KEEPING RELATIONSHIP IN PHYSICAL STORE IN A DIGITAL ERA

A STUDY IN H&M AND ÅHLENS

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ABSTRACT

As an effect of the exploding e-commerce, an increasing number of stores have been forced to shut down the last years, which has resulted in an increased interest in what will be required of the physical stores in order to survive a digital era.

Digitization has changed the global retail industry for consumers and has changed the playing field for commerce and challenged successful business models. Competition in the retail industry is harder than ever and more companies are expected to step in and take market share. The purpose of the thesis is to increase the understanding of how the physical stores work with their customer relations in order to create customer loyalty in a digital era. Previous research has shown important factors that affect customer relations, but this research is mainly carried out outside Sweden. Therefore, this thesis focuses on physical stores' customer relationship work in Sweden.

In order to gain a deeper understanding of how physical stores work with their customer relations, semi-structured interviews were conducted with standardized questions and follow-up questions and analyzed using previous research in the field. The conclusions of the analysis were that the work with customer relations is an important factor that affects the customer's loyalty to physical stores and the choice of online stores. In addition to that, the personal contact, the expertise and competence of the staff, service, the importance of customer analysis were important factors.

Keywords: Physical stores, online stores, customer relationship, loyalty, retail industry, service
SAMMANFATTNING

Som en effekt av den exploderande e-handel har allt fler butiker tvingats stänga ner de senaste åren, vilket har resulterat i ett ökat intresse för vad som kommer att krävas av de fysiska butikerna för att överleva en digital era.


För att få en djupare förståelse för hur fysiska butiker arbetar med sin kundrelation utfördes semistrukturerade intervjuer med standardiserade frågor samt följdfrågor och analyserades med hjälp av tidigare forskning inom området. Slutsatserna av analysen var att arbetet med kundrelationer är en viktig faktor som påverkar kundens lojalitet genom fysiska butiker och val av online butiker. Utöver det var den personliga kontakten, kompetensen hos personalen, service, vikten kundanalys viktiga faktor.

Nyckelord: Fysiska butiker, online butiker, kundrelation, lojalitet, detaljhandel, service
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1. INTRODUCTION

This chapter will present the topic of the research area by giving an overview of the development of e-commerce and its consequences on physical stores. The problem discussion will also be presented, followed by a deeper focus on the area. This chapter ends with the overall purpose, research question, delimitations as well as an overview of the entire thesis.

1.1 BACKGROUND

Today we live in a digital era, and the rules for human activity are changing fundamentally. Machines and e-commerce have replaced much of the physical administration work and physical stores in just a few decades. E-Commerce is an innovation that has revolutionized and transformed the traditional commerce (Shing Lee, 2001). It has changed the future of consumption patterns, a country's economy, and the global economic landscape (Engvall, 2019). Today economic growth takes a large place online, and it has made significant consequences for traditional physical stores (Mosquera, Olarte-Pascual & Ayensa, 2018). New business models are emerging, and yesterday's business models are quickly becoming useless in today's online market (Shing Lee, 2001). This calls for new business strategies for physical stores to attract and retain existing customers (Shing Lee, 2001).

The new era of digitization has not only opened up the opportunity of sales via the net and streamlined production but in some cases, physical products have been entirely or partly replaced by digital services (Zhao, Wallis, Singh, 2015). For example, e-books have reduced the demand for physical books, which has led to a large scale of traditional bookstores closing (Sharma & Vishwanathan, 2001). The development of e-commerce has led to increased competition from abroad (Eunyoung & Huddleston, 2018). This affects the local retailer’s business negativity when a customer can easily click home products directly from a global online store with production in low-cost countries (Eunyoung & Huddleston, 2018). The digital trend in recent years has made the number of physical stores in all industries lose market share and forces physical stores to streamline by merge stores and press down prices and costs (Karakaya & Charlton, 2001).

A threat is that many people are skeptical and still afraid of the security risks that electronic transactions can bring over the Internet. E-commerce is based on business as well as technological risks, making it a challenging environment to secure (Labuschagne & Eloff,
E-Commerce is also threatening the existence of "middlemen," such as distributors, brokers, or wholesalers (Javalgi & Ramsey, 2001). The "no-middleman" purchase of goods has existed over a hundred years, but e-commerce is expected to have a profound impact on the distribution structure (Javalgi & Ramsey, 2001).

There is a clear red line in e-commerce based on the consumer's age (Sorce, Perotti & Widrick, 2005). The younger generation, like the millennials, is more active and have higher knowledge about e-commerce. They shop more often online than their parents. They will probably pass on this habit to the next generation (Sorce, Perotti & Widrick, 2005).

The emergence of digitization and increased competition from abroad have led to physical stores having to develop their way of working with customer relationships (Kermani, 2017). This through customer relationship management (CRM). CRM is a marketing tool that places relationships, networks, and interaction at the center (Gummesson, 2002). This will be made by focusing on preventive actions and by offering them unique experience (Peppers & Rogers 2013; Grewal et al., 2009 and Hu & Jesper, 2015) Companies also need to work on creating value for their customer, so that the customers get more than just the product (Grönroos, 2007). According to Gupta et al. (2006), companies that invest in their customer relationship-strategy’s and creates excellent and sustainable relationships tends to develop faster than other companies.

More physical stores are opening their own online store to meet customers through different sales channels (Hagman & Jonsson, 2016). Offering sale online leads to creating sales opportunities and constituted a new and different form of the trading channel (Hagman & Jonsson, 2016).

According to Grönroos (2007), trust is an essential factor for customer to become loyal towards the company in the long run. According to Kermani (2017), physical stores also need to take advantages of the fact that they can offer customers unique and physical experience compare to online stores. Many companies forget that customer experience is an important tool that has a direct effect on customers attitude towards the company. Offering a unique experience will make customers return to visit the store and in the long run, create sustainable and loyal customer relationships for the company (Kermani, 2017).
There has been research done within the area, but it is hard to find research about how physical stores work on keeping relationship with their customers in a digital era and what models and strategies they are using (Kermani, 2017; Grönroos, 2007) especially in the retail industry. In today’s digital era, it is more important than ever for physical stores to work on to keep up with the digital development to not fall in the shadow of e-commerce. The growth of e-commerce is going fast, and it is highly important for physical stores to find new business models and strategies to retain and attract new customers and maintain the development of e-commerce (Kermani, 2017).

1.2 PROBLEM DISCUSSION

There is no doubt that the increase of e-commerce has affected the physical stores. For the physical stores to not disappear in the era of digitalization, there are few areas that they to develop. One of them is developing their custom relationship program to create loyalty customer (Kermani, 2017) and retain a relationship with them. According to Grönroos (2004), it is almost impossible for physical stores to compete with e-commerce by offering lower prices on their products. Physical stores need to cover costs like; rent, storage, and employees. Online stores do not have the same amount of overhead costs and can, therefore, press down the prices on their products (Grönroos, 2004). One marketing tool that many companies use is the so-called relationship marketing (RM). RM is a marketing tool that places relationships, networks, and interaction with the customer at the center (Gummesson, 2002).

Grönroos (2004) continues to highlight the importance of physical stores to take advantages of the benefits they have. Such as offering unique physical experience in the store, physical service, trust, and provide added value to the customers. Grönroos (2014) means that these are essential factors that can make physical stores compete with e-commerce.

According to Hultén (2015), companies can directly target the senses of the customers to position their brand on a deeper and emotional level to strengthen the value towards their brand. To do this, companies must know how different marketing strategies affect customers (Hultén, 2015).

Digitalization is also a primary contributing factor that has made customers more involved in creating brand value for a company (Kermani, 2017). Lin (2015) highlight that the consumer's
expectations towards a brand have an impact on how they value the brand, also the atmosphere, staff, and convenience are important factors. A positive shopping experience in a store contributes to attributing value to the stores brand. A positive interaction creates trust and implies a higher likelihood that the consumer will make a return visit. The overall assessment of the brand determines whether the consumer experiences value (Lin, 2015). According to Kermani (2017), these are some factors that companies must keep in mind when working on creating loyalty.

