision is an implanted RFID chip in every person’s arm allowing his company, Millennium, to customize their medicine to every patient.

Jüttner et al. (2007, p. 380) points out that companies that succeed in differentiating customer segments, can fail in the physical distribution of the goods. This leads to decreased credibility and decreased customer satisfaction. Under delivering and over delivering, or lost share of customer opportunities if the company cannot capitalize on the differentiated customer needs are typical problems.

3.4 Value Adding Services
According to Fuller et al. (1993), the driver of service differentiation is logistics and there is a fortune hidden in the distinction between a can of Coca Cola that is going to a vending machine and a can that comes with billing service. Moreover, it is claimed that the general assumption has been that the more goods flow through the consolidated logistics channels the more efficient the company has been. This however would mean that the needs and specification of all the customers could be satisfied with the product and its rate of throughput. In reality, averaging speed and cost in this way results in that customers in need of specialized products fast often do not receive any service while the commodity costumers are in fact overcharged (Fuller et al. 1993).

Today, many companies have embarked on a quest to find new ways of fulfilling consumer demand. More and more companies try to offer their customers something more than the physical product, realizing that this is only a part of the customer perceived value. Although new for many branches and companies, these ideas have been around for a long time. Kotler et al. (2004) define a product as anything that can be offered to a market for attention, acquisition, use, or something that can satisfy a need or want. Consequently, a product can be physical goods, a service, a retail store, a person, an organization, a place, or even an idea. Products are the means to an end wherein the end is the satisfaction of customer needs or wants. Illustrating this, Kotler defined five levels of a product.
• Core Benefit - the basic need or want that consumers satisfy by consuming the product or service.
• Generic Product - a version of the product containing only those attributes or characteristics absolutely necessary for it to function.
• Expected Product - the set of attributes or characteristics that buyers normally expect and agree to when they purchase a product.
• Augmented Product - inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors.
• Potential Product - all the augmentations and transformations a product might undergo in the future.

Kotler et al. (2004) argue that customers will choose products based on their perceived value. Satisfaction is the level to which the actual use of a product matches the perceived value at the time of the purchase and that a customer is satisfied only if the actual value is the same or exceeds the perceived value. The perceived value is customer specific and discrepancy between segments are normally expected, hence the need for segment specific approaches.
A more familiar model to logisticians is perhaps the depicted model above (Dibb et al. 2001). Although very similar to the previous illustration, this model presents areas in which differentiation and thereby value adding can be achieved within the field of logistics.

Even though some areas where value can be added is presented in the model, Kim & Mauborgne (2005) claim that the real challenge facing companies today is finding ways to satisfy their customers in new areas still to be defined or finding new and innovative ways of satisfying them in existing areas. The former they described as finding the blue ocean.

Adding value to a product must be done in consensus with the customer demands. Value should only be added where it is appreciated! Consequently, the importance of understanding these needs has called more and more companies to action. Fisher (1997) speaks about market mediation as an important role of the supply chain to achieve match between the mix of products and what the customer wants to buy. This certainly highlights the importance of consumer insight, which is the core of demand chain management covered earlier.

In order to identify new opportunities for differentiation, companies should map their consumption chains. Having a cradle to grave approach when doing this will maximize the occasions where the company can influence a future, a new, an old, or a former customer (Rainbird 2004).

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4 Dag Ericsson professor University of Borås, lecture 2008.
3.5 Gaps
In many aspects of logistics and presumed consumer insight, it is believed that there is a gap between what the company thinks the consumer wants, and what the consumer actually wants. These gaps can be explained as service gaps, and the perceived service should be the focal point. This would mean that some of the efforts made in order to be consumer oriented might not be advantageous.

![Fig 3.5-1. Picture illustrating the four gaps associated with service (Harrison & van Hoek 2001).](image)

Ericsson & Sarv (2009, p. 121) identifies the gap between what we think that we do and what we actually do. This could be compared to the gap between service specification and service delivery in the picture above. The gaps are to a certain extent explained by Cooper et al. (1997). They state that departmental focus, silo mentality, prohibits consumer focus.

3.6 Fit, Trade-offs & Branding
The goal with fit is to strengthen competitiveness within a confined field of expertise. This is explained as a way to create a chain that is as strong as its strongest link. This locks out competitors, since the value offering of the company goes further than just the product. Creating fit also includes trade-offs. South West Airlines has a strong fit which give a value offering of low price. However, they are not able to cater to customers with higher demands on, for example, customer service (Porter 1996). Min and Mentzer (2000) show how marketing lays the path for supply chain management. The supply chain is aligned in order to create a strong fit the consumer needs identified by marketing.

Ericsson stresses the importance of making the consumer aware of the brand of the used product. Electrolux efforts resulted in their slogan, “Thinking of You”. By adding the brand to all Electrolux products, Electrolux makes trade-offs, builds fit and strengthen their brand name.⁵

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⁵ Dag Ericsson professor University of Borås, lecture 2008.
4 eCommerce

4.1 H&M

H&M opened their first store in Sweden in 1947. Over 60 years H&M has grown and consists of over 1500 stores in 28 countries. According to H&M they offer fashion and quality at the lowest price. In a demand chain perspective it is important to mention that H&M do not own any plants, instead they by their products from about 700 independent suppliers. The main part of the suppliers is based in Asia and Europe.

For more than a century, the customers of H&M have been able to shop using mail order. In 1998 H&M took the step to internet and eCommerce. They claim that it is beneficiary for the customers to be able to choose between retail, mail order, and internet.

H&M presents six different product segments, ladies, men, Divided, &denim, children and cosmetics. H&M explains how their in-house designers, pattern makers and buyers work together to create the collections: “With the world as their source of inspiration, they identify the latest styles and trends and transform them into functional fashion. This process is all about finding the right balance between fashion, quality and price.”(H&M Facts, 2008, p 23)

They also explain that they develop with the consumer in mind. They confirm that their consumers have different preferences in clothing and H&M try to adapt trends and influences to styles and formats that suit their diverse customers. This information, and more, can be found in H&M Facts 2008.

4.1.1 Homepage 2009-03-30

The first thing I need to do when logging on to H&M’s homepage is to select country. Being somewhat unimpressed by this use of technique I choose Sweden. A new page loads and a red door gets my attention. Underneath the door reads “spring fashion”. The door catches my eye and I enter. I am presented with three choices, a lady, a man, and a girl bending over with the text “movies”. I do not realize why I should watch the movie and click the man. On the next page I see that there is an opportunity to try the clothes on. I can set up my own online model. Unfortunately all the units are in feet and pounds. I try to access “my closet” but it cannot be done without signing in first. It seems like I am restricted to trying the spring collection. After clicking at some random clothes I see the opportunity to enter my own measurements, and now the metric system is available. Should not the metric system be the default value for Swedish customers? Impressed by the technology I still feel that some pieces of the puzzle are missing. How come I cannot use multiple virtual models at the same time? It would be a great way to compare outfits and a great way to shop for the whole family at the same time.

Browsing on the online shop there is a series of pictures being displayed, all showing or focusing on female models. I was just browsing men’s wear, how
come there are only pictures of women? Browsing on to the consumer service section I find the typical information; how to shop, how to pay, how the clothes are delivered, and information about returns. The return policy is 14 days. I know that this is the legislated minimum, and this is unimpressive to me. (I work in a retail store selling home electronics, and we have a 30 days money back returns policy). The money is repaid to the customer within 30 days. This seems like a very long time to just give me my money back. I also see that I cannot do my return at any of H&M’s retail stores, how come?

4.2 Cellbes

Cellbes is part of Haléns Holding AB, a Swedish owned company with the mail offices located in Borås. Little is told about the company, and the story of the founders, Bengt and Gunvor Hultgren is the main company information available on Cellbes’ homepage. There are six product categories identified on the homepage; ladies, men, children/youth, underwear, and sport/leisure, a typical categorization in the fashion industry.

4.2.1 Homepage 2009-04-01

Cellbes is apparently celebrating 55 years. Their anniversary and a lady’s behind in jeans seem to be the two most important things to show their customers. At least they are the two things that meet me when I browse to the homepage. Curious about the 55 year celebration I click the part of the picture where the text is and I am forwarded to a page about a dress. I try my luck with the link to the men’s department and click the spring/summer link. A rugged male presents a shirt and a pair of jeans. Still, it is hard to see where the other clothes are. I click the shirt and all of a sudden I am in the middle of the men’s, tops’, shirts/knitted/cardigans section. This kind of logic, or lack of logic, is a little bit irritating to me. I figured I would be taken to all the fantastic spring and summer collection, but no luck.

Instead of just browsing without a goal I set my sights for the t-shirt section. It is that time of year and my wardrobe is in dire needs of a renewal. They offer 16 different t-shirts and short sleeved shirts. I find a shirt that seems nice and look for more information. It is available in three colors, and 11 different sizes. The sizes are 4-14. There are several matrixes for translating the sizes, and I am not sure if the matrix for shirts, or if the unisex matrix is the right one for me. There is no place to enter any measurements of my own. At this moment the internet shopping has become too inconvenient and I make a last attempt at baby clothes. However, it seems like baby is not part of the child/youth section, and this non-shopping spree is over for me. Before I leave I take a brief look at the customer service part of the page. It seems like it is an endless list of rules made to make the purchase even harder for me. Too much information in an unstructured way. Is this really the last impression that Cellbes wanted me to have?
4.3 **BON’A PARTE**

BON’A PARTE was founded in 1987 and their goal is to make a difference for the customers. They are in the fashion industry selling clothes. BON’A PARTE has a design staff that uses their strong sense for fashion and their eye for details in order to make their collections. According to BON’A PARTE, this results in clothing that is something extra. Quality and fit is something that one can afford at BON’A PARTE. As a way to put the customer in focus, they claim to have a simple and graspable homepage.

