

# The Fear of Cannibalization

---

*A quantitative study of Polarn O. Pyret's Multi-channel Strategy*

**Keywords:** E-commerce, Multi-Channel, Customer Satisfaction, Customer Loyalty

**Abstract:** *The understanding of e-commerce has become tremendously important in today's increasingly competitive retail business. The competition on Internet is harsh and many companies have seen their multiple channels become victims of cannibalization. This thesis focuses on the relationship between customer satisfaction and customer loyalty within Polarn O. Pyret's multiple channels. The purpose of this thesis aims to explain and describe the situation of Polarn O. Pyret and how its distributions channels in the multiple channels affect each other within the organization. E-commerce has become a well-discussed topic in which several researchers have different opinions whether an implementation of multiple channels is positive or not. This is a case study thus it aims to intensively examine e-commerce and multi-channel strategies within a single organization. The thesis has the design of a deductive study with a quantitative approach and from an online survey distributed to customers of Polarn O. Pyret this thesis conclude that the presence of a multi-channel strategy, if managed correctly, offers great opportunities in terms of customer value.*

**Authors**

Erik Hedlund, 21716  
Christina Frick, 21521

**Examinator**

Michael Dahlén

**Tutor**

Magnus Söderlund

**Defense**

June 9, 2011

The authors would like to thank the following persons:

**Magnus Söderlund** for his dedication and inspiration, along with all valuable advices

**Maria Öqvist** for her enthusiasm as introducing us to the world of Polarn & Pyret

**Anna Sandberg** for her valuable assistance and knowledge of e-commerce

**Stefan Stetz** for his support and cooperation in the development and distribution of the survey

**Mikael Solberg** for his help to enable the implementation of the study

At last but not least...

All **customers of Polarn O. Pyret** who have participated in our survey

*“The Internet is becoming the town square for the global village of tomorrow”*  
– Bill Gates

---

**Table of contents**

<b>1. Introduction .....</b>	<b>5</b>
<b>1.1 Background .....</b>	<b>5</b>
<b>1.2 Problem area .....</b>	<b>6</b>
<b>1.3 Purpose &amp; research question .....</b>	<b>7</b>
<b>1.4 Delimitations .....</b>	<b>7</b>
<b>1.5 Expected contribution.....</b>	<b>8</b>
<b>1.6 Definitions.....</b>	<b>8</b>
<b>1.7 Disposition .....</b>	<b>9</b>
<b>2. Method .....</b>	<b>10</b>
<b>2.1 Choice of topic and preliminary work.....</b>	<b>10</b>
2.1.1 Research design and approach .....	10
<b>2.2 Preparatory work for this thesis.....</b>	<b>11</b>
2.2.1 Selection of company .....	11
2.2.2 Selection of respondents .....	12
<b>2.3 Implementation of the thesis.....</b>	<b>13</b>
2.3.1 Collection of empirical data.....	13
2.3.2 Online survey design .....	13
2.3.3 Online survey measurements .....	14
<b>2.4 Quality and Reliability .....</b>	<b>15</b>
2.4.1 Quality and reliability of research.....	15
<b>3. Theoretical framework .....</b>	<b>15</b>
<b>3.1 Customer satisfaction and loyalty theory .....</b>	<b>16</b>
3.1.1 The research model .....	16
3.1.2 Business level factors .....	17
3.1.3 Individual level factors .....	18
<b>3.2 Channel-switching behavior .....</b>	<b>18</b>
<b>3.3 Diffusion theory – Rate of adoption .....</b>	<b>20</b>
<b>4. Literature review .....</b>	<b>20</b>
<b>4.1 Positive approach to the multi-channel strategy .....</b>	<b>20</b>
<b>4.2 Negative approach to the multi-channel strategy .....</b>	<b>22</b>
<b>5. Online survey findings.....</b>	<b>23</b>
<b>5.1 Definitions.....</b>	<b>23</b>
<b>5.2 Customer satisfaction and loyalty .....</b>	<b>24</b>
<b>5.3 Channel relationship .....</b>	<b>27</b>
<b>5.4 Adoption .....</b>	<b>29</b>
<b>6. Analysis .....</b>	<b>31</b>
<b>6.1 Customer satisfaction and customer loyalty .....</b>	<b>31</b>
<b>6.2 Channel relationship .....</b>	<b>32</b>
<b>6.3 Adoption .....</b>	<b>33</b>
<b>7. Discussion and implications.....</b>	<b>33</b>
<b>7.1 Discussion and critics of the result in the thesis .....</b>	<b>33</b>
<b>7.2 Conclusions.....</b>	<b>35</b>