Technology is a great tool when developing and creating customer relations and experience for customers. Today we see trends where customers can use self-service on their products, which creates a smoother and faster payment (ICA, 2019). This is one example of where physical stores can use technology to develop their customer relationship and create added value for them (Lin, 2015). Armstrong et al. (2009) emphasize that the value companies create for their customers will be given back to the company in the form of customer capital and profit.

Although e-commerce is at the forefront of meeting consumers demand through new and exciting channels, physical stores are not far behind. According to Nyström (2016), physical store will continue to be one of the main channels for purchasing products in the near future. But regardless they cannot ignore or hide from the digital development. Nyström (2016) also highlights that physical interactions with customers will always have an essential role in creating loyalty.

The factors and problems mentioned above call for an understanding of how physical stores work with customer relationship to get customers repurchase, spread recommendation, and loyalty in a digital era, in other words; retain a relationship with their customers in physical stores. Since customer relationship and loyalty goes hand in hand, this study will have a specific focus on the two areas. This will also be this thesis research question and purpose. This thesis will be focused on the retail industry in Stockholm, Sweden.
1.3 PURPOSE AND RESEARCH QUESTION

The overall purpose of this bachelor thesis is finding out how to physical stores are working on keeping relationship with their customers in a digital era. This thesis will focus on the retail industry in Stockholm. For physical stores to be able to compete with the online stores, they need to invest in their customer relationships-program to create loyalty and relationship with their customers. Previous research provides evidence of how physical stores are affected by the development of e-commerce. The articles provide information about the important factors for physical stores to work on to survive the digital era. There is less information about how physical stores can work on their customer relationship to create loyal customers and in that way survive the digital era. The purpose of this thesis is therefore to describe useful methods that physical stores can use to retain a relationship with their customers in a digital era and respond to the development of e-commerce. One research question has been used to be able to get a better understanding of the topic.

RQ: How physical stores keep relationship with customers in a digital era?

1.4 DELIMITATIONS

Previous research has been studying this topic with a focus on different industries, including the retail industry, outside Sweden. Research and theories about how stores work with customer relationship in physical stores in Sweden, especially in Stockholm, have been harder to find. The delimitations for this thesis will, therefore, be focused on Stockholm. The two chosen retail companies will be Hennes & Mauritz AB (H&M) and Åhlens AB the participants for this thesis will be employers at the company with a minimum of two years’ experience.
1.5 OVERVIEW OF THE ENTIRE THESIS

This thesis is divided into six chapters, listed in table one below. Chapter one is an introduction to the topic and research question. Followed by the literature review, that includes previous theories within the chosen area that will be studied. After that chapter three presents the methods that will be used in this study to collect the data and the research strategy. Chapter four provides a presentation of the collected data. In chapter five, the collected data will be analyzed and lastly, chapter six conclusions, findings, and recommendations will be presented.

Table 1: Overview of the entire thesis

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2. LITERATURE REVIEW

This chapter will present relevant theories and literature that are connected to the purpose and research question. The used theories and literature will be summarized to create a frame of reference that will be presented at the end of this chapter.

2.1 CUSTOMER RELATIONSHIP

The era when mass marketing was the most effective tool for creating customer relationships is over. The emergence of digitization and increased competition from abroad have led to companies having to develop their way of working with customer relationships. Today, companies are investing in building stronger and long-term customer relationships (Armstrong et al., 2009); (Miotto, 2015). According to Kermani (2017), the relationship between the company and the customer is created when the customer has repeatedly bought products or services from the company. Kermani (2017) states that it can be expensive for a company to attract new customers; therefore, the company's loyal customers are the most important ones. One way of contributing to retaining loyal customers, according to Terpstra & Verbeeten (2014) is to offer them unique offers or having a bonus system. According to Terpstra & Verbeeten (2014), it is more difficult for online stores to keep their customers compared to physical stores. The reason can be explained because online stores customers are more price sensitive than the physical store's customers (Terpstra & Verbeeten, 2014).

Preventive actions, according to Peppers and Rogers (2011), is one of the most important factors for maintaining and building customer relationships. Pepper and Rogers (2011) states that companies that are working on creating trust among customers will prevent dissatisfied customers. Another factor for maintaining and building customer relationships is to create value for the customers, which will lead to competitive advantages (Rodgers, 2005).

Grönroos (2007) states in his study, from a customer perspective, that there are different categories of benefits that are brought about when a company has an excellent customer relationship; trust, social benefits, and priority.

Trust means that the customer knows the company well and that the company works based on the customer's best interests (Grönroos 2007). The social benefits mean that the customer builds a relationship with the staff both on- and outside the workplace (Grönroos 2007). Priority means
that the customer is offered unique offers and feels that they are prioritized higher than the company's other customers (Grönroos 2007).

According to Hagberg and Jonsson (2016), customer relationships are created when the store offers a unique customer experience. Rodgers (2005) states that stores that invest time and capital in their customer experience tend to develop long-term customer relationships. Customer experience is defined as all the steps of contact that the customer has with the store. It can be anything from when the customer enters the store, the store interior, service or a return of a product (Hagberg & Jonsson, 2016). The customer should always feel that it is put in the center (Charlesworth et al., 2007).

Kermani (2017) highlights the “big five personality dimensions” that are considered essential to understanding how consumers behave and how they are positively correlated to customer relationship. The big five personality dimensions include extraversion, agreeableness, conscientiousness, neuroticism, and openness (Kermani, 2017).

Communication channels between the company and the customer are also an important factor, according to Grewal et al. (2009). Communication through the internet and social media is a way for the company to show that they exist but also a useful tool to reach out to customers about offers, prices, products. Physical service is something that physical stores can benefit from compared to online stores. Grewal et al. (2009) believe that the key to the success of the physical stores lies in understanding the customer, and thus, service is a crucial factor.

It takes effort on the part of the company to understand the customer. One approach is to study previous customer experiences, the shop's environment, and the design of the service. The product's compatibility and quality are also some included factors (Grewal et al., 2009). This data analysis with information about specific customers can later be a useful tool when offering the customers new products (Grewal et al., 2009).

Studies show that effective marketing and promotion of the store and its contents have a direct effect on sales (Grewal et al., 2009). Offering a low price on products can, according to Grewal et al. (2009) signal a poor quality and in some cases, deter customers. Likewise, an all too high price. A company should, therefore, strive to find the "right price” that is; the price level that reflects the quality and value of the product (Peng & Wang, 2006). Grönroos (2007) underlined
trust as an essential factor in customer relationship. This is explained in detail in the next sentence.

2.1.2 TRUST

According to Luhmann (1979), trust is “the view one party holds regarding another and explains how a predictable manner shall characterize the behavior towards one another” if the customer’s requirements are following the company’s customers relationship, the trust of the customer increases (Grönroos, 2007).

Trust in the company weighs more substantial than other values associated with entertainment and benefit (Grönroos, 2007). Grönroos (2007) continues to emphasize that trust and loyalty are the same things. Customers who feel great confidence in the company tend to become loyal (Cyr, 2014). This means that companies that invest in having a loyal customer base where strong relationships are formed have better conditions for creating future success, this applies in all industries (Peppers & Rogers, 2013). Peppers and Rogers (2013) believes that trust includes spreading relevant information about the product, recommendations, and advice that serves the customer's best interest. The higher trust the salesperson offers the buyer will result in higher trust and loyalty for the company (Peppers and Rogers, 2013).

According to Peppers and Rogers (2013) and Miotto (2015), 21st-century customers are less loyal than previous generations. This means that companies must be much more concerned about their customers, especially in the digital era. Strong trust can be built by following three steps (Peppers & Roger, 2013). The first step is to ensure that it is possible to create value for the customer. The next step is to make sure that the customer knows all the benefits and offers within the company that provides added value. The last step is not to give the customer any benefit of the doubt to leave for the competitors. Online stores have come further in this process because they have more advanced tools to achieve this goal. Each website has its server that stores the customer's purchase pattern. The websites have systems that recommend the customer about similar products and remind them when a purchase has not been made. The same process is challenging to implement for physical stores (Peppers and Rogers, 2013).
2.2 CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management (CRM) is a marketing strategy used by companies to create and develop a secure, as well as emotional, customer connections to a brand that can lead to ongoing business operations (Kermani, 2017). Gummersson (2002) describes CRM as “the values and strategies of relationship marketing - with particular emphasis on customer relationships - turned into the practical application”. The goal with of the CRM system is to find profitable customers, create long-term customer relationships, reach them efficiently, sell more products to customers and be able to adapt offers according to each customer's profile and preferences (Gummersson, 2002).