4.3.1 **Homepage 2009-04-01**

A brunette model greets me as I enter BON’A PARTE’s homepage. The shirt she is wearing might be something for my wife, but I will leave that to a later moment. I continue to the men’s department and a middle age sailor meets me with a bedroom eye. Even discouraging, I am brave enough to click the spring campaign link. It consists of a 92 page online catalogue. Is this just an attempt to get all the products online in a simple manner? If it was not for the case of forming an opinion of the homepage, I would have stopped my browsing here.

Walking to school this morning I realized I need a new jacket, maybe I can combine work and fun and find it here? The men’s section has seven jackets; one of them gets my attention right away. Underneath the picture there is a link to the size guide, and the washing recommendations. Nicely done! Still, it should not be that hard to get recommended sizes. In addition to the jacket, I can easily see the other things the model is wearing, and there is a picture to the right that shows even more ways of combining other clothes with the jacket. This reminds me of Amazon’s innovation “Customers who bought this product also bought:”. I continue to the check out, but before I do I take a quick look at the customer service section. Nothing fancy here, rather the opposite. In normal cases the products are delivered within a week, when there is much to do the time might double. This is not good enough for me. I am still uncertain about the size. It seems like it is a better deal for me to order double sizes and return one of them. I do not mind paying 39 kronor extra in order to get two jackets after one week instead of ordering the wrong size, return the jacket, and order a new one. That might take a month.

4.4 **Scandinavian Photo**

Scandinavian Photo has been conducting mail order business since 1982, and has done business over the internet since 1995. Their area of expertise is photo equipment. With a customer base of over 200,000 customers, they claim to be Scandinavia’s biggest retailer of photo equipment.

4.4.1 **Homepage 2009-04-01**

For a long time I have been yearning to get a new camera. The one I have got is a Nikon D50, a digital single-lens reflex camera (DSLR). There is a new model from Nikon, D700, which has caught my attention. Using the search feature, I can easily locate the camera. In addition to the camera there are a lot of features on
the page that appeals to me-, the technical specification, and information about the camera, accessories, and customer comments. This interactive way of producing a web page appeals to me. Still, I am a little bit hesitant of these built in comments. Anyone can make them, and it seems like the webmaster can edit them. Links to external blogs makes the comments a little bit more valid, but that might be one obstacle to much for the customer posting response about the product?

The camera costs almost 23 000 kronor, so I check the payment plan. An opaque dialogue box appears with several plans. Nowhere can I see the total cost and I cannot click the link to see all details. This might be due to the fact that I am using Mozilla Firefox as internet browser.

The company offers delivery within just a few days. The main part of this time is due to lead times at the Swedish Post. The information about returns is scarce. Scandinavian Photo wants to accept the return before it is done. Is the case that they are dealing with few returns so there is no need for a predetermined process, or is it a way to avoid returns?

4.5 Kjell & CO

Kjell & CO does not present any company information on their homepage. On their catalogue they print “The widest assortment of accessories for home electronics in the Nordics”. Kjell & CO. In their spring/summer catalogue they divide their assortment in four parts; computer accessories, ink, CD/DVD and network is the first, GPS, telephones, radio, batteries, tools and electronics is the second, alarm, surveillance, digital-TV, lightning is the third, and the fourth and final is weather, health, leisure time, photography and memory media.

4.5.1 Homepage 2009-04-01

I recently bought an iPod Nano and have been looking for accessories. I looked in their catalogue, but it was an old one, so now I turn to their homepage. The page seems to have a simple layout. A list to the left with categories, a few products are highlighted on the main page, and there is a link to the online catalogue. Without any bigger issues I find my way to the iPod accessories. I become a little bit let down by the fact that there are no specific accessories for the fourth generation of iPod Nano. I set my sights for a sock that protects the player. One feature that I like is that the inventory status off all stores is displayed. I can see that Borås has a store, and instead of placing an order I can save the shipping fee by taking a detour on my way home.

Looking at the sock I feel that two things are lacking. I want to be presented with similar products, and I would like a reference to the page number where the product is. That would have made me look at it in the online catalogue.

Kjell & CO offers a 14 days returns policy, the legal minimum for mail order companies. I figure that I might be able to return goods in the store, but cannot find any information about this. On the other hand I can find a bunch of rules
which must be met in order for me to be allowed to return a product. It seems somewhat strange to me that it is more important that I keep the receipt, than it is for them to make me satisfied with my shopping experience. Terms of service like these deter me from fulfilling a purchase.

4.6 Halens

Halens AB is one of Sweden's leading mail-order companies and is part of the Halens Holding AB. The group, which has Swedish ownership, is located in Borås. They have an annual turnover of approximately 1.1 billion and employ over 300 employees. The range of products consists of fashion, home textiles, furniture, consumer electronics, beauty items, and health food products. Halens operates on the Swedish, Norwegian, Finnish, Danish, Estonian, and Latvian markets. They reach out to their customers through the brands Cellbes and Halens. A significant percentage of the sales for these brands are made via the Internet. The group also includes Time Finans AB.

4.6.1 Homepage 2009-04-01

As I entered the page I was met by female models displaying some of the garments. Here, I could see some of the offers and popular items on the blogs and on halens.se. I also had the option of choosing categories. Ladies, men, children, home, health, beauty, sports & leisure and home electronics were the main categories to choose from. Moreover, I could choose the preferred language but these options were found at the bottom of the page and were therefore somewhat hidden. I proceeded to the men’s section and found new sub categories to choose from. Choosing “upper body”, I was then presented with the multiple choices of dinner jackets, T-shirts, shirts, and sweaters. Looking through ladies and children’s sections I could confirm that all the categories were using the same type of build up.

I now decided to place an order and stop short of confirming it, just to get a feel for the user interface. I clicked my way to a nice looking shirt and chose to have it in gray/white. I needed assistance deciding on what size I needed to order and go figure; there it was just on the right side of the size column, a size guide! This guide, I noticed, is used all throughout the men’s ware section and the ladies and children sections have their own size guides. Measuring my neck with a judo belt and a ruler I decided that 39/40 was the best size for me. I looked for an estimated delivery time for the product but I did not find one at this stage. I then pressed the button to go to the cash register. I was directed to a page where I had to provide the company with my personal information. After this was done I was presented with a page where I could choose how I wanted to make my payment and what implications that would have for me as a customer. For example, choosing bill rather that cash would save me 31 SEK. Something that impressed me was the fact that I was presented with the delivery point right away, in this case Gunnars Cigarr- Frukt & Konfek. However, I would like to have the option of choosing from a list of delivery points to better match my needs. For instance, I might pass another delivery point every day on my way to school.
I was less impressed with the delivery date I got though! My order was to be delivered “in the middle of April”. That is just not good enough! I felt like it was way to imprecise. Just to see if this was an exception I placed an order for a pink/white dress. I was chocked to get delivery date “in the end of April”, today is the 1st of April! 2-4 weeks delivery time for a product that according to the inventory status is available for direct delivery is way too long and I was not given an explanation anywhere on the page. And I am live in the town where the company is located! As a logistician, I might know that time wise living here and living in Kiruna is not of great significance, but how do other customers perceive this?

Looking at the return policy I encountered the minimum legislated limit of 14 days. If I am to change size or color I can do this free of charge otherwise I will have to pay a fee as in the case of a new order. This I found confusing. What fee are they talking about? In any case it seemed that I had to pay for the shipping as long as there were no mistakes done on their part.

4.7 BUBBLEROOM

Bubbleroom was founded back in 2004 and it rapidly became a very popular and highly visited online clothing web shop for girls. In the summer of 2005 they decided to expand the concept to include men’s ware. The explicit goal of the company is to become the leading online shop for clothing and continuously update their web site with the newest global trends and fashion.

4.7.1 Homepage 2009-04-02

Just like the other websites visited so far, I was presented with a very female inspired page right off the bat. By now I have figured out that women are the main segment of online shopping of clothing. Just looking at the first page I realized that bubbleroom.se is more than just a web shop. I was presented with headlines such as “buy & sell”, “Community”, “Blogs”, and “Forum”. Curiously I started exploring these headlines first rather than going to the shop.

Neat! Clicking on the buy & sell option I discovered that bubbleroom.se lets its costumers sell their second hand items free of charge! I guess the main idea was to mediate the sales of second hand clothing but I found Playstation games and lamps also. I now started thinking about the purpose of this page in a larger sense. However, my role here was to get a feel for the website and off I went to the other option found on top of the page, community.

The community section seemed to be a typical community in the sense that one could create a profile, have a friend list, send messages to others, and sign guest books. Here, I could also find links to the members’ blogs which I will return to in a moment. I got the impression that Bubbleroom is more like a gathering place for fashion interested people with an option to buy. Clicking my way to a couple of blogs in the blog section I realized that fashion was not the only topic being
discussed or presented. People write about everyday stuff, talk about their pets, or a new spray tan salon just opened. And when fashion is discussed, it is not necessarily Bubbleroom items that are being talked about.

The forum section seemed to be where people tend to post their general questions. “Buy these jeans? Need advice” was one of the questions thrown out to the other users. Also, people expressed their thoughts about the website and the services. I got the feeling that the discussions here were very diverse in nature.

Off I went to the shop section! There were a couple of different ways to go about this. I could for example go to the shop where I had the choice of male and female to sort products, which gave me the possibility to then search for products by top list, brand, or category. I also was able to look at the new products under the headline “News” and read about the different brands and the companies behind them on “Brands”. In the “Outlet” section I found items on sale. My feeling at this point was so far so good.

I decided to place an order. I logged on using my ID and password, clicked on “Shop” and chose “male”. Hmm...although I defined myself as a man I still got skirts, dresses, and bras etc. as options in the left side menu. Did they know something that I did not? However, when logged in as male, clicking on these options will only result in a blank page. Why are these options available in the first place?