---

7.2.1	Satisfaction within multiple channels .....	36
7.2.2	Loyalty within multiple channels.....	37
7.2.3	Perceptions of channel relationship .....	37
<b>7.3</b>	<b>Suggestions of further research .....</b>	<b>38</b>
<b>7.4</b>	<b>Managerial implications .....</b>	<b>38</b>
<b>8.</b>	<b>References .....</b>	<b>40</b>

## **1. Introduction**

*In the first section of the introduction, a background of the study is given. The background provides relevant information to the reader in order to better understand the problem areas, which will be explained in the second part. The third part of the introduction gives a detailed explanation of the purpose and the research questions. In section four, the delimitations are formulated. Since the thesis is constrained to one single organization, the delimitations should be read carefully in order to get a better understanding of the thesis. Furthermore, in section five of the introduction, a suggestion of the thesis' expected contribution will be given, followed by a section explaining and defining major concepts frequently used. As a final part of the introduction, the reader will be offered a disposition in order to get a better understanding of the thesis and how it is composed.*

### **1.1 Background**

Polarn O. Pyret (henceforth PO.P) is a well-established Swedish retailer that sells children's clothing and with its 112 shops it is today, in addition to Sweden, represented in Northern Europe and the US. In order to succeed in the ever-growing competition within the retail business, PO.P implemented electronic commerce (henceforth e-commerce) into its multi-channel strategy on the March 16<sup>th</sup>, 2009. One may then ask whether a multi-channel strategy is necessary to succeed in this competitive environment and what such a strategy has to offer that a regular store cannot. Will PO.P be able to take advantage of the endless possibilities that Internet offers?

“The Internet serves as both a procurement and sales channel, as well as a databank containing information about goods and services”, – Olle Findahl, author of *Swedes and the Internet 2010*.

The first step towards a virtual community was taken in 1990 when Tim Berners-Lee developed the first World Wide Web server and only a few years later several large players expanded their online shopping service (Newbery M., 2010). Technological advancements have changed the retail sector considerably in recent years. In 2004, 79 percent of the Swedish population in the age group of 16-74 had access to Internet (Statistics Sweden). In 2010, the corresponding share was 91 percent (Statistics Sweden). This means that, approximately, an additional 1.2 million people had the opportunity to use e-commerce in their home in 2010 as compared to 2004 (Statistics Sweden). Growth in the usage of e-

commerce has been huge in the past couple of years and many retailers have increased their sales figures tremendously. According to the Swedish Retail Institute an increase of 4-5 percent in all retail sales has been stated in the year 2010 as compared to 2008 (Swedes and the Internet, 2010). According to the statistical report, Swedes and the Internet 2010, nearly everyone in the age group of 16-55 years has purchased goods on the Internet. Due to the fact that people seem to have less time for shopping nowadays as compared to earlier generations, the demand for convenience and information search prior to the purchase has increased. According to the database service Affärsdata, e-commerce is currently taking market shares from the physical stores and goods such as books, CDs, clothing and electronics that are frequently consumed on the web.

## 1.2 Problem area

Internet has created endless possibilities for consumers and retailers. Several studies have been done in this area already and published articles report that multi-channel shoppers spend more money when shopping and earn relatively more (The wall street journal, 2004). The benefits offered with multiple channels are those which simplify customers' ability to search for information in one channel and pursue the transaction stage in another channel (Joo & Jin Park, 2008). But why do e-tailers<sup>1</sup> experience difficulties in retaining customers? Ask yourself; are you more loyal to a physical store, where you actually meet people, exchange feelings and get a more customized service that you do not receive online? Do physical stores provide higher customer satisfaction and increase customer loyalty? The opposition to the multi-channel strategy argues that a form of cannibalization may occur if a company introduces the multi-channel strategy to its customers (Baal and Dach, 2005). There may be conflicts between the channels within the company (Falk et al 2007) and switching between retailers may also occur. With the wide range of offers available on the Internet it has been shown that 20 percent of all online transactions are not completed within the same retailer, in which the customer collected information from. Those consumers are called *free riders* (Van Baal and Dach, 2005). The most important aspect to have knowledge about when a company starts its e-commerce is to understand what its customers in each channel value (Webb, 2002). Multiple channels sometimes offer more convenience to the customers since it enables ordering products at home and may therefore possibly increase consumer value. Thus, values

---

<sup>1</sup> Retailers using e-commerce as a distribution channel

and opinions are highly individual and therefore, it is essential for the PO.P to understand its customers and to be able to offer what they require, otherwise they will leave for another company.