The CRM process, in its entirety, aims to gather all kind of possible market information about the consumer to define then what is demanded by each specific customer (Gummersson, 2002). In this way, the company only offers what customers demand instead of creating something that they believe customers demand. This also saves the company money and time (Kermani, 2017).

The technology behind CRM is not complicated. The information is collected by collecting customers previous purchases, what websites they often are visiting or information about customer surveys or similar (Kermani, 2017). This collected information later goes through the systems that consist of software and analysis tools that compile the collected information about each customer and stores in a database (Kermani, 2017).

2.3 ONLINE STORE

The online store is trading that takes place electronically over the internet. The online store is a part of e-commerce and can take place between companies to consumers, companies to companies, or consumers to consumers (Giri, 2016). Today, it is possible to shop almost anything online, everything from cars to food and electronics (Giri, 2016). E-commerce has developed fast the last decades, and its aggressive growth has led companies to have to re-modernize their marketing strategy and adopt new ones to the market (Kermani, 2017). E-commerce, when it comes to the retail industry has increased drastically, and there are no signs of it will slowing down.
According to Hsiao (2008), the reason why e-commerce has increased in recent years is due to the convenience it brings. It is easy to click home products from home; it saves both time and energy (Lichtenstein et al., 1993). Hsiao (2008) believes that consumers often choose to take the fastest and cheapest way when purchase. The fact that many stores offer invoice purchases is also a reason for many to select e-commerce over physical stores (Hsiao, 2008). Another advantage of e-commerce is that many consumers can compare store prices on products and thus choose the cheapest. Products sold in physical stores usually have a higher rate because of all the extra cost that are included, such as salary, shipping, and taxes (Peng and Wang, 2006).

2.4 HOW ONLINE STORES COMPETES WITH PHYSICAL STORES

According to Hu & Jesper (2015), store experience is an important factor for consumers when they visit a store. The progress of digitization has forced companies to invest in their physical designs to be able to retain their customer (Hagberg & Jonsson, 2016). Experience is all steps from when customers step into the store until a purchase is completed, and the customer leaves the store (Grewal et al., 2009). Online stores work the same way by having an attractive website that attracts consumers to shop from (Hu & Jesper, 2015). For each item placed in the shopping basket, similar recommendations or suggestions appear (Hu & Jesper, 2015).

Hu and Jesper (2015) state that consumers tend to be more price sensitive when buying over the internet than in physical stores. This may be because many online stores usually offer discount codes, which is not as common in physical stores (Dijst et al., 2007). Consumers, therefore, tend to wait to carry out a purchase if there is no discount code to use. There is a negative correlation between income and making their purchases in physical stores than online (Cao, 2012). Higher income individuals tend to make their purchases online. When it comes to online shopping, consumers tend only to buy products that they have information or knowledge about (Cao, 2012). This means that a customer chooses to read about the product, compare it and in some cases, check it in store before buying it (Cao, 2012).

Storage space is another factor that affects physical stores more than online stores (Grewal, et al., 2009). It is a challenge for the physical stores to both have a store for the sale of products and a stock space for the products (Grewal, et al., 2009). Online stores, on the other hand,
have only one website and one stock for products (Peppers & Rogers, 2013). This is an advantage for online stores, from an economic perspective (Peppers & Rogers, 2013). It is a disadvantage of online stores that has a too wide assortment of products, according to Grewal et al. (2009), because it can lead to confusion and scare away consumers. Many consumers prefer the right assortment rather than a wide assortment (Peppers & Rogers, 2013). What e-commerce cannot offer that physical stores can is personal contact (Rowe et al., 2016).

According to Rowe et al. (2016), the personal communication and service play an important role for a customer when buying a product.

2.5 PORTERS FIVE COMPETITIVE FORCES

According to Porter (2008), competition is not about who is the biggest on the market it is about who is the most profitable. The purpose of the Porters model is to increase the company’s profits and minimize the threats for competitors. This model is included in this thesis to get a deeper understanding of which forces gave high, medium, and small effects on consumers purchases in the retail industry. The purpose was to make clear what these forces are and what affects them to use it as a foundation in the data analysis.

According to Porter (2008), profitability is defined by five competitive forces. The first one is the buyer. The buyer would always be happier to pay less and get more. The buyer's bargaining power is influenced by how many options it has to choose from on the market. If there is a large supply, then the competition is higher on the market. The buyer then possesses a high negotiating power and can choose the product based on what they are looking for. If there is a large supply, the suppliers are forced to press down prices, which affects the profitability of the company, as they must compete by pressing prices to "buy" market shares (Porter, 2008).

Then there are the suppliers who ideally like to be paid more and deliver less. Powerful suppliers will use their power to raise prices or insist on other more favorable terms. If there are many suppliers in the industry where the customer is not particularly dependent on which supplier produces the product or service, the negotiating power will be low (Porter, 2008).

The third competition comes from substitute products that meet the same demand. These must not necessarily be rivals because the toughest competitors may come from other industries. The
number of substitutes on the market raises the competition. If there are many companies on the market, the more alternatives to your product the customer has to choose from (Porter, 2008).

The fourth competitor is “new entrants”, they can also create tension by offering existing service or products to a lower price. The harder it is for a company to enter a market, the lower the competition will be. This forces the other companies to press down the prices or come up with new strategies. Existing companies can make it harder for new companies to enter by having advanced technology or strategy (Porter, 2008).

The fifth competitor is existing rivals. Intense competition reduces everyone’s profitability. The level of competition on the market depends on the number of existing competitors on the market. Companies can compete about quality and prices, and according to Porter (2008), price-competitions is the biggest threat to a company’s profit. According to Dijst et al. (2007) and Douma et al. (2011), e-commerce and both be a substitute or a complement to physical stores.

These five forces define every industry’s structure and shapes the company’s future. When a company knows these five forces, they can create more competitive strategies, make better predictions, and increase their profits (Porter, 2008).

2.6 CONCEPTUALIZATION AND FRAME OF REFERENCE

A frame of reference is based on previously discussed theories and literature and used to create a theoretical basis to answer this thesis research question. Several theories and literature have been identified throughout the literature review and the conceptual framework will consist theories and literature conducted by Peppers & Rogers (2013), Grönroos (2007), Grewal et al. (2009), Hsiao (2008), Kermani (2017), Gummesson (2012), Hu & Jesper (2015) and Porter (2008) illustrated in table two.
This thesis reviewed previous theories by Peppers & Rogers (2013), Grönroos (2007), Grewal et al. (2009), Kermani (2017) to gain a better understanding of customer relationship, what affects it and how it contributes to loyalty. They all have in common that customers’ needs to be put in the center at all time and that companies must keep on developing and working on their customer relationships to attract and retain customers.

Peppers & Rogers (2013) highlights that to maintain good customer relationship, the companies must put their customers in the center. Grönroos (2007) highlights the importance of creating a trust to build loyalty. Kermani (2017) and Grewal et al. (2009) highlights the importance of offering customers a unique experience. Studies show that effective marketing and promotion of the store and its contents have a direct effect on sales (Grewal et al., 2009).

Since trust was an important factor in creating loyalty, therefore, previous literature from Grönroos (2007) was reviewed. CRM is an important marketing tool when trying to understand customer relationships and consequently, previous research from Kermani (2017) were reviewed. CRM includes customer relationship strategies and to understand the importance of
CR, previous literature from Gummesson (2002) were reviewed. Gummesson (2002) mentions the increased e-commerce and its effects on physical stores and to gain a better understanding of his argument previous literature from Cao (2012), and Hu & Jesper (2015) were reviewed. Lastly, Porters five competitive forces were reviewed. It is a popular marketing tool founded by Professor Michael Porter at Harvard University. The purpose of the Porters model is to increase the company’s profits and minimize the threats for competitors. Both Cao (2012) and Hu & Jesper (2015) mentions the importance of including all factors when developing new customer relationship strategy’s and therefor Porters (2008) was reviewed.