Oh yes, my order. I decided on a jacket, but wait a minute, was it not the same jacket as the one I looked at on halens.se? Sure enough, but the pricing was the same so I proceeded. It is perhaps worth mentioning that I could see a delivery time for the product in the same window as I was viewing it, in this case it said 3-7 days. I now got several payment options and I chose Visa since it was free of charge. The jacket cost 799 SEK and shipping was 39 SEK, which is 838 SEK for the jacket overall. The delivery date was given as 3-7 days and a possible delay of 1-2 days caused by move of warehouse was declared. So, best case scenario is 3 days delivery time and worst case scenario is 9 days. Just for fun I went back to halens.se and put an order for the same jacket! A total cost of 854 SEK and a delivery “in the middle of April”. Cheaper and faster to get the jacket from Bubbleroom! Now, I know that Halens is the company behind bubbleroom.se so my question is; how come the terms are different? Is this perhaps a step toward differentiation of customers?

I could not find any information of the company on their website! This is perhaps because of the fact that in a presentation of the company its association with Halens is inevitable. I get a feeling that this differentiation from Halens is vital for the Bubbleroom concept and package. One quite unusual thing I discovered was that I could e-mail the CEO directly from the “Contacts” page found on the website! This is very rare and to me it implies willingness and a wish to be in close contact with the consumers!
Looking at the return policy I found that Bubbleroom offers the legislated minimum of 14 days and that the customer is responsible for the shipping costs associated with the return, that is if no fault is done by the company or if the product is defect. It is also stated that if I want to change my product, not only do I have to pay for the shipment to and from the company but also an extra fee of 39 SEK. This, as I perceived it, applies to all changes except when the company is to blame.

4.8 Ateljé Margaretha
Founded 40 years ago, Ateljé Margaretha is the largest retailer of knitting, needlework, and embroideries via mail order in Scandinavia. Today, Ateljé Margaretha is part of a group together with Åhsild and Linea.

4.8.1 Homepage 2009-04-07
The first thing that hit me when I logged onto this site was that it looked a bit out dated. This, I recon, is because it was designed for a different segment than the one I belong to. Having had some experience with the other web based shops I felt that that this one was more a web shop for my mother or grandma, which is perfectly fine if the intent of the company is in alignment with my perception.

As usual I proceeded to the different sections of the page to get familiar with the structure. I must say everything was very straight forward. One neat feature was the online survey where customers could answer three questions about their habits and thoughts.

Before doing what I normally do and place a test order I decided to look at the return policy. I found no surprises here, 14 days from the day of delivery just like the other web shops I have visited lately. Also, I would have to pay for the shipping myself if I simply regret my purchase. If the package is not picked up at the delivery point I will be served with a bill for the return shipment and handling cost.

Naught said, I proceeded to the shop and placed an order for a cloth that I believed my mother would go for. The cost for the cloth was 569 SEK. Add to that the cost for administration and shipment and you end up with the figure 623 SEK. I then pressed next and got a delivery date, week 17, which is two weeks from now. I am yet to be impressed by any of the shops I have looked at when it comes to delivery dates and this one was no exception. It is not so much the time line that bothers me, it is rather the impreciseness. Furthermore, as in some of the cases before, I did not get any information regarding delivery time in the product page. This feature would have saved me a lot of time. Now I had to add the product to my cart and go to the register just to find out that the product would take too long to get here in time for my dinner party!

Something I lacked on this page was the company information. Who we are and what we do is usually the questions answered under this headline. I have used this
information to present the companies before writing about my experiences in the earlier cases but in this case it was nowhere to be found.

4.9 Åshild
Although founded some 25-30 years ago, for three years now Åshild has been a part of a corporate group together with Ateljé Margaretha and Linea. Åshild’s main products are women’s ware.

4.9.1 Homepage 2009-04-08
In my quest to gather experience by using the different web shops I had now landed at ashild.se. The first thing that struck me was that this page had the exact same layout as margaretha.se. A quick look at the bottom of the page revealed the producer of the website, which, you guessed it, was the same as for margaretha.se. Are these two companies related? I don’t know and it really doesn’t matter to me so I chose to proceed.

Since this page is shaped exactly like the previous one I decided to go ahead and place an order since I already was familiar with how things worked using this layout. I soon discovered that this store is for females, I would guess 35+ judging by the models used to display the products.

Anyhow, I had a little fun with it and ordered a bra. I went for a B-cup which according to sales figures is the most common size in Sweden (Stylesearch), even if American movies might suggest otherwise! It is perhaps worth mentioning that there was a size table on this page which looked simple and comprehensible. To get a delivery date I had to proceed with my order since no estimated delivery time was presented on the product page. For this bra I got a delivery date sometime in week 18, which is 3 weeks away! The stated goal of the company is delivery within 10 days. In this particular case that goal was overshot significantly. A sum of 60 SEK for administration and shipping was to be added to the price of the bra which was 319 SEK, giving a total cost of 379 SEK for this product.

Looking at the return policy I could verify that the legislated minimum of 14 days was used also in this case. Also, the customer had to pay for the return shipment, which has been the case in all previous cases. With the exception of when the product is defect or other mistakes have been done by the company in the handling the order of course.

Just as the margaretha.se case I failed to find any presentation of the company on the website.

4.10 AJ Produkter
AJ Produkter is a company founded in 1975 whose business idea is to provide customers with products within office, warehouse, and material handling. The distribution idea is and has been that trough a catalogue, with careful selection of products and producers provide
customers with attractive range of products. The company has profiled themselves by using top athletes and celebrities in their marketing. Moreover, they have sponsored events such as music tours and sports venues.

4.10.1 Homepage 2009-04-09

When I logged on to ajprodukter.se I realized straight away that this company’s main customers are other companies. This was hinted in a couple of ways. First of all, the prices were presented VAT excluded. Moreover, a big headline saying “office, warehouse, and industry” really helped clarifying things!

All of my experience so far had been with websites designed for the private sector but this one was intended mainly for companies. I became curious of how this would be displayed in the different areas so I started navigating around.

Looking at the headings, I found them to be extremely company oriented with categories like “Office”, “Lunch, conference & reception”, and “Transport & lift” to give a few examples. On the top of the page I could order a free catalogue, check out the newsletter, access customer service, and information.

Looking at the products I could see right away what delivery times they had. To display this 1, 2, 3, and >3 were used to show that the product could be delivered in corresponding weeks. Although still not very precise I felt that the delivery times given were perhaps accurate enough for this type of products, but that is just my feeling. Navigating around without logging in on the website showed all the prices VAT excluded so I decided to create a private account to see if this was then taken in consideration. The answer was no, the prices were still shown VAT excluded. Placing an order was very straight forward and easy.

4.11 Nelly

Nelly started out as nelly.se in Borås, Sweden back in 2004. At the moment the company is strictly an eCommerce company with no physical stores. The main focus is said to be fashion and beauty and according to the website they provide their customers with over 300 brands. In contrast to the other websites reviewed so far, Nelly clearly declare their main segment to be “boys and girls between the ages 18 and 35”. The company is a part of MTG AB’s online division, which is a leading international entertainment broadcasting group with the second largest geographical broadcast footprint in Europe. Nelly has operations in Denmark, Finland, Norway, and Sweden.

4.11.1 Homepage 2009-04-09

As I entered Nelly I found myself in the women’s section off the bat. Here I found the typical sub categories one expects from a web shop of this type. There were however a couple of different ways I could navigate the site. Using the fast menu was very straight forward as the items were grouped by categories e.g. party dresses, T-shirts, and jeans. Another way of going about this was to view all brands in alphabetic order and then browse through their products. I guess this is useful if I knew more specifically what I was looking for. I was also presented
with selected trends as an option. Choosing this I could see a group of selected
trend e.g. leather jackets or little black dress. These trends led me to associated
products. I also had the option of viewing the latest in stock.

I now went to the men’s wear section to see if there were any noticeable
differences. As far as I could tell there was no structural difference here. I now
started to look at the different categories to decide on what product to place an
order for. Doing this I discovered a couple of cool features.

If I wanted to I could, using RSS tags, blog about a product. I could add the
product to my personal wardrobe on Nelly or tell a friend about the product using
the built in e-mail service. There was also possible to write a review or read other
people’s reviews of the product or even share the product on facebook. However,
the thing I liked the most was the customer evaluations on sizes. This is an
experience based tool which allows the customer to tell others about how they
perceived the labeled size e.g. was the medium smaller or larger than expected.
The sum of all feedbacks is plotted in a chart and helps customers get a feel for
the sizes of that particular product. Unfortunately, I could not find a single
product where this feature was used by the customers! Moreover, the feature was
available no matter what type of product I was looking at, even lotions and
mascaras!

As for my usual order, I decided on a fairly simple T-shirt. I would like to stress
that I only do this to see how the ordering process is shaped and what kind of
information I, as a customer, get in different stages of my shopping. No estimated
delivery time for the product in the product page, neither in the “shopping bag”
nor at the cash register! I stopped short of confirming the order with my credit
card number and nowhere on the way did I get any information about the delivery
date! This I needed to investigate because it is simply beyond my comprehension
how an e-company could have a system that does not provide any delivery date
before the payment is done!

I quickly turned to the terms of delivery page and found some information.
Normal delivery time is said to be 1-3 days if payment is done via credit card.
Otherwise the delivery time is 2-5 days. In cases where delivery time is expected
to be longer than the given “normal” the customer will be notified by e-mail.
However, all this is done after the order had been finalized in which case I might
already have paid for the product!

As I was in the terms and condition section I proceeded to look at the return
policy. Here I found something interesting. Nelly offers its customer 30 days
money back guarantee if they are not satisfied or if they regret their purchase.
They also state that according to the consumer laws this is the customers right. In
such cases the customer is responsible for the costs associated with the return.
However, if the product is faulty somehow when received then the customer only
has 14 days to react in which case Nelly will be responsible for the return and eventual shipping and handling cost of a replacement product.