What does a multi-channel strategy mean for PO.P and what are the effects of it?

The authors of this thesis find this phenomenon of multi-channel strategy interesting, as there seem to be different opinions whether an implementation of multiple channels is an exclusively positive strategy or if there are negative effects such as channel conflicts.

### **1.3 Purpose & research question**

When doing initial research of the multi-channel strategy, the authors found different views that may be of importance for PO.P, which might support further development of its e-commerce. To explain *how* and *why* distribution channels affect each other in general would be an enormous advantage for PO.P in this situation, but it will be difficult and hardly attainable to achieve given the time frame for this thesis. The authors aim to understand *how* different distribution channels affect each other and hope insight in this matter will provide valuable information for the organization to further develop its e-commerce.

If the distribution channels are affecting each other, this will probably affect the customer satisfaction as well. Hence, the purpose of this thesis is to explain and describe the current situation of PO.P and *how* its distribution channels in the multiple channels affect each other within the organization.

Consequently, the thesis's research questions are:

1. Are the multi-channel shoppers of PO.P more satisfied than the non multi-channel shoppers?
2. Are the multi-channel shoppers of PO.P more loyal to the brand than the non multi-channel shoppers?
3. How are the different distribution channels affecting each other within PO.P?

### **1.4 Delimitations**

PO.P launched its e-shop in March, 2009 and as of today its e-shop is however limited and covers only the Swedish market. PO.P has expanded its e-commerce business division to the

US but is for the moment using Amazon.com as a distribution channel. Hence, the thesis does not include customers in other countries than Sweden. With its physical stores PO.P is an established actor on the Swedish retail market and therefore a more fair result will be given.

PO.P cannot use a cross-channel strategy, since the company has several franchisers within the organization. Thus, it is problematic for PO.P to integrate multiple channels and allow cross-channel movements since the franchisers do not receive profits made from the e-shop (Sandberg, April, 2011). Therefore, this thesis will be limited to analyze how customers are affected by the multiple channel strategy in the current situation.

According to Swedish Statistics, the usage of e-commerce is most prominent in the age range of 25-44. Since PO.P is selling children's clothes and the fact that most women give birth to their children sometimes during this period in life, the authors have delimited the thesis and its data collection to only cover the age range 20-50. This, in order to ensure an as accurate result as possible compared to the statistical age distribution of the e-commerce usage.

## **1.5 Expected contribution**

As of today, several studies have been found which have contributed to this area of knowledge. The authors have discovered different opinions about whether the multi-channel strategy is positive or negative.

In addition to already written studies, the thesis will provide contribution to PO.P and its future development in the area of e-commerce. The authors also hope to provide contribution to other industry actors seeking to implement e-commerce to their existing business or actors looking for improvements of their already accessible e-shop. Increased knowledge in this area will also give PO.P a better understanding of its customers and the thesis will hopefully decrease the existing gap between the company and its understanding of customer satisfaction.

## **1.6 Definitions**

In order to clarify some of the constructs in the thesis, the authors have made the decision to include a section with definitions. This will serve the reader with a greater understanding of the overall concepts which will minimize the chances of misunderstandings.

Since P.O.P has several different franchisers, the organization can only provide a *multiple independent channel*, i.e. a consumer has the possibility to either buy clothes in the e-shop or the consumer can pre-shop and search for information in the e-shop and afterwards choose to complete the purchase in the physical store (Chatterjee, 2010). However, *multiple channel* is the word that will be used throughout the thesis. This strategy differs from the *cross-channel strategy* mentioned above. This strategy implies that the consumer may choose to switch channel in the middle of the ongoing purchase process and finish the purchase transaction in another channel i.e. cross-channel movements. Hence, the consumer can order an item online, but pick it up and pay for it in a physical store (Chatterjee, 2010).

Since people have the chance to search for information before visiting the physical store they can become more certain about their choices. This is called *pre-shopping*. When people pre-shop there is a risk for *free riding*, which is described as a situation when a person searches for information about a certain product or service but does not complete the actual purchase transaction within the same company (Van Baal & Dach, 2005).

## **1.7 Disposition**

In addition to the already presented introduction, the thesis will be structured as follow:

The thesis will be divided into seven chapters. In chapter two, the methodology will be presented, followed by chapter three which will describe the theoretical framework. Chapter four will give the reader an understanding of the secondary data, as the literature will be reviewed and chapter five will present a summary of the online survey findings. Chapter six will distribute the analysis and chapter seven which is the last part will offer a discussion and implications of the thesis.