All of the reviewed articles are connected to customer relationships. In their articles, they describe customer relationships as an important strategy in order to create loyal customers and a relationship, which is also the purpose of this study. These articles will, therefore, be the foundation for this study.
3. METHODOLOGY

In this chapter the methodology framework will be discussed with the purpose to systematical and theoretical analyze the methods that has been used in this thesis. The chapter will include a discussion about the research purpose, followed by the research approach, research strategy, sample collection and the chapter will end with data collection and analysis together with validity and reliability.

3.1 RESEARCH PURPOSE

The first step when conducting research is to define the research purpose. There are generally three categories of research purposes: descriptive, exploratory, and explanatory. What category to applicate depends on the research question and the amount of knowledge within the area of interest. A combination of all three categories can be applied if it is more than one research question (Saunders, Lewis & Thornhill, 2009).

According to Saunders et al. (2009), descriptive studies purpose is to describe and portray a person, brand, or situation. Exploratory studies purpose is to clarify what is happening by asking questions and explanatory studies purpose to is "establish causal relationships between variables" (Saunders et al., 2009).

This thesis aims to provide a deeper understanding of how physical stores work with customers relationship to keep a relationship with their customers in a digital era; focused on the retail industry in Stockholm. Due to the research question above, the research purpose, this thesis will use clear strategy. The descriptive strategy includes describing the collected data and portrays the situation with help from previous research.

3.2 RESEARCH APPROACH

The second step when conducting research is to define the approach of the study. There are two types of research approaches based on the type of collected data; qualitative and quantitative. Quantitative data is focused on numerical analysis, and qualitative data does not take on numerical analysis qualitative date is expressed in words. (Saunders et al., 2009).
This thesis has taken a qualitative approach since it aims to provide a deeper understanding of how to keep relationship with customers in physical stores in a digital era. Moreover, describing the differences and the values and attitudes of the interviewees. This thesis does not aim to find numerical generalizations; therefore, quantitative data is not suitable for this thesis. Inductive or deductive are two different research approach that is included when defining the approach of the study. Inductive research starts with a research question, then collects the data, builds it, and later develops hypotheses and theory. Deductive research begins with a theory and hypotheses that are analyzed and finally examined in reality (Saunders et al, 2009). This thesis is deductive since the argument begins to build upon already existing theories.

3.3 RESEARCH STRATEGY

The third step, when conducting research is choosing a suitable research strategy. Research strategy can be divided into five categories; experiment, survey, archival analysis, history, and case study (Yin, 2009). According to Yin, the five categories can be distinguished according to three conditions:

* The type of the research question
* Is control over behavioral events required
* Focus on contemporary events

Table three presents the research strategies and evolutions factors.
### Table 3: Relevant strategies for different research situations

<table>
<thead>
<tr>
<th>Research strategy</th>
<th>Form of research questions</th>
<th>Requires control over Behavioral Events</th>
<th>Focuses on Contemporary Events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analyses</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>How, why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Yin, 2009, p.3

This thesis aims to provide a deeper understanding of the research question. The research question is in the "how"-category, which means that survey and archival analyses can be excluded from suitable alternatives for this thesis. The study did not require any control over behavioral events, which means that the experiment could also be excluded. History could also be excluded from the study since it had a focus on contemporary events. This leaves case study as the most suitable research strategy for this thesis. The topic for this thesis is quite new therefore existing models and theories must be looked into more closely.

Case studies are a helpful strategy when trying to understand contemporary phenomena (Yin, 2009). The strategy is often used in different industries to understand, for example, group behavior and organizational processes. It is a strategy-tool that helps businesses answer questions on decisions like; why they were made, how they were implemented and what the outcome was (Yin, 2009).
According to Yin (2009), there are four types of strategies that can be selected based on two aspects; single or multiple case studies and, fully covering or embedded case studies. Single case studies are focusing on specific cases that are unique and analyses an area that does not have much previous research before. Multiple case study focuses on more than one case, and multiple-case design is generally preferred as it enables the findings to be replicated to learn whether the results occur in more than one case (Yin, 2009).

A multiple – case study was suitable for this thesis since the thesis will focus on H&M, and Åhlens AB. H&M is the world’s largest retail chain for clothing (H&M, 2019). They offer high fashion clothes for affordable price (H&M, 2019). Today they have 172 stores and over 10,000 employees in Sweden (H&M, 2019). H&M, uses two sales channels: physical stores and online stores (H&M, 2019). Åhlens AB is Sweden leading department store chain (Åhléns, 2019). They offer everything from homeware, beauty, clothes, and accessories. They have 61 department stores in Sweden and around 3,000 employees (Åhléns, 2009).

Increased competition implies that companies must work on their customer relationship-program to keep a relationship with their customers (Grönroos, 2011). H&M and Åhléns where therefore excellent companies for this thesis, since they have e-commerce and physical stores. The reason two companies were selected for this study was to compare how they work with customer relationship and if there are some similarities.
3.4 DATA COLLECTION

The next step after deciding the research strategy is to choose the way of collecting empirical data. There are two ways of collecting data; secondary or primary collected data (Saunders et al., 2009). Secondary data is information that has been collected previously, and primary data is new information and first-hand research. Primary data has collected information through interviews, observations, and surveys (Saunders et al. (2009).

Moreover, there are different categories of interviews; structured-, semi-structured- and unstructured interviews. According to Saunders et al. (2009) in structured interviews, the interviewer asks specific predetermined questions. In semi-structured interviews, only, a few questions are predetermined, and the rest of the questions are not. In unstructured interviews, none of the questions are predetermined and informal (Saunders et al. (2009).

This thesis uses a semi-structured interview as the method for collecting data. This was chosen so that the predetermined questions for sure was covered and answered. This type of interview also gives the respondents the freedom to express their views in their terms. It also provides the researcher with the chance to ask follow-up questions on the answers. The questions for the interviews will be from the frame of reference and therefore be a combination of in-depth and focused. However, there might also be follow-up questions that are not from the frame of reference. A chosen instrument for the interviews is an interview guide with prepared questions with a focus on the topic of the thesis. The interview guide is in the appendices in both English and Swedish.

3.5 SAMPLE SELECTION

According to Saunders et al. (2009), there are two different sample selection ways; probability and nonprobability sampling. Probability sampling is when people from a large population are chosen using a method based on the theory of probability. All individuals from the population must have as big of a chance of being selected. Non-probability is the opposite. This method does not give each in the population equal chance of being selected (Saunders et al., 2009).
For this thesis, non-probability sampling will be used since the respondents must have knowledge within the field of interest. According to Saunders et al. (2009), this method is helpful when having limited resources. This is also called judgmental sampling and is a type of probability sampling method. This way, the researchers can use their own judgment to select individuals to interview study (Saunders al. al (2009).

Since this study has chosen to look deeper into how H&M and Åhlens work with customs relationship to keep relationship with customers, it is required that the selected individuals for the interview are employees at the companies and are working with customs relationship. This thesis will interview two employees from H&M and Åhlens. All four respondents are working as sellers at the companies with a minimum of two years’ experience.

A total of two interviews with two respondents per each interview has held face to face. The table four describes the respondent’s positions at the company, the time and date, and the type of interview.

**Table 4:** Information about the respondent’s position, time, and date of the interview and the type of interview.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Time and date</th>
<th>Type of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee A</td>
<td>10 May 2019</td>
<td>Face to face</td>
</tr>
<tr>
<td>Workes at H&amp;M, three years’ experience</td>
<td>The interview lasted 35 minutes</td>
<td></td>
</tr>
<tr>
<td>Interviewee B</td>
<td>10 May 2009</td>
<td>Face to face</td>
</tr>
<tr>
<td>Workes at H&amp;M, two years’ experience</td>
<td>The interview lasted 35 minutes</td>
<td></td>
</tr>
<tr>
<td>Interviewee C</td>
<td>11 May 2019</td>
<td>Face to face</td>
</tr>
<tr>
<td>Workes at Åhlens, three years’ experience</td>
<td>The interview lasted 35 minutes</td>
<td></td>
</tr>
<tr>
<td>Interviewee D</td>
<td>11 May 2019</td>
<td>Face to face</td>
</tr>
<tr>
<td>Workes at Åhlens, two years’ experience</td>
<td>The interview lasted 35 minutes</td>
<td></td>
</tr>
</tbody>
</table>
3.6 DATA ANALYSIS

After collecting the data, it later needs to be analyzed and understood (Saunders et al., 2009). According to Yin (2009), it is significant to always return to the research question when analyzing the collected data. There are three different strategies when analyzing a case study; relying on theoretical propositions, developing a case description, and examining rival explanations.