The 30 day slot is, according to Nelly, a legislated minimum for returns based on the customer changing his or her mind about the purchase. If so, my initial thought was; why do others not state this as clearly? I, again as the customer, looked rather positively on having 30 days money back guarantee from Nelly compared to the 14 days I perceived was the maximum time I got from the others!

Just when I was ready to finish my review I found a neat marketing activity that Nelly was doing. They offer owners of blogs and websites to link their sites to Nelly. In return the website and blog owners will receive up to 10% of the value that the customers they bring to Nelly shops for!
5 Interviews

5.1 Ateljé Margaretha, Åshild & Linea
Ateljé Margaretha, Åshild and Linea are three brands own by the same company. It is a clear strategy to keep the brands separated. Comparing the three, Ateljé Margaretha has the largest market share within its own segment. The customers are between 35 and 70 and 98 percent of them are females. A clear strategy within Margaretha is to fulfill the demand for embroidery patterns. Special requests are given attention.

Åshild has a different approach compared to other mail order businesses within fashion. Their main segment is +30 years old. An advantage for Åshild is that the catalogue can be attached to the Margaretha catalogue.

Linea is the newest company, and also the company with the highest potential for growth. Hence, a big effort of the marketing department focuses on Linea. As the case with Åshild, the Linea catalogue is a good match as attachment for the Ateljé Margaretha catalogue.

As of today, the homepages are mainly built as order placement sites and much is desired when it comes to improving them. Still, the catalogues are a vital part of the business. Intrusive advertisement has increased its value with the growth of the internet. The companies have few returns when comparing to other fashion companies. This is probably related to two factors; older customers and products that fulfill a need in comparison to other mail order companies who try to create need.

The catalogues are printed with models that are younger than the focus client. We all want things that make us look good. An old customer does not want to look old, rather look as good as the younger models. Not realizing this was the downfall of Big Is Beautiful (H&M brand) who used big models. The big customers did not want the look of big customers; they wanted the look of the slimmer model.

The catalogues are designed so that a big part of the catalogue should appeal to a small segment. Big European mail order companies do the other way around; big catalogues with few hits. The many catalogues and markets make it hard to differentiate the logistics services. Many logistics services, in many catalogues, in many countries will be too complex to handle.

5.2 Nelly
The focus customer is the trendsetter; 25 years old females and 28 years old males, living in a large city and being active in the party scene. Since they are the trendsetter, they influence a broader customer base. The target group requires a broad assortment of garments. This in combination with MTG’s (actor on the media market) TV-channels makes the main focus group between 15 and 35. Still, this potential is just tapped into, as Nelly just reaches about 15% of the potential buyers.
The philosophy about returns is that it is a necessary part of eCommerce. Of course, it should be kept at a minimum, but complex returns processes might deter the customer from finalizing the purchase. Several steps are taken in order to keep returns at a minimum. Size wise the clothes are measured as easy as possible and there are size grades on each garment. In this way customers can see how other customers felt about the size. Also, Nelly has gone from one picture of each garment to about 4 enlargeable pictures, and short movies of the model walking with the clothes on.

The prime competition is retail stores. Therefore speed in the processes has been deemed as important. If the customer reorders within 14 days, the shipping is free of charge. In this way Nelly tries to tie the customers closer to the company. Internet customers are otherwise likely to shop from a few different shops, and this is a way to keep them coming back to Nelly.

Customer participation is a good way to gain customer insight, and to market the products. The customers are asked to evaluate the service within ten days of a purchase. Nelly also tries to be present on blogs and internet sites viewed by customers.

The customer service has been moved from telephone to e-mail. This upset a few customers, but has made the customer service processes more efficient. The customer service personnel acknowledged that their working hours did not match the times when customers contacted Nelly: Therefore, the employees at customer service were allowed to present a schedule that could help them serve the customers in a better way.

5.3 H&M

There is a clear strategy to not offer different customer groups different services. This might lead to inconsistency as one customer, during his or her life, will be part of different consumer groups. There are just two ways in which customers are segmented when it comes to service; the first is based upon what channel the customer uses to contact H&M and the other is based upon what country the customer resides in.

Customers who contact H&M on telephone want their answers faster than a customer that contacts H&M via e-mail. There is also a big challenge in the future to offer new channels into H&M. The strategy is to offer as many contact ways as possible, and serve them according to the demands made on that specific channel. The problem here is that new channels might lead to new problems. The youth of today use a language that the older might not be familiar with. This includes abbreviations and smileys.

When it comes to different countries, it is important to serve customers as if H&M are based in their own country. In some cases H&M are over serving the customers. Many disputes with German customers are based upon issues in the contract. H&M are willing to help the customer, even if the contract does not grant that help.

There are also noticeable differences between older customers and younger customers. Younger customers are more disloyal and likely to shop were the best deal is at the moment. This takes away much of the brand power. Also, when the older customers were disappointed,
their complaint just reached their closest circle of contacts. If a young customer is disappointed she might blog about it, and the whole world will become aware of it.

5.4 MQ

It is about one and a half years since venture capitalists bought MQ. The decision to stay away from mail order is not a conscious choice, rather a result of the urgency of other matters. This is the case with eCommerce at MQ. There might be a potential market; however, MQ perceives their customers’ demands as tougher than the demands of other companies’ customers.

MQ’s loyal customers have a strong interest for fashion. For them shopping is more than just the purchase of a function. The shopping is made out of love for fashion. This demand is hard to satisfy if not retail stores are used. The loyalty of MQ’s customers lies within the fact that they shop from different stores, but always return to MQ.

To gain insight to the market, statistics are used. However, focus groups and soft criteria are also used when it comes to decision making. Often there is a discrepancy between the hard facts and the soft opinions. MQ recognizes the complexity of gaining insight to the consumer. Among other things MQ tries to look beyond what just happens in the store and, for example, tries to understand how customers consume media, and want to get advertisement.

The main customer, when advertising, might be between 20 and 40 years old. However, age is not the most important issue. From the early teens and up, the most important factor for being a MQ customer is the love for fashion. MQ does not try to be the store that caters to the basic needs, nor does MQ try to be the one store solution.
6 Result

Before the first interview was booked, the first result from the interviews was already clear. Companies were contacted and told that we wanted to speak with someone that could talk about two questions. How they differentiate different consumer groups and how they think that these groups can be catered to in the best way. Almost every company was unsure about whom to forward us to, and who might know all these things. Instead, dialogue followed considering whether someone at marketing, someone at logistics, someone at consumer services, to name a few, was the best to answer our questions.

The review of the homepages showed both similarities and differences between the companies. Not just when it comes to the assortment, but more important for the research, in their approach towards customers. Further, the interviews also show different approaches to how consumers are perceived at different companies. This is a result of the assumed needs of their own customer group.

6.1 Utilizing the Opportunities Given by eCommerce

Online sales channels give the opportunity to tailor services towards different consumer needs. However, the homepages and the services were built on a one size fit all principle. The possibility for the customer to tailor the homepage reaches no further than the opportunity to enter measurements of one’s body. The design is perceived as similar to the design of retail stores. There are a few suggestions on products that might go along, but the layout of the online store is perceived as rigid, just like the layout of a retail store. The retail store demands time to configure and this is hard to do for every customer entering the store. This task should not be as hard for an online store.

Logistics differentiation, in the best cases, did not go beyond choosing shipment and payment options. Delivery dates were dictated by inventory levels, payment method, and carrier chosen. None of the companies offered the customer to set his or her own desired delivery date. Also, the point of delivery was generated automatically based on the customer’s home address and no options were available to change delivery point in any of the cases investigated.

6.2 Assumed Consumer Insight

The company information at H&M’s homepage shows a strong emphasis on clothes, quality, and price, while Nelly’s and Bubbleroom’s homepages show emphasis of added value. Bubbleroom uses forums and blogs, and Nelly uses size ratings and comments. The online disadvantage of not being able to touch and try the clothes is recognized by Nelly and Bubbleroom is addressed by these functions. This is a service that is perceived as important at Nelly.

During the interviews there were a lot of signs of consumer insight, but also signs of focus on the products. Ateljé Margaretha has a strong product focus. Their homepage is more of an online catalogue and even if there is a wish to improve on the homepage, it has not been done.
Mikael Rosendahl clearly stated during the interview that their customers do not have high demands on models, fit, and fashion, as with the customers of other companies. Hence, the demands from the customers are rather low. Still, all consumer requests are taken seriously. For example, the requests for certain embroidery patterns are catered to.

Nelly has a totally different approach when it comes to their homepage. Their homepage tries to fill the same function as a retail store. They use multiple pictures and movies of their products in order to come closer to the experience of shopping in a retail store. The customer is supposed to get a feel for the clothes. The services that the homepage cannot deliver are to some extend offered by other online services, such as size grades and user comments. This is a perceived customer demand as Nelly tries to compete with retail stores. There is a strong connection between Nelly and retail in this sense. However, one of the advantages with retail is the personal contact between the staff and the customer and this part of customer service is foreseen by Nelly. The only way to contact Nelly is using e-mail and this is a big difference from retail. Nelly perceives that the importance lies within fast response to the customer contacts. Even if the personal contact is missing between Nelly and their customers, Nelly is keen to always look after the interests of the customers. Peter Eriksson compares the expedition cost with the cost of going to a shopping mall. In many cases he believes these costs to be similar but this is not recognized among the customers.

H&M shows how the customer support can help to add service to customers. Different customer groups prefer different ways to get in contact with the company and H&M try to be on their toes when it comes to new ways to cater to customer needs. There is a strong sense that the market is evolving and the customer of today does not have the same preferences as the customer of yesterday or the customer of tomorrow. The consumer insight lies within offering all possible connections to the company, making it easy for their customers to choose their preferred contact interface.