For this thesis, the most suitable category is to rely on theoretical propositions. The reason is that the study has been conducted from existing theories and shaped the data collection process and been compared to the theories. The next step is to choose specific analytic techniques (Yin, 2009). They can be divided into five groups; pattern-matching, explanation-building, time-series analysis, logic models and cross-case synthesis. These groups are dealing with internal and external validity (Yin, 2009), which will be presented later in the thesis.

According to Miles and Huberman and Saldaña (2013), qualitative data is analyzed through three steps:

1. Data Condensation
2. Data Display
3. Drawing and Verifying Conclusions

The data from the interview is compared with existing theories and research that are presented in the frame of reference. The data from the interviews are analyzed to see if there are similarities between the two. The data has further been simplified by deciding what part is relevant to analysis further and finally, after careful analysis, the conclusion has been drawn.

3.7 QUALITY STANDARDS

To decide the quality and credibility of the data and findings for this study, two aspects have been considered; validity and reliability. According to Yin (2009), there are four tests that are used to decide the quality of the findings; construct validity, internal validity, external validity, and reliability, as shown in table five.
Table 5: Case study tactics for four design tests

<table>
<thead>
<tr>
<th>Tests</th>
<th>Case Study Tactic</th>
<th>Phase of Research in which Tactic Occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct Validity</td>
<td>• Use multiple sources of evidence</td>
<td>⇒ Data collection</td>
</tr>
<tr>
<td></td>
<td>• Establish chain of evidence</td>
<td>⇒ Data collection</td>
</tr>
<tr>
<td></td>
<td>• Have key information review draft case study</td>
<td>⇒ Composition</td>
</tr>
<tr>
<td>Internal Validity</td>
<td>• Do pattern-matching</td>
<td>⇒ Data collection</td>
</tr>
<tr>
<td></td>
<td>• Do explanation-building</td>
<td>⇒ Data collection</td>
</tr>
<tr>
<td></td>
<td>• Address revival explanations</td>
<td>⇒ Data collection</td>
</tr>
<tr>
<td></td>
<td>• Use logic models</td>
<td>⇒ Data collection</td>
</tr>
<tr>
<td>External Validity</td>
<td>• Use theory in single-case studies</td>
<td>⇒ Research design</td>
</tr>
<tr>
<td></td>
<td>• Use replication logic in multiple case studies</td>
<td>⇒ Research design</td>
</tr>
<tr>
<td>Reliability</td>
<td>• Use case study protocol</td>
<td>⇒ Data Collection</td>
</tr>
<tr>
<td></td>
<td>• Develop case database</td>
<td>⇒ Data Collection</td>
</tr>
</tbody>
</table>

Source: Yin, 2009, p.8

3.7.1 CONSTRUCT VALIDITY

To ensure the validity of this thesis. All the information is presented in the frame of reference along with the interview guide in the appendices. This thesis uses multiple interviews, as well as adding direct observations to the sources of evidence. Lastly, the study will be supervised and read through by a supervisor.
3.7.2 INTERNAL VALIDITY

Internal validity is mainly of concern for explanatory case studies. Where the researcher tries to decide if this is any causal relationship between event X and Y (Yin, 2003). Because of the fact that this thesis is not a causal study, the internal validity will not be much discussed.

3.7.3 EXTERNAL VALIDITY

According to Yin (2009), one of the major concerns when making a single case study is to know if the findings of the study can be generalized. The layout of the case study is often questioned for having a weak ground for generalization since the results are only from one single case. To prevent this from happening, the claim must be able to replicate the study several times in different contexts (Yin, 2009). The external validity can be strengthened by using theory to support the findings. The nature of this thesis is qualitative, the empirical data has been collected through interviews, and it is studying one company in a single-case study. According to Yin (2009), this can be a setback to external validity. To avoid setbacks, the collected data is strengthened by existing theory, and this study is also not searching to generalize the findings and conclusions.

3.7.4 RELIABILITY

Reliability is about doing the same research as a previous researcher and gets exactly the same finding and conclusion (Yin 2009). The purpose of reliability is to minimize the large part of the errors and biases in the study. The way to reduce the risk of reliability problems is to follow the same steps in the research process as the previous researchers by using case study protocol and to developing a case study database and document it (Yin 2009).
According to Saunders et al. (2009), there are four threats to reliability: subject or participant error, subject or participant bias, observer error, and observer bias. Subject or participant error means that a mistake accrues when the same case gives different findings and answers. Subject or participant bias occurs when interviewee gives expected answers to question that they know the researcher wants to hear. Observer error means that there are different ways of implementing a study, and therefore, the chosen applied way must have a clear structure. Observer bias relates to the subjectivity of the person interprets the data (Saunders et al., 2009).

The interview guide will be the study protocol for this study, it is available in both Swedish and English. The interviews were recorded to strengthens the reliability of this study. This, in combination with accurate descriptions of how the collected data was analyzed. Both the interviewer and the respondent’s took notes and compared it after, to make sure that there was no misunderstanding. Because the interviews were held in Swedish, a translation to English was later done. This might affect the reliability of the study.
3.8 SUMMARY OF THE METHODOLOGY

Table six below presents the chosen strategies for each section in the methodology.

The research purpose was descriptive since this thesis aimed to answer the research question with help from previous research and theories. The research approach was deductive since the secondary data consisted of previous literature. A qualitative method was suitable since this study used words to collect and analyzed the data. The chosen research strategy was interviewed, and sample sections were employees at H&M and Åhléns, with a minimum of two years’ experience in the company. Data analyses were through an interview guide with standard questions and in some cases, follow-up questions. A non-probability method was chosen because the people that were interviewed had to know their customer relationship-program.

Table 6: Summary of the Methodology

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Purpose</td>
<td>Descriptive</td>
</tr>
<tr>
<td>Research Approach</td>
<td>Deductive, Qualitative</td>
</tr>
<tr>
<td>Research Strategy</td>
<td>Interviews, Multiple case-study</td>
</tr>
<tr>
<td>Sample Selection</td>
<td>Employees at H&amp;M and Åhléns (two years’ experience)</td>
</tr>
<tr>
<td>Data Analyses</td>
<td>Interview guide</td>
</tr>
<tr>
<td>Sample Method</td>
<td>Non-probability</td>
</tr>
</tbody>
</table>
4. DATA PRESENTATION

This chapter will present the collected data. As previously mentioned, the data was collected through interviews with employees at the companies with a minimum of two years’ experience. Each of the two interviews was on average 30 minutes, and therefore, only the key points are presented to give the reader an overview of the answers and to facilitate understanding of the most important sections. The chapter is presented after each company and will consist of the questions that fall under the same category.

4.1 HENNES & MAURITZ

Hennes and Mauritz (H&M) are one of the world’s largest retail chain (H&M, 2019). H&M offers high-quality fashion, home wear and beauty products for an affordable price (H&M, 2019). It was founded in 1947 by Erling Persson in Stockholm, Sweden. Today H&M has over 170,000 employees and 4,745 stores in 69 countries. H&M has 174 stores in Sweden and approximately 10,000 employees. In 2018 the net sale landed on 210 Billion SEK. H&M uses two sales channels: physical stores and online stores (H&M, 2019).

4.1.1 CUSTOMER RELATIONSHIP

An important factor in creating customer relationships is to create unique offers for the customers, which H&M tries to do through its CRM system. The CRM system consists of a customer club where customers can sign up and receive unique offers and information about the new campaign through email. H&M promotes itself to a large extent and value that its customers feel home when visiting the stores. Therefore, all of their stores are similarly decorated. Another important factor in creating customer relationships is to offer high-class service and personal contact when the customers are visiting the store. It is important that the customer feels prioritized and unique.

The sellers at H&M believes that an element in the work of creating customer relationships is to work on creating “store ambassador”, which is a customer, who returns to the store and wants service from the same previous seller. The customer wears the brand and becomes a face and ambassador for the company. The seller also highlights that store ambassadors can be seen as
free marketing for the company and is an effective marketing way. To create a store ambassador, the seller tries to create a personal contact, provide high-class service, and make the customer feel prioritized. According to the seller, once a relationship between customer and seller is created, the price will not be as important for the customers. Offering the staff internal training and knowledge about the product is an important part to provide high-class service.