MQ sees their customers as those with a strong interest in fashion. Their absence on the eCommerce arena is not based on an active choice. However, MQ perceives that their special value offering has to do with their customers love for shopping and love for fashion. This value is perceived as hard to deliver using online sales channels. Therefore MQ perceive that much effort is needed before they are able to enter the online marketplace. Furthermore, MQ is the company that reveals the most about how statistics and gut feeling are used and combined in the business plan. Often, there is a discrepancy between the qualitative and the quantitative. The complexity of their trait is tackled as a balance between the data and the feel for the customer.

Many of the actions taken by the companies are based upon assumptions about their customers. The assumption might be based upon sales figures, statistic analysis, focus groups, surveys, or other tools. With this in mind Nelly and Ateljé Margaretha are convinced that they are doing the right thing for their customers. H&M and MQ are more humble towards their knowledge and recognize more complexity when it comes to their customers.
Common with all fashion homepages was the efforts to explain their sizes. This was done in a number of ways, spanning from size tables, interactive models, user comments and customer size grades.

6.3 Catering to Differentiated Needs
MQ, Nelly, and Ateljé Margaretha have defined their customer needs as homogenous within their own defined customer segment and. There are no signs of interest in offering differentiated services. Mikael Rosendahl anticipated problems with adding differentiated serviced due to a complexity between different countries and their three mail order catalogues. MQ define the recipients of their services as very alike in their expectations and in their behavior and Nelly seem to emphasis on speed and assortment as tools to compete with retail stores.

This might be true for H&M as well, when it comes to their view on outbound logistics, but on their customer support they are very aware of how different customers have different needs. There are differences between countries, and age groups. This is tackled in two ways. The first is the offering of many channels in to contact H&M. There is no segmentation within the channel, but different channels are dealt with in different ways. Second, H&M’s staff is educated in order to be able to meet the customers of different countries in the way that they anticipate, or in a way that the service exceeds what is anticipated.

In order to become truly demand driven, the companies need to differentiate not only the products, but also the services that go along with the products. There are a lot of improvements to be done in this area.

6.4 Workshop
The workshop was held at April 23rd. Hjort and ProFlow arranged it at the Swedish School of Textiles. Participating companies were H&M and BON A’ PARTE. The workshop was in an early stage of the thesis so the basic ideas of the thesis were presented.
7 Analysis

The hardship of getting in contact with the right person falls in line with a departmental focus. Everyone knows how a piece of the company is functioning, but few are willing to explain how efforts involving several departments catering to customer needs are functioning.

There is a big difference between supply driven and demand driven companies. Among the interviewed companies, Ateljé Margaretha seems to be the company focusing on supply the most. This is not so strange. Their products are functional and they do not need a high level of innovation or agility in order to fulfill customer demand. Nelly has also a high focus on their supply process, namely assortment and fast deliveries. This seems to be a result of the efforts to compete with retail. The insight given into H&M implies that their customer support is developed with differentiated demand in thought. MQ have a strong focus on supporting a narrow and disloyal audience. This is a clear trade-off and a strong branding statement and shows that customer pain is the driver of their actions.

There are differences in core benefit between the companies’ products. MQ is on one extreme where the core benefits are excitement, love, and interests and the generic product is the garment and the design is the expected product. The other extreme is Ateljé Margaretha with the core benefit being closer to the functional aspects of clothes. Nelly perceives their augmented product to be the speed in delivery. This is not to differentiate from other mail order companies as much as an attempt to compete with retail.

It is clear that the core benefit of the different companies’ products differ while the actual product may look similar. The companies use different models or gut feeling to decide which features of the product that is important for the customer. Based upon this they have formed their services to the customer. However, with this mentioned it is important to relate this perception of the product to the four gaps associated with service. The services might be specified in a way that cannot be delivered and that is not perceived as it is meant to.

The statement by Eriksson at Nelly about the similar costs in traveling to a store and ordering online is a good example of the service gaps. Since the cost is similar, customers should not be bothered with the shipping cost. Still, if the consumer perceives the cost of shopping online as higher, the mail order business must recognize that the perceived cost is the most important.

When it comes to logistic differentiation, there is a lot to be done at all companies. In order to do this, the companies must first tell the difference between a can of coke going to a vending machine and a can that comes with billing service and realize the benefits of this differentiation. It might sound very fancy but in reality it is very simple. Different channels for supply and delivery are associated with different costs. Using the right channel for the customer instead of averaging demand eliminates the risk of over performing towards some poor performance towards other customers. Consequently, the fortune hidden in terms of
costs associated with over achieving can be used to satisfy customers formerly not catered properly.

By not offering the choice of delivery date and delivery point, the companies show a lack of understanding for differentiated logistics and how this could benefit the company.

The workshop was held to early for us to be able to present any information about the thesis’ findings. Still, the cooperation between different companies within eCommerce can help competing with retail. Also, a joint view on the customer’s demand will help the business as a whole if they choose to improve parts of the business that lies beyond their own authority, such as the distribution companies.
8 Conclusions

eCommerce can still evolve a lot from what it is today. The online stores are rigid in their layout and seem to be stuck in the frame of the physical store. Also, the services from one company to its customers seem to be differentiated only by country or the way the customer choose to contact the company. The notion of customers being in need of different services seems unthought-of.

A few companies perceive that they have consumer insight just because their business model works. It might be harsh to criticize profitable companies, but the lack of understanding for the perceived service might affect the company in the long run. Also, by understanding one’s customers, one can take better actions in order to increase the perceived service of the company. A few of the responding companies recognized the efforts it would take to truly understand their customers and are interested in new ways of gaining consumer insight. Many companies showed this when staff in high positions were not willing to be interviewed about how customers are viewed by the company.

All companies can gain advantages by realizing the discrepancy between the service they espouse, the service they deliver and the service their customers perceive. If value is only to be added where value is appreciated, one can have the best service specification in the world without satisfying one single customer.

Since there is little understanding for differentiated needs, it is hard to determine how well the different needs can be catered to. H&M are differentiating services to a certain extent, but the service within the contact channels going from customers to H&M might be improved just by increased the understanding of the customers.
9 Discussion

The hypothesis that returns management is related to demand chain management has not been tested in this thesis. To a large extent companies are doing what has been working, or are trying to make sense out of the complexity within the customers. Therefore there is a need to get insight to consumers in a new way than those already used. One might not find the final truth about the consumer, but at least a greater insight.

In many cases when returning a garment purchased at a mail order company, the customers are asked to specify the cause of the return. This information can be used in order to see some factors that contribute to returns. To make any use of this information, the company must both react to the information and try to be proactive. Also, actions taken based upon this information can be monitored in order to see if there is any effect of the efforts.

The use of the systemic meeting during interviews gave us deeper insight to the minds of our interviewees compared to what we expect normal interviews would have given us. The systemic approach with systemic meeting has been proven successful in classes and in companies and we see it as a new tool to gain deeper insight to the consumers. Further, at many of the interviews we felt that we came into the interview and sensed that we had booked the interview with the wrong person. With premade questions, many of the interviews would have given little output. Our good preparation in the early part of the work allowed us to draw valid and interesting information from the interview by asking the right questions after the story. Hence, the method helped to enhance the interviews. This was confirmed by the interviewees who found that we got a lot of good information in a short time.

This thesis is a brief insight to key persons at a few companies. In that way the results are not valid for the whole company, nor the business as a whole. Still, since they are in important business strategic roles, their opinions effect not only the day to day decisions of their company, but also the long time strategy. Further, the systemic approach is based upon the subjectivity of certain individuals, and we have got great response from respondents about the quality of information we managed to gather from relative short interviews based only upon a story and knowledge in demand chain management.
10 Future Research

Focusing on the four service gaps, the next thing to research is how consumers perceive the service. This information should be linked to the consumer insight effort of target companies. One way to do this is to use systemic meetings in order to gain deeper insight to the complexity inherent in consumers. Internet is a great source for consumer insight. There are a few blogs in Sweden that seem to have a strong impact on the fashion, and there are a lot of blogs with less significance. Still, the sheer number might aggregate to a strong influencing force.

There are ways to monitor how homepages are connected with links on the internet. One tool for this is called Webcrawl. Working as a consultant, Omrani did an analysis with this tool that showed that many of the major Swedish eCommerce companies are connected to each other via blogs. The investigations of which blogs that act as center points in the network can help companies to focus their efforts and find consumer insight in the discussions found on these blogs.

There are many potential projects that can be done with the information about the existing returns. How do size tables and virtual models influence the returns behavior caused by bad fit?

If there is evidence for different needs within a consumer group, this can be base for differentiated services. This can be used to investigate whether or not it is possible to shift capacity so that high demanding consumers are satisfied, without decreasing the satisfaction of less demanding consumer groups. This demands a holistic approach. It is not sufficient to just focus on intra-department issues.

Further, the complexity of eCommerce, the marketplace, and consumers might make it necessary to investigate how joint efforts between mail order companies and other system setters can help improve the experience of the end consumer. One such area is sizes and how to deliver the hands on feel for clothing online.
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Peter Eriksson warehouse manager/share holder Nelly, interview 2009-04-17.
Appendix A: Amin’s Story from Nelly

Peter Eriksson, logistics manager at Nelly greeted us as we came to their office to conduct our interview. The interview started with the first step of a systemic meeting, namely the story telling.

Peter started telling us about the main customer segments of the company or at least the focus segment which was targeted in their marketing. He identified these as the trend setters. The main target is a 25 year old party girl living in a large city. Peter also spoke about their typical male customer and identified him as a 28 year old party guy from a large city. It was his believe that these groups were the ones affecting the others.

Peter told us that they have noticed that since they launched their TV marketing the segments have become broader to include 15-35 year olds. The TV marketing is partially possible because the company assets have grown over the years. However, the most important factor for their TV marketing was perhaps their ties to MTG which is a large media concern. As the segment has grown to encompass new customers, Peter expressed some thoughts about the fact that their line of products perhaps still very much reflected the segments talked about earlier.

Return policy and returns were also mentioned. “We have to have returns in order to sell!” said Peter. He also explained that Nelly is trying so simplify this process for its customers as much as possible. One step in this effort was to send a pre-paid return bill with every package sent to the customer. To minimize returns caused by misfit of size they provide the customers with size tables which use an in-house method for measuring which is developed to speed things up and at the same time bring some sort of consistency between the 300 different brands. However, Peter admits that many customers still fail to spot this information. There are also two different customer evaluation tools for sizes offered online. One is text based and the other more numeric in its approach. A customer who has purchased an M-sized shirt can evaluate the size compared to his or her expectation. The aggregated result is quantified and plotted in a table to show if the M is generally perceived as a small or large M. Furthermore, zoom features have been added to the visualization of the products to get as close to the real thing as possible.

Returns are never questioned by us, said Peter. However they do add a note to a customer who has returned a product outside the normal situations to make sure that their generous return policy is not misused by customers.

In his story, Peter also highlighted the focus on sales by putting sales as the three first priorities of the company. Another important factor was speed in a generic sense or “speed in everything we do” as Peter out it. He also made a statement
saying that their aim is to shorten the time between the point of clicking on “buy” and having the product in your hand by as much as possible. This way, they will able to compete and take shares from the retailers. We also give the customers free shipping if they place a new order within 14 days of their last order, said Peter.

The efforts to provide services to the customers has increased and Peter conveyed this by telling us about how the reply times for e-mails has gone down from 24h to 5h and that the goal is to be able to reply an e-mail within 1h every day of the week 24h a day!

Talking about shipping cost and responsibility for the shipments Peter told us that the company was always responsible for the goods during shipping to customers. However, during a return the customer is responsible for the products. This means that the cost for lost goods on a return path is supposed to be paid by the customers. Still, in many cases, Nelly takes that cost as well in order to keep their customers happy.

Peter also added that he believed that in the near future more and more companies would offer free shipping to their customers. This was also done by Nelly but at a campaign basis.

One way of increasing their knowledge about the customers was the Nöjd Kund Index or NKI. NKI is a set of about 8-10 questions which are sent to the customer some 10 days after a purchase. Here the customer is able to grade different aspects of their purchase and its delivery. According to Peter, there was a lot of information to collect from the NKI and that it was used as the source for development.

Club Nelly was a project under development which was aimed at creating loyalty towards the company. Members will be able to collect points not only for buying products but for every activity that is perceived as positive for Nelly, such as recommendations and feedback on sizes using the given tools.
Appendix B: David’s Story from Nelly

Peter is a person with lots of things on his mind, not necessarily in an unstructured or irrational pattern, just many things on his mind. This broad approach to customers, consumers, and a view for the bigger picture struck me during his story. He began his career at Nelly as a consultant working for a share in the company, now, he is the logistics manager. This is how I perceived his story about customers, segments, and how they should be catered to.

Who is our customer? Mainly it is the young females, about 25 years old, who lives in the big city and is active on the party scene. This girl is the trend setter in today’s society, and everybody wants to be as her. This ripple effect, combined with the company connection to MTG and advertisement on their TV-channels and radio station has allowed us to reach out to a bigger market, mainly the girl between 15 and 35.

Our main focus on men is basically the same, but the focus male is about 28 years old. He also lives in a big city, and likes to party. The biggest difference is that the men collection does not have the same depth as the female collection. As with the girls, the main customer is 15-35 years old. This is also thanks to focusing on the group in society that is the strongest trend setting segment. Still, only about 15% of the focus group is reached, so there is a lot of potential for the segment to grow.

The returns part of the business is two faced. On one hand, it is of great importance to keep it simple for the consumer to do a return. They get prepaid bags in which they put the clothes they want to return and seal it. It should be haggle free for the customer if something goes wrong; this creates security amongst the customers. Our owner, CDON, was quite baffled by our big amount of returns. They have only got about 1-2% returns, but their business is completely different from ours. In order to reduce returns a lot of measures are taken. First off there is size tables on the homepage. These tables can be graded, and commented, by customers. Usually, there are a few that think that the sizes are too small, and a few who think that they are too big, but after a while it always seems to tilt at one or the other. This helps customers to make an informed choice.

Also, the homepage has gone from one picture on each garment, to about four pictures. In addition the pictures can be zoomed so that the garment can be inspected in detail before purchase. In doing this, we try to create the next best thing to actually holding the garment in your hand. The latest feature is to do a short movie with the model, so that the garment is more lifelike. Still, there will always be returns. But the policy is to never question a return. If a three month old shoe is returned, we will accept the return without asking questions. If this is abused however, we make a note in the customer’s file and if it is repeated we
might need to take action. As I see it, fewer returns are not a goal in itself. Of course, we don’t want returns due to bad quality or other errors, but we still treat them to the best of our ability.

Speed has always been of key importance to us. From finding a garment on the homepage it should be easy to buy it, and then we really focus to get it to the customer in the shortest possible time. In this way we can compete with fashion retail. As I see it, fast and young companies have advantages to old mail order companies. We use a new way of thinking. Our goal is not to compete with big mail order businesses, rather take market share from retail.

Of course, it is always hard to satisfy all customers. For example, we have no customer service on telephone. Some customers really disliked this, but over all we have been able to serve the customers better. Before, we had an average waiting time from customer support on about 24 hours. Now it is down to five hours. The long time goal is to answer with an average time of 1 hour, 24 hours a week, seven days a week, 365 days a year.

We have a few key words in our business. Two are speed and assortment. In comparison to our turnaround we have a broad assortment and this was even more evident earlier. Nowadays the turnaround has increased, and we sell higher quantities on each product. The wide assortment is due to the effort to keep up with the fashion. Recently, we have also added our own brands.

One interesting thing is that we keep expanding. Not only do we expand, we also increase our growth rate in comparison to the company’s size. This is an effect of our three most important things; sale, sale and sale. Everything else comes after that. There is a customer focus in every part of the company. Even the guy expediting the order should have the customer in mind.

After this we turned to ask Peter questions about his story. The questions included why this segment was selected as focus, how he views differentiating delivery times according to customer segments, how speed and cost correlates, if they need a unified size table, how the size grades work, and if they adept sizes according to size grades?

The focus group is chosen since it is the most influential group. This and our connections to TV-channels have allowed us to expand beyond this narrow group. We want to have a strong presence in blogs and on Google and we corporate with some of the big bloggers. As being close related to Linus & Lotta (mail order company selling baby and children clothes), and it is important for them as well to be quick.

In some ways it feels like it is cheaper to be fast. Of course it is not possible to have the same speed all the time, and to have the same staff on place around the clock. Also, customers in other countries have been treated the same way as Swedish customers; fast delivery, with no added cost. In addition, customers who
do a new purchase within 14 days get free shipping. This is so we can keep them buying more and more. The shipping is seen as a risk cost that is necessary in order to make sales. What it all comes down to is that shipping cost is covered by sales margins, and the most important thing is the figures on the bottom row in the economics.

All mail order businesses have size tables, ours are slightly different. We only measure the width of the garment. This is easier to do and is faster to do, it might be part of our fastness mentality and we might need to alter this and use a way that is more familiar to the customer. The size grades is still a new thing, we started it in Mars 2009. Ten days after a purchase we send a mail to the customer and ask them to grade the clothes. At this moment we do not have a customer loyalty service, but it will come. Of course, customers will be awarded point upon purchase, but we will also award other activities, such as grading clothes, blogging about them and so on.

Amin and I turned to each other to discuss. We like the fact that they are keen to be present on the internet via blogs and social media. Still, we questioned the loyalty of mail order customers and figured that service might be a good way to offer the customer added value to increase loyalty. Amin also pointed out that the time after purchase is important and that Nelly acknowledges this with their e-mail after the purchase. Also, we think that zero returns should be the goal, and that probably is what Peter meant. Peter gave his response to our dialogue:

Of course we would like to have no returns at all. But the focus on returns is not the way to go. What happens is that if you put on your economics goggles, wrong decisions are easily made. It is hard for the mail order business to decrease the returns. One reason for us having a hard time is that we are still a young company. More mature companies might not make the same mistakes that we do, and we try to be better.

From time to time, we really work hard to keep up with short delivery times. Sometimes it adds to the cost for us. We have been talking about offering super fast delivery, and fast delivery, but that is still in discussion. It might be important for us to not just look what our customer wants, but also what our non–customer wants.

Currently we are using Nelly Customer Index (NKI). The customers get eight questions where they can grade all parts of the service with three grades. The extremes always make it possible to add a comment. We follow these indexes closely. Still, the information logistics is hard to handle. Also, it is possible for customers with bad intentions to take advantage of us, but we want to focus at the honest ones instead of the few bad apples.

I think that our customers shops from three to four different pages. You cannot find our goods on price comparing sites, and there are just a few actors offering
similar deals. We try to tie our customers close to us by offering free shipping when reordering within 14 days. Also, we have gone from one to four people working in customer service. They worked 8-17, but during this time we get 30-40% of all the consumer response. The customer service personnel then adjusted their working schedule so that we can cater better to the customers contacting us. In order to improve further, we are going to employ workers on hour basis.
Appendix C: Amin’s Story from Ataljé Margaretha

We met with Mikael Rosendahl, the CEO of Ateljé Margaretha, to conduct our interview. Mikael started his story by telling us about the oldest company within the corporate group, namely Ateljé Margaretha. Ateljé Margaretha was founded 40 years ago. They mostly provide knitting, needlework, and embroidery accessories. With about 98 percent, women are the main customers. Among this group the main segment is between 30-75 years. Ateljé Margaretha is by far the strongest actor on the market with 30% market share. Mikael believed that development and expansion is hard when a company has reached this level.