The seller continues to explain that when the staff is well trained, and service orientated, the customer relationship will grow naturally. When the seller has built a sustainable relationship, the company will naturally become more completive on the market and contributes to creating long-term customer relationships and customer loyalty. The seller also highlights that for the customer relationship to be long-lasting and sustainable, the company must know their customers need and demand. Even though H&M gets orders from the headquarter, the individual stores in Stockholm often create their own events and campaigns for their customers and to attract new customers. This is a successful marketing strategy according to the sellers that contribute to long term customer relationship.

H&M also has an online store, where customers can buy from a broader range of products. Even though H&M can reach out to their customers by email, it is harder to create a customer relationship online. Like for example, if a product arrives late, the customer will be dissatisfied and may stop ordering from the company, but if it comes in time, the customer will be satisfied and order again. A small thing like delivery time can determine whether the company is creating a customer relationship or not. Therefore, it is easier to build a relationship in physical stores because feelings and personal contacts are involved.

H&M combines its sales channels by having both physical stores and online stores. H&M wants customers to be able to reach the company and order from them regardless of where they are. The sales channels can also be combined in such a way that the order starts online and ends in the physical store. H&M can thus use the internet as a complementary tool for increasing selling in the store. According to the sellers, H&M often has the same offers online and in store, but there are sometimes exceptions. There are sometimes when they offer a discount in their online store to increase sales there and sometimes on specific products in store that are in season. Such as discount on sun cream during summer and on jackets during winter.
4.1.2 CUSTOMER RELATIONSHIP MANAGEMENT

H&M’s CRM system is linked to the company's customer club that was mentioned earlier. In the customer club, the company tries to create a deeper relationship to its customers, by sending digital receipts via mail, follow-up of purchases and offer the right and specific product to each customer. The customers’ needs to sign up to the club to be a part of it, which the sellers often remind the customers to do. Some stores have internal bonus system among employees on who can bring most customers to the club. This kind of system motivates the staff and creates a more significant customer club. Through the customer club, H&M can receive statistics on what products customers are demanding. The sellers believe that they use CRM frequently. Through the CRM systems, the staff can check their customer's previous purchase, customer data, purchase transactions, and statistics that the company can use as a base. Everything is later stored in a company’s database, that every store in Sweden has access to.

4.1.3 ONLINE STORE

It is no doubt that e-commerce is growing and taking a larger market share. According to the seller, more and more orders come through their online store. Also, it becomes more common for customers to reserve the products over the internet and then pick them up in store, which is called “collect at the store”. Moreover, today's e-commerce is more vital for the overall market than before, which is characterized by a power pulling on H&M own website. H&M works with e-commerce by having an online store. According to the seller at H&M does not work on pushing down prices to attract customers online. Instead, they have some period where they have special offers both online and in store

4.1.4 HOW ONLINE STORES COMPETES WITH PHYSICAL STORES

According to the sellers, it is not fair to say that e-commerce is a threat to their physical stores because H&M themselves use e-commerce. Thanks to their online store, H&M has increased their profits because customers can order from them wherever they are. What can be seen as a threat, according to the seller is the number of new online stores that are opening up and becomes competitors to H&M. The seller believes that online stores have a benefit because they do not have the same costs as the physical stores, for example, regarding rent and employment
cost. On the other hand, physical stores offer completely different transparency than online stores, which means that online stores and physical stores can complement each other.

According to the seller, the online stores creates a threat to the physical stores because customers believe that it should be cheaper to shop online. One benefit with physical stores is that the personal service becomes stronger in a physical store where the staff can inspire and influence through recommendations and advice. The team can help them directly with all the questions they have and provide them with everything they need. When customers shop in their online store, H&M cannot ensure that the customers get everything they need and get answers to all questions. Also, service is an essential element in the physical store, especially among the older generation. They often tend to visit the store if they have a question and want more help in the store while the younger generation is often more driven to check on the internet to find an answer to a question. According to the seller, customers who visit a physical store are allowed to take part in social interaction and staff competence. Also, many customers like to be able to pay in the store instead of over the internet, because of insecurity. It is also easier to get a better deal in physical store through discussion with the seller than over the internet.

The sellers believe that physical stores in the retail industry will remain in the future, but that they need to orient and work on keeping up with the digitalization. Another deciding factor, according to the sellers, is that companies must also have their online store. This way, customers can contact and order from them wherever they are. The seller believes that the numbers of physical stores will be less in the future, and the ones that do not orient oneself or have an online store will be closed down.

4.1.5 PORTERS FIVE COMPETITIVE FORCES

The seller states that the retail industry has sinking development in recent years, where the industry has become extremely price pressed because of the increased numbers of online stores that are offering lower prices. The internet has created a feeling that customers should not buy products at regular prices, but only at sale prices, and therefore, customers are seeking discounts and sale prices. This situation has made it difficult for the industry to achieve profitability, with consequences such as bankruptcies, restructuring, and mergers.
This situation favors customers; on the other hand, the stores closing down disadvantages the customer in terms of the quality of customer service. A mentioned earlier online stores cannot offer the same high-class service. An important reason for the tough competition and the pressured prices on the market is because it has become so more comfortable for consumers to compare companies’ prices over the internet. For H&M, many of their products are similar in the fashion market; consumers can, therefore, compare the prices of similar items online and choose to order the cheapest one. Another important reason for the industry's tough competition is that online competitors have tried to gain market share.

H&M sellers believe that competition is due to a price war between the chains, which has led to margins falling. The last years a couple of trends has been noticed in the retail industry. For example, like “Black Friday” and “Cyber Monday” these types of trends contributed to customers thought of that they should not buy products on regular price because they always can find a lower price or waits for these kinds of “sale days”.

4.2 ÅHLÉNS AB

Åhléns was founded in Insjön, Sweden 1899 by Johan Petter Åhlén and Erik Holm (Åhléns, 2019). Åhléns is one of the biggest department- chain in Sweden; they offer a mix of affordable products and brands in a simple and easily accessible way (Åhléns, 2019). They have their brand called WERA. The basic idea when founding Åhléns was to offer the customer everything it needs under one roof (Åhléns, 2019). They completely change the structure and concept of the department store industry. The idea was to make shopping easy and accessible by collecting the so-called special stores under one roof (Åhléns, 2019). Today Åhléns is one of Sweden's most influential brands. They have 61 department stores in Sweden and their online store via åhlens.se (Åhléns, 2019). Åhléns has a revenue of 4.8 billion Swedish kronor in 2018 and has 3,000 employees and approximately 80 million visits a year (Åhléns, 2019). Åhléns is part of the retail group Axel Johnson AB (Åhléns, 2019).
4.2.1 CUSTOMER RELATIONS

To create a relationship with customer Åhléns offers service in addition to the products themselves. For example, in the beauty department, the customers can get a full makeup with the products they tend to buy. The staff helps the customers and shows them how the products should be applied on the face. Most of the staff have done internal education within their brands and are, therefore, specialists. For customers to continue to come to the store, the staff must provide high-class service and know their products. This is an important part according to the sellers.

According to the sellers to build a sustainable relationship, the staff should always pay attention to the customer and have the right competence. Åhléns have a database where the customer's previous purchasers are stored. With help from the database, the seller can see what the customer needs and what the customer has. This database helps the sellers to “get to know” the customers. The sellers believe that an essential factor in creating customer relation is giving the customer the right service by having the right body language, tone, and most importantly listen to the customer.

Furthermore, the staff should make a proper analysis of what the customer is looking for and offer the customers good deals. To build long-term customer relationships, Åhléns strives to connect the customer through their customer club. The customer who is a member of the club can keep track of their previous purchase. Through the database, Åhléns can see each customer purchase and age and create offers to each customer's specific needs and wishes. The customer club is closely linked to their CRM-system.