Mikael also told us about Åshild which is a company within the corporate group bought 3 years ago. Åshild’s main products are women’s ware and the main customer group is females above 30. Åshild is also an old company, founded 25-30 years ago, according to Mikael.

Furthermore, Mikael talked about the latest addition to the group, Linnea. Linnea was bought just a year ago. This is the company with the largest development potential and therefore, compared to the turnover, more money is spent on marketing here than the other two companies in an effort to realize this potential.

When talking about catalogue vs. Internet, Mikael was fast to respond to our thoughts about the catalogues becoming obsolete in the future pointing out that the introduction of Internet has just led to printed advertisement being even more viewed. However, he also pointed out that they were unsatisfied with their current web shop since it was basically just an interface to place orders and lacked marketing and other possible activities as imbedded features.

Mikael then spoke about their returns saying that they have extremely low return frequency compared to other mail order companies. When given the question whether or not this could depend on the higher age of their customers compared with many other mail order companies he answered; Absolutely. Also he added, our activities within Ateljé Margaretha are very close to demand fulfillment and therefore this is also a contributing factor in the low returns. Linnea however is more demand creation oriented.

In his story, Mikael was keen on keeping the companies apart and he also told us that this is the explicit strategy of the corporate group. However, despite different customer segments and needs, the same delivery channels and routines are used for all three companies.
Appendix D: David’s Story from Ateljé Margaretha

We are part of a group of companies. We have got Margaretha, that is market dominant in embroidery in the Nordics, and we offer a wide assortment. These two factors make it hard for us to expand our brand Margaretha. Margaretha is about 40 years old, and three years ago we took over the brand Åshild. Åshild is a company for those that are older, and bigger. It is a company that acts in a segment where the other brands on the market will not fit. Åshild appeals to those over 60, while the focus group of Margaretha is females between 30 and 75. The third company that we are in charge off is Linea that is a new company for home textiles.

Margaretha is the biggest actor on the market, with a share of about 30%. Åshild has many customers and the catalogue can be attached to the Margaretha catalogue. Linea gets the attention when it comes to marketing. We have a turnaround of about 200 mkr and about 25% is spent on marketing.

As it comes to internet, I know that we have a lot to do. At the moment the site is working as an order placement site. It would be great to have an in-house internet guru who could structure the site.

The company has a low amount of returns. This might be part of older people handling returns in a different way compared to other segments. The might accept longer lead times. There are two kinds of mail order businesses, the one who creates a customer need and the one who fills a customer need. We fill needs and create interest. Ellos on the other hand creates a need, so does Linea. Margaretha has customers who returns to the company, sometimes several years after the previous purchase. We define ourselves as the friend of the embroidery enthusiast. We try to fulfill whatever request the customer might have. If they want a special embroidery that they saw in a magazine from the US, we try to fix it. Of course it costs more, but they are usually willing to pay for it.

It is important to point out that Margaretha, Åshild, and Linea are presented as three different companies. In total, we cater to people between 35 and 70. Since people are growing older, we can take care of the older. Let us say that we cater to those between 35 and 240, in that case, the other companies can take care of those that are 25.

It is pretty easy to find new customers to Linea and contradictory to what one might think, internet has actually strengthen the value of ordinary advertisement. There are intrusive and passive advertisements, and internet is a passive channel for advertisement. Might be that banners are the exception to some extent. It seems like there is always good with intrusive advertisement, but it is hard to know how this will be done in the future. When it comes to the catalogues, it is easy to bundle Åshild with Margaretha, but it is hard to bundle Margaretha to the other catalogues.
When choosing models, we miss our target consumer group with about 20 years. It is the same thing when you look at clothing for the plus sized. They say that they want bigger models, but it does not work. BIB (Big Is Beautiful, H&M brand) failed since they used big models. One does not want to look big, just because one is big. This is why we use models that are younger than our main customer.

Our philosophy with small catalogues, adapted for a certain segment is that a big part of the catalogue is appreciated by its recipient. This can be compared to the European mail order catalogues that are really thick, but only a few things are interesting for the reader.

We use the same logistics service for all customers. We are active on six markets with three channels; therefore it is hard for us to tailor the service for different consumer segments.
Appendix E: Amin’s Story from H&M

We met Jan Wärlind, Customer Service Manager at H&M, for an interview. Jan has been working at H&M for about 7 years and, as it turned out, he had a lot of insight when it came to differentiation and segmentation. We asked him to tell us a story about H&M and the way they view their customers. Comparing to the other interviews so far Jan had a different perspective, namely the perspective of customer service. The following is what stuck with me after this meeting.

We are living in a world that is constantly changing. Therefore we see a risk in defining strict segments from a service perspective. Our customer service is not differentiated because we feel that all of our customers have the same value. It does not matter if the customer buys a lot or not. Therefore, we do not have VIP queues for example. However, we are very adaptable to the different needs and wants of our customers. Also, our marketing is quite differentiated. For instance, someone who has never ordered baby’s ware will not get any marketing material sent to him or her on our baby clothes.

As we operate on different markets we also experience some cultural differences. Customers in one country may have different behaviors and customs. It is very important for us that we adapt to these different setting when entering a market. Also, the expectations differ on the different markets. The disparity in expectation between markets can be seen in service level expectation, opening hours, and the degree in which letters or Internet is used to reach the company.

Generally, we have noticed that younger customers often have higher expectation when it comes to how quickly they are served. They are not only more impatient but they are also less loyal. If they do cannot get what they want, when they want it, they will turn somewhere else.

We always try to think ahead and anticipate the changes to come. For instance, I often think about how the younger generation will communicate in the future and what the impact would be for our business. An example of this change is seen in the language, using symbols and abbreviations. What profile should we have on our customer service employees in the future?

We have used focus groups to look at how the younger segment perceives being customers at H&M. Again, the fact that these customers were less patient and demanded much faster service was evident.

Internet is a channel where you can reach a lot of people very fast. Consequently, we are dealing with a global market where competitors are spread all around the world.

There is always a constant process of thinking about how to deal with the demands of the next generation in terms of customer service. Again, we do not divide our customers in segments when it comes to service but we are keen on
providing the customers with as many ways to contact us as possible, whether it is letters, mail, telephone, or something else.

We promote flexibility at H&M. The idea is to not get caught up in a specific thing when it comes to our business. Circumstances change and what seems great today may not be desirable tomorrow. When Internet emerged as a platform for mail-order companies, many companies went from telephone service to service via e-mail. This does however take three times as much time. Today, many customer services have excluded the mail service completely.

We then asked Jan a couple of questions on his story. I asked him what he meant by not having differentiated strategy depending on customer groups? David asked a question about how different customers had different complaints.

Our channels, Internet, telephone, and regular mail, are not for customer type A, B, or C. Customers are free to use any channel of communication they prefer. However, the service level is different on the different channels. In a way, the customers are differentiated by the channels they use to communicate and not by their age or any other factor. Within a specific channel, everyone receives the same service level.

We measure the time the customers spend on hold when calling and the time they hang up the phone. Analyzing this we can see when most customers get tired of being on hold and hang up. This enables us to set a maximum time limit in which the customers have to be assessed. Also, we follow up on our services by calling customers who recently have been in contact with us and ask about their perception of the service given, holding times etc.

Operating on different markets we encounter many cultural differences. Our philosophy is to make the customer happy. However, in some countries, the customers are used to get run over by the companies.

In some countries, people have home insurances which cover legal costs in case of legal disputes and since they are not accustomed to our way of meeting their demand we are more likely to get a letter from their lawyer. Consequently, we need to educate our staff to deal with these divergences.

If we happened to make a mistake 15 years ago, chances are that mistake would be limited to the coffee table at the customer’s job site. Today, it has the potential of becoming worldwide news within a week. This means that we need to be open and perceptive to meet the changing demand of our customers. Nowadays, media has a lot of power and almost anyone has the possibility to spread information. A 17 year old girl has a lot of power in her blog.

Being a large company we have a lot of advantages, but there are also areas where we are subjected to more thorough revision than others. The slightest mistake brings a scrutinizing spotlight.
Appendix F: David’s Story from H&M

We had a short introduction and asked Jan Wärmlind, customer service manager, to tell his story about how he and H&M view customers, their needs and how they should be catered to. This is his story.

We do not divide customers into different segments which we treat differently. If you do this, you must make the right guess based upon what the shop, where they live and so on. We want to keep it dynamic. All assessments lead to consequences. For example, telephone customers with pre paid cards have to wait longer for service. But the ones being pre paid customers today might be corporate customers tomorrow. Companies who act differently towards the same customer over time, what happens with their credibility?

Every customer gets the same service because all customers are important to us. It is important to remember that the buying power of a customer changes over time. The ones who are struggling with their economy today might have high purchasing power in the future. So we do not treat customers differently, we do not have any VIP customers, with VIP telephone numbers. Everyone gets the same service.

Marketing on the other hand tailors the offerings towards different customers. If one customer never buys baby clothes, that customer might not get advertisement on baby clothes. The same goes if a customer never buys men’s apparel.

There are great cultural differences between countries. Customers act upon what they are used within their own country. We cannot differ from the national standard. This includes hours and expected service. In some countries, the customers like to place orders using mail, and in others, internet orders are more common. The customers in different countries have different expectations on service times, for example distribution, waiting time when calling and, answer times on e-mail.

It is hard to tell about this, since we do not differentiate between customers the way marketing does. Young customers expect more and are more demanding than older when it comes to availability and service. The younger customer is more impatient and less loyal. The same things show towards the employer and car manufacturer. They are likely to change work place, and drive the car brand that suits them at this time of their life. It is not like they are driving Volvo their whole life just because their parent drove Volvo. The customer chooses the service provider that fits them at the moment; they will not wait for the local store to get it in stock.

We spend a lot of time thinking about how the youth of today will make their demands on us. The youth uses MSN; they can see when their friends are available and choose to speak to them. How will this affect us? If we are going to
use customer service on chat, we cannot have five to ten minutes waiting time. In that case it is not chatting, it is e-mailing. Also, the language is changing. Abbreviations and symbols are used. It could be tough for a person 60 years old to chat or use MSN with a 17 year old.

We have methods to gain understanding of certain consumer groups. These show that the younger consumer groups can be impatient. They are used to access a lot of information. Their decreased loyalty might result in less strength in the brand. It is hard to keep this brand feeling when we are not communicating in the way we are used to on telephone and in person.

It is easy for almost everyone to sell things in the internet. For example, when the dollar was low a lot of companies in the United States who starts selling goods to the Nordics. Thanks to internet, it is easy to get global recognition for a good idea.

What will the next generation want? Do they want to contact customer service to be automated, will they use sms or MSN? Presumably there will be more alternatives. There will be many different ways to get in contact with H&M and our customer service. We are wrestling with the issue of how will things be tomorrow? I think that the most important thing is flexibility. You cannot trust one thing to be the solution. Ideas have got to be evaluated quickly and it is key to be able to adopt. I remember when e-mail was introduced as the solution to all problems. The fact is that it takes about three times the time to get answers using e-mail. So, e-mail did not solve any problems, rather the opposite. Some companies are now taking away the possibility for their customers to contact them using e-mail.

The differentiation between customers is based upon how they choose to contact us. For example, e-mail customers are willing to wait longer for an answer compared to those using telephone. Those that use chat or MSN want fast answers. We monitor our performance and try to gain insight to the consumer demands on service times. We also do measurements after the calls where we ask about waiting times, treatment, and knowledge. So, we differentiate based upon channel, but in each channel all sorts of customers are present.

When it comes to lead times, I remember when I was fifteen and ordered my first digital watch. In those days it was OK to wait a month and a half. Today, that is not the case.

There is a cultural difference in how customers complain. In some countries legal advice is included in the home insurance. Some consumer groups are very keen to keep to the rules. In most cases when a consumer has a dispute, it is about what is in the contract. This company is founded upon being nice to the customer. If there is a small problem, we will not argue, no matter what the contract says. In some cultures, this is not the case. There is no one willing to make the customer
satisfied, and the customer directly turns to their lawyer. We need to educate our personnel so they know of these differences.

If we had an event with a customer fifteen years ago, that complaint might make it to the coffee break where the customer told his friends. Today, it takes less than an hour for something to become global. To deal with this we need to be flexible, open to change and responsive. New demand and expectations demand responsiveness. The media today has enormous power. But today, everyone can be in charge of the media.

We cannot decide how to work in the future. We must be prepared for fast changes and continuous improvements. Faster, better, and simpler solutions.
Appendix G: Amin’s Story from MQ

Anna Färnevik is Marketing and PR manager at MQ, with head quarters in Gothenburg. She is responsible for the contact with the press as well as marketing towards customers. We met her there for an interview to find out more about her view of their customers. The following is the result of the systemic interview we carried out and it starts with Anna’s story.

The customers are vital for us and without them we seize to exist! Customers, or rather people, are different. They are attracted by different things, they have different preferences, they are affected differently by things around them, and they react different. It is a very complex matter and external factors are constantly changing the picture.

We have about 350 000 members in our members club today. We extract a lot of knowledge from this group. We look at customer behavior, not only in the stores but also in everyday life. Moreover, we conduct surveys where we have a chance to extract information regarding the customers’ needs and wants. We work a lot with questions like; How should we communicate with our customer, how do we attract our customers, how and what type of information is requested by our customers. Also, we work with focus groups since we feel that this gets us closer to the intangibles that are often missed by research results, statistics, seminars etc. Our target group differs from H&M and Ellos for example but of course we are aware of the fact that the majority of our customers multi source when it comes to shopping clothes.

This story left us with a couple of questions. One of which was how MQ defines its target group. Another was why they have not developed eCommerce solutions as many others have done. Also, how do they map customer behavior?

Our target group consists of women and men between the ages of 20 and 40 years. However, we do not like to talk about age when it comes to this matter. Moreover our target group has a genuine interest for fashion and clothing. You could say that it is a part of their lifestyle. This insight comes from statistics gathered and presented by SIFO.

We have often used focus groups because of the deeper understanding than one gets from yes or no surveys. However, it is hard to compose a group that is truly representing our customers based on statistics.

There are many companies that have engaged in eCommerce the recent years. However, if we are to do this I feel that we need to top all of that. We need to do more than the traditional mail order companies to attract our target group. A traditional mail order customer may not crave the shopping sensation or the need to feel the fabric before purchase. My opinion is that if we are to enter that market we need to surpass everything else out there to be able to satisfy our customers. However, I do not exclude the thought!
To map customer behavior we use statistics from SIFO and SEB on media consumption and lifestyle changes for example. Nevertheless, instinct based on experience is still very important. We mix hard statistics with our view of the reality to understand the customers.

At this point we, the interviewers, started to have discussion around the things that had just been presented to us. Anna was given a chance to give us some more feedback and the following comments were triggered by our discussion.

Our design and marketing target group is not the same as our actual target group. We know that we have customers younger than 20 and older than 40 and that is the reason we do not like to talk about age when it comes to segmentation.

To not have a mail order branch is not a conscious choice we have done. MQ, in its current setup, is just over 1 year old and we have not reached that point in our business plan yet. So it is not a conscious differentiation strategy.

Also, I believe that the question; what do people buy on the net is valid. I believe that the type of clothing bought on the net is either basic products or products with known models where the customer knows what he/she is getting. In addition, I believe that the behavior of the mail order customer is different from that of the retail store shopper.

It is true that we turn to our 350 000 members to get consumer insight but we also realize the danger of focusing too much on the people already onboard. This could potentially prohibit us from reaching new customers. Therefore, we always look beyond our current customers and include non customers in our focus groups.

I view disloyalty as a very natural behavior when it comes to our target group. They are very interested in fashion and they will go from store to store and buy garments along the way. If by a loyal customer one is suggesting that the customers buys all of his or her clothing at the same store that suggests, at least to me, that the customer is not very interested in fashion.
Appendix H: David’s Story from MQ

Anna Färnevik is the manager of marketing and public relations at MQ. We met up with her in Gothenburg for the final interview of this thesis. This is my perception of her story.

The customers are the alpha and omega for us. Without them we would not exist. It is of essence to know things, but it is hard with customers. They are human beings and even with statistical tools it is hard. People tend to react differently in different situations. For example the economic crisis we have today.

We have a members club with 350 000 active members who really love us. A lot of knowledge is drawn from this source. The knowledge is largely built upon consumption patterns and we ask them questions. We use focus groups to get a feel for customers in different segments and to define our target group. We believe that we do not have the same target group as other companies, for example H&M and Ellos. Of course our customers are not loyal to us in the sense that they buy all their clothes from us. Our customers like fashion and are likely to shop from many places, but they keep returning to us. This is in alignment with how I define loyalty of today’s customers.

We try to not just focus on the behavior of the customer in the store. For example we focus on that the customer is attracted by, how the customer consumes media, and what kind of information the customer wants. This is hard to do, even with marketing gurus and seminars. This makes it interesting to talk to the customer, even if they do not represent the statistical truth.

At the moment we have just passed, or are in the middle of, a period when the behavior amongst the customer has changed radically. This is due to the economical crisis and is a challenge for everyone engaged in retail. It feels like it is an important challenge.

Our main focus group is men and female between 20 and 40. But I really do not like to speak about ages. The key trait of our customers is that they have an interest for clothing. This is where we differ. We are not trying to fill basic clothing need; we are a port of an interest, a way of life, a statement. Not the statement of the most extreme, like punk rockers, but the fashion sense statement is important.

Our focus groups add information and destroy the picture we have of the customers. It gives us more information than a tacked box; we come in to deeper reasoning. The process of forming a focus group is hard.

There are many companies in the eCommerce. For us to take place here, we need to do more than the ordinary eCommerce does. Those who are used to shop from a catalogue do not take that far of a leap when moving to eCommerce and they might not have the same urgency to get a physical feel for the clothes. Our customers are interested in clothes and enjoy the whole shopping experience.
Because of this we must be able to create a more significant experience than other
companies are required to. Of course, many of our customers shop on the
internet, but we give something more, a feel for color and form, and inspiration.
Also, what do the customers want a home page to add? They do not want
advertisement, they want inspiration from us. Statistically we know that our
customer has a fashion interest. This is not communicated externally, but
internally we are aware of this.

Outside the store we look at SIFO research and information about consumption
patterns and changes in lifestyle, but it all comes down to the gut feeling and our
experience. Statistics are connected to our picture of the customer, and Of course
there is a financial aspect that sometimes put restraints.

Our target group is when we design clothes, it is communicated, but it is not
always the factual customer group. It is not about age, it is about a way of life.
This might include everyone from their early teens and above. Still, they have a
sense of fashion and are young at heart.

It is not a conscious non-choice to stay of the internet. Is has to do with our
history, our ownership and our corporate culture. MQ, in today’s structure, is
only a year and a half old. We are now own by venture capitalists. In our business
process, we have not come as far as the internet.

What is bought on the internet? Some people might buy everything online, some
shop things that fill their basic need where they know what they get; standard
clothes. When one shop for fun or out of love, one tends to shop for other things;
things that make one glad. This is true for both internet and retail.

Our members club consists of devoted customers and we know quite a lot about
them. Our focus groups consist of both members and non-members. This is in
order to broaden the picture. Still, the members are responsible for a big part of
our sales figures.

In this business the disloyal behavior is common. One can shop everything at ICA
Maxi. “Wow, they have food, clothes, and hygiene products. I can do all my
shopping here.” We focus on those who love to shop. Still, these customers might
shop from different stores all the time, but they come back to us. The loyalty and
disloyal shopping behavior should not be seen as opposites.