Creating customer relationships over the internet is more difficult because personal contact cannot occur. In the store, the staff can make sure that the customers get everything it needs and can end the purchase in a friendly way. In Åhléns online store the purchase end with a “Thank you” and they cannot make sure that the customers get everything it needed or even the right product in the first place. In the store, the staff can more natural influence customer decisions.
4.2.2 CUSTOMER RELATIONSHIP MANAGEMENT

According to the sellers at Åhléns, they sometimes have their campaigns and event where customers get discounts on selected products and exceptional service. The ones who are members of the customer club get information about these events and campaigns in their local or nearest Åhléns store or through email.

4.2.3 ONLINE STORE

The fact that Åhléns have both department stores and online store makes customers tend to reserve the product online and then purchases and pick it up in store. Åhléns online store has also made it easier for customers to purchase products that are out of stock in the department's stores. The online store usually has a larger stock, and this has made Åhléns own online store has also increased the last years. Åhlens have made it possible to order from their online store directly in store, through iPad that the store have.

According to the sellers, it is noticeable that e-commerce is growing and taking market share. The sellers mean that it is striking that customers visit the store to try out or test some of the products to order it from another website for a lower price later.

4.2.4 HOW ONLINE STORES COMPETES WITH PHYSICAL STORES

There is no dough that physical stores can offer a type of personal contact with the customers that online store cannot. A noticeable trend where customers are visiting the department to try out a product or to get a confirmation that it is the right product has increased the last years, especially among young people. Furthermore, older customers visit the department store because they want to be confirmed on the spot that it is the right product and buy it directly. In the department store, the sellers get a significant influence over the customers and can recommend other products, if there is something they do not have in stock, this is not possible in the online store. The store also offers a varied mix of products and service to the customers that the online store cannot compete with.
The sellers at Åhléns believes that e-commerce is a threat to physical stores. In the future, there will likely not be as many unique or small stores left. The sellers believe that the big players on the market and the large departments will remain in the future because they have a large market share. The reasons that companies within the e-commerce are doing well is because they do not have the same costs, like rent and personal cost, in comparison with the physical stores. Furthermore, it is hard for physical stores to keep up with the digitalization. According to the sellers, the physical stores must invest in their customer relationship and keep up with digitalization the survive in the future.

4.2.5 PORTERS FIVE COMPETITIVE FORCES

A change that the retail industry has noticed in recent years is that many customers are price conscious. This is because customers can now easily compare prices on different chains online. Online stores from China has expanded the last year, and this can be seen as a threat to physical stores. China has another cost when it comes to example, labor and can, therefore, offer a much lower price on their products than the physical stores.
5. DATA ANALYSIS

This chapter analyses the collected data from the previous chapter. The collected data from H&M and Åhléns will be compared and analysis under the respective category. This is to make it clear what the similarities and differences there are when working on creating a relationship with their customers in a digital era.

5.1 CUSTOMER RELATIONS

A method that many companies in the retail industry are using to create customer relationships is the so-called “store ambassador”. A store ambassador is a customer that returns to the store and wears the company’s brands and therefore becomes a face and ambassador for the company. A store ambassador can be created when the staff provides high-class service and are competent within their area. The representative from H&M describes the importance of the customers always being in focus, the representative from Åhléns highlights that the store's staff should observe each customer and make a customer analysis to determine what the customer is looking for and what it need. Both of the representatives describe the importance of making the little extra effort for each customer. Always putting the customer in the center can be compared to what Grönroos (2007), Peppers and Rogers (2013) and Terpstra & Verbeeten (2014) describes as creating added value for the customer. On the other hand, none of the representatives mentions the importance of building trust between the seller and customer as a factor to create customer relationship. According to Grönroos (2007) and Peppers and Rogers (2013), trust is an important step to develop sustainable relationships with customers. Furthermore, it is important to keep in mind that the fact that the respondents during the interviews did not address trust as an important factor does not necessarily have to mean that it does not constitute an important step.

To create sustainable relationships, the respondents highlighted that the company must have knowledge about the customers’ needs and must meet the customer's needs and offer the right price and products. Part of creating a relationship with customers can also be that the customer buys from the same seller every time, this creates a relationship between the seller and customers. Grönroos (2007) highlights that there are advantages for the company if the customer recognizes the staff and are having a professional relationship with those who work at the company. Trust, and that customer is feeling that they are being prioritized can be
included in such a relationship (Grönroos, 2007). Hu and Jasper (2015) highlight that many customers that prefer to shop in physical stores find it pleasuring because it involves social interaction. The personal contact can be seen as a crucial factor for physical stores to survive the digital era, according to Hu and Jasper (2015). This is something the representative addresses as well.

All four respondents agreed that it is more difficult to create relationships with customers over the internet. The arguments for this problem are that it is challenging to become personal over the internet. The customer is not put in focus and therefore, does not feel unique when ordering over the internet. Other arguments that were presented were the difficulties to offer high-class service and personal contact over the internet. The fact that contact with the customer becomes impersonal is something Kermani (2017), and Grönroos (2007) warns. Kermani (2017) highlights the importance of customer relationships not only being built on technology but human interactions. The respondent’s arguments reinforce Kermani (2017) and Grönroos (2007) research. Overall solutions can reasonably fall under the added value that Grönroos (2007) believes it is essential to influence how loyal a customer will be.

The respondents also agreed that the price will not be as important for the customer when there is a strong customer relationship. Hu and Jasper (2015) highlight that consumers tend to be more price sensitive when buying online, which can be because there is no strong customer relationship over the internet.

5.2 CUSTOMER RELATIONSHIP MANAGEMENT

Both the respondents for H&M and Åhlén explained that they apply customer relationship management. H&M respondents described that their CRM systems are close links to their customer database and customer club. Rogers and Peppers (2013) stated that CRM could be about activities that are directly derived from the customer database. The customer database includes mail, purchase transactions, and other customer information. According to Peppers and Rogers (2013), information about the customers can be an advantage to prevent dissatisfaction. Thanks to the customer club H&M and Åhlén can send specific offers to specific customers. This is in line with Kermani (2017) research about the purpose of CRM systems is. Kermani (2017) highlight, among other things that CRM can use to create offers to each customer's wishes and profile. Specific suggestions are essential for the customer to feel
unique and creates added value for them (Kermani, 2017). Peppers and Rogers (2013) mean that companies must create added value based on the customers perspective.

Åhléns also presented that through their customer club, they try to connect customers to interact with each other about products or information. To attract customers to the club Åhléns offers a gift after every third purchase. Customers can also keep track of their purchases and receipts through the customer club. This can be explained that Åhléns follows Charlesworth et al. (2007) research about the that companies give back to the customers. Charlesworth et al. (2007) explain that it is important to design the system so that the customer feel unique and valuable for the company.

5.3 ONLINE STORE

In the data presentation it was highlighted that both H&M and Åhléns experience that e-commerce is growing rapidity, and it is mainly noticeable through the increased number of digital orders. The respondent’s observation is in line with research conducted by Giri (2016). Giri (2016) state in his research that e-commerce is growing rapidity. The respondent thought that e-commerce could become a threat if physical stores do not complement with an online store. As mentioned in the data presentation, both of the respondents believe that it is important for customers to be able to reach the company wherever they are. The respondents also mentioned that it is difficult for e-commerce to be seen as a threat because the company themselves have their online store and have changes in how they design their business. The research does not have an answer as to whether increasing e-commerce creates a threat to physical stores. Dijst et al. (2007) believe that e-commerce can be both a substitute and a complement to physical stores.

Respondents mentioned that it is often older people who need service in the physical stores, this because the respondent believe that older people online shop less because of lack of internet knowledge. This observation is in line with Douma et al. (2011) research, which states that there is a strong connection between internet knowledge and e-commerce. People with more internet knowledge tend to shop online and other way around (Douma et al., 2011).
In the future, most, all age groups have learned to manage the internet, companies must do what Miotto (2015) research states— that physical stores must form new strategies to survival. This research goes in line with what both representatives stated about keeping up with digitalization to survive the digital era.

5.4 HOW ONLINE STORES COMPETES WITH PHYSICAL STORES

The respondents agreed that there were some few things that online store could not offer like in physical stores. For example, the personal contact that many mentioned researcher states as an important factor to build a relationship cannot online stores offer. Having a high-class service and the ability to give customers advice and recommendations based on their specific products and needs create relationship. The ability to feel and see the products has an important impact on the customer's decision to purchase the product or not. This is in line with Rowe et al. (2016), who believes that recommendations and advice are part of the personal service that customers often ask for. Both H&M and Åhléns have both physical and online stores. In this way, the customers can reach an order from them wherever they are. This also goes in line with Cao (2012) researcher that states that companies that have invested in having several sales channels tend to profit from this in the form of loyal customers.

All respondents agree that the physical stores will remain in the future, but this is expressed with various formulations. The respondent for H&M believes that physical stores in the retail industry have a future as long as they have an online store. The seller at Åhléns, on the other hand, believes that only large department stores and significant players on the market will remain in the future. Hu and Jasper (2015) state that customers are looking for pleasure and social interaction and therefore choose to visit physical stores. This research goes in line with what the representative from H&M and Åhléns stated about social interaction being an important part of developing to survive the digital era.

Hu and Jasper (2015) highlight that there are customers who because of the insecurity, prefer to pay in store and get the product directly. Hu and Jasper (2015) research go in line with what respondent at H&M stated, that many customers want to be able to pay in the store, because of the risks that exist over the internet.
5.5 PORTERS FIVE COMPETITIVE FORCES

The respondents agreed that e-commerce has developed fast in the last years. The respondent from H&M believes that the development of e-commerce as has affected the retail industry by pressing down prices. This has made it difficult for companies to make profits, and many stores have had to close down or merge. The respondent from Åhléns believes that there has been a tough price war between the big department stores the last years.

According to Porter (2008), price competition is what threatens profitability most of all, which is reasonable. Hu and Jasper (2015) states, however, that consumers are less price sensitive when buying products in physical stores than when buying from online. This goes in line with what the respondents stated about e-commerce cultivated a thought among customers. It has created an impression that they only should buy products at the sale price when ordering from online. This means that research done by Hu and Jasper (2015) goes in line with the respondent’s observations. Hu and Jasper (2015) state that companies would be more price-pressed if they were only doing business through e-commerce instead of doing physical stores.

Respondents presented different views on why the retail industry has been so competitive. Both respondents believe that the fact that customers have become more price aware has had an impact on the industry. The respondents' observations go in line with what Nasir (2004) stated in his research. Nasir (2004) described that the development of the internet had given consumers the tool to compare prices on identical products online. According to Cheng (2007), companies need to find new ways of working and strategies to respond and not be in the shadow of intense e-commerce.
6. FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the most important findings from the analysis. The purpose of this thesis was to understand how physical stores work on keeping relationship with their customers, in a digital era. To answer this, a research question was used, and it will be answered and concluded in this chapter. This chapter will end with implications for practitioners, limitations and further research.

6.1 FINDINGS AND CONCLUSIONS

The purpose of this thesis was to understand how physical stores in the retail industry works with keeping a relationship with their customers in a digital era. To answer this, a research question was formulated; how physical stores keep relationship with customers in a digital era. Some conclusion can be presented, one is that the two companies have several different ways of working with creating a relationship with their customers in a digital era. Their way of working has changed massively in the last years because of the growing e-commerce.

One way of working is always to put the customer in focus and always strive to make the customer feel prioritized. To be able to provide high-class service, the staff must analyze the customer to determine what the customer needs and whether it is possible to offer the customer something else. This way of working is to make the customer feels that through the relationship with the store, they experience added value. This way of working goes in line with previous research done by Grönroos (2007) within the area, which emphasizes the importance of creating added value for the customer to keep a relationship with their customers.

Another conclusion is the difficulties of offering the same high-class service through an online store. This problem can create opportunities for the company if they improve it and can be a downfall if they do not improve it. The challenge includes mostly the personal part like personal service or social interaction. The staff in the physical stores can give customers much easier advice and recommendations based on the customer analysis with help from the database mentioned earlier. This observation is also supported by previous research.
Another conclusion is having the CRM system. The CRM system plays an important role in the companies' work on creating relations with their customers. H&Ms and Åhléns CRM systems store the information about their customers. This helps them to get a better picture of each individual customer and can, therefore, provide better service. With help from the CRM system, they can get a clear picture of what the customer demand and create specific offers for a specific customer. This way of working can contribute to building a better relationship with the customer. Through the CRM systems, companies can also map out what their customers seem to demand and are searching for when they are in their online store. This tool helps the companies in their strategic attempts to build relationships.

Another key point is that customer relationship is strengthened by personal contact can be drawn. Many factors affect a customer’s decision on buying a specific product. Many customers want to be able to squeeze and feel the product before buying it. The opportunity to be able to talk to the staff and ask questions is another important factor. These things are at the moment only possible at the physical stores.

To create a sustainable customer relationship, the staff must be competent and be able to offer the right product to the right customer. Therefore, H&M and Åhléns offer internal training and education about their products. The advantages of having well trained and competent staff is that minimizes the risk of the customers leaving the store with the wrong product.

6.3 LIMITATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

When starting on this thesis, there was extensive research on how online stores have affected the physical stores. There was less research about how physical stores, in the retail industry, are working on their customer relationship in a digital era. This study has helped to understand and explore the area, but deeper and extensively research can be done.

Since this thesis is only a Bachelor thesis, a very small sample section was made. Further studies could study more companies in the retail industry, interview more respondents, and interview higher ranked staff from the companies.

This study was only focused on the retail industry, an idea for further studies would, therefore, be to interview and compare companies from different industries in different countries. This to
examine whether the working methods are similar or different. It would have been interesting to also gather empirical data from SMEs or MNEs in the retail industry and analysis how they differ, on working on creating a relationship in a digital era.
REFERENCES


WEBSITE


APPENDIX A - INTERVIEW GUIDE IN ENGLISH

Customer Relationships

1. How does H&M/Åhléns work with customer relationships in the physical stores? (Are there specific offers in the physical stores you offer)

2. What is the biggest challenge for H&M/Åhléns when working on customer relationships in order to create customer loyalty.

Follow up questions might appear on the questions.

Customer relationship management (CRM)
Intro: Customer relationship management is a marketing strategy used by companies to create and develop a strong, as well as emotional, customer connections to a brand. The goal is to create long-term customer relationships and customer loyalty.

3. How does H&M/Åhléns work with CRM?

4. What is the significance of CRM for H & M / Åhléns and how will it be developed in order to keep existing on the market in the future?

Follow up questions might appear on the questions.

Trust
Intro: Studies shows that customers who feel great trust in the company tend to be loyal and offering high class service to them is a part of it.

5. How does H&M/Åhléns work on creating trust in the stores?

6. Follow up question; Are H&M/Åhléns working on developing their service to better reach out and provide better service to their customers?

Follow up questions might appear on the questions.

E-commerce/ Porters five competitive forces

7. What can H&M/Åhléns offer at physical stores that e-commerce cannot?

8. Do the physical stores within the retail industry have a bright future, are there any worries?

Follow up questions might appear on the questions.
APPENDIX B - INTERVIEW GUIDE IN SWEDISH

Kundrelationer

1. Hur arbetar H&M/Åhléns för att skapa kundrelationer in sina psykiska butiker?

2. Vad är den största utmaningen för H&M/Åhléns i kundrelationsarbete för att skapa kundlojalitet?

Följfrågor kan uppstå

CRM

Intro: Customer Relationship Management är en marknadsföringsstrategi som används av företag att skapa och utveckla starka, såväl emotionella, kundanslutningar till ett varumärke. Målet är att skapa långsiktiga kundrelationer och kundlojalitet.

3. Hur arbetar H & M/Åhléns med CRM?

4. Vilken betydelse har CRM för H & M/Åhléns och hur kommer ni att utveckla den för att kunna existera på marknaden i framtiden?

Följande frågor kan uppstå på frågorna.

Förtroende

Intro: Studier visar att kunder som känner stor tillit till företaget tenderar att vara lojala och erbjuder högklassig service till dem är en del av det.

5. Hur arbetar H & M/Åhléns med att skapa förtroende i butikerna?

6. Följ upp frågan; H & M/Åhléns arbetar med att utveckla sin tjänst för att bättre nå ut och ge bättre service till sina kunder?

Följfrågor kan uppstå

E-handel / Porters

7. Vad kan H & M/Åhléns erbjuda i fysiska butiker som e-handel inte kan?

8. Har de fysiska butikerna inom detaljhandel har en ljus framtid, är det några bekymmer?

Följfrågor kan uppstå