## **2. Method**

*This chapter intends to give the reader insight in the research approach and research design. It will also provide an understanding of the selection of company and selection of respondents along with an explanation of the survey design chosen. Further, a section with quality and reliability of the research will also be given.*

### **2.1 Choice of topic and preliminary work**

E-commerce is becoming more important for companies nowadays and people use Internet as a source of information on a more regular basis. Multi-channel strategies have been discussed extensively, but there are several opinions whether it is a good idea to implement such a strategy or not. The authors discussed the choice of topic with Magnus Soderlund, professor of marketing at the Stockholm School of Economics, and found it interesting to further investigate the effects of a multi-channel strategy within a single organization. The authors chose to immerse themselves in the subject through extensively study previous academic researches and articles. This resulted in a greater knowledge base and an understanding of how multiple channels can affect businesses in the retail sector.

#### **2.1.1 Research design and approach**

The authors have studied several published articles with regards to multi-channel strategies. The articles read have been equally weighted between qualitative and quantitative studies. In general, the articles have explained what drives customer satisfaction in multi-channel strategies and what advantages and disadvantages the implementation of a multi-channel strategy can provide. Being able to determine the nature of the research is of great importance because it can be the basis for the external validity of results and researchers ability to attribute causality to their findings (Bryman & Bell 2007). This thesis is a case study as it aims to carefully and intensively examine e-commerce and multi-channel strategies within a single organization. Most case studies are often characterized by its qualitative research (Bryman & Bell 2007), but this thesis is designed with a quantitative approach hence the nature of the area studied required such. The design is one of a deductive rather than an inductive and with its explanatory approach the thesis aims to describe the conflict between already existing studies. Additionally, an explorative approach will be used as a means of trying to explain how P.O.P's distributions channels are affected by the multi-channel strategy and how this affects its customers.

The authors will use the research model developed by E. Anderson and S. Srinivasan (2003). The model has to some extent been rearranged in order to suit this particular case of PO.P and will function as a framework. The model is structured with intent to provide a better understanding of the link between customer satisfaction and customer loyalty.

In an intensive examination of a single organization, it is often questioned whether the findings can be generalized and function as external validity (Bryman & Bell, 2007). Since the findings and conclusions will be specific for the organization of PO.P and its customers, the authors' aim is not to provide the reader with a generalization. However, the authors will provide appropriate suggestions on what further research in this area might cover and to some extent try to generalize the theory in such matter that it will be useful to other industry actors as well.

## **2.2 Preparatory work for this thesis**

In order to make a relevant thesis, it was essential to find a suitable organization with the criteria looked for. Furthermore, the nature of the company's products required characteristics of common frequently consumed online goods. Thus the authors found PO.P to be an organization with those characteristics.

### **2.2.1 Selection of company**

Today, many companies with already existing offline channels choose to expand into e-commerce and thereby develop a multi-channel strategy (King, Sen & Sia 2004). The use of e-commerce and the manner in which it has developed differ among industries and most often the product that the company offers determines whether having a physical store or an e-shop, or both, is the best option. Due to those differences this study has chosen to limit its area of research to the retail industry where e-commerce is relatively widespread and accepted by the consumers. Additionally, it was essential to consider to what extent the chosen company actively works on the development of its e-commerce business division.

The decision to study the multiple channels of PO.P was in accordance with those criteria. The authors introduced the potential study to the management of PO.P and after having met with Maria Öqvist (CEO) and Anna Sandberg (Online Manager), during two informative settings, an agreement was established. As the authors already mentioned above, the organization of PO.P and its business concept involves several franchisers with regards to

PO.P's physical stores. As a franchiser it is not possible to share the profits made from the e-shop. This complicates the process of a multi-channel strategy for PO.P.

"Currently we have several franchisers and these are not part of the gains made in the e-shop. Therefore this makes it difficult for us to work with the multiple channel" – Maria Öqvist CEO, PO.P.

Hence, the authors found it even more interesting to analyze the multi-channel relationship within a company with such limitations. PO.P does not possess the ability to integrate the Internet channel and thus making it possible to offer its customers cross-channel movements. However, if it would have been possible to integrate such movements, it may arise internal conflicts between the franchisers and the company.

### **2.2.2 Selection of respondents**

Almost all studies in the nature of a quantitative study are in need of a sample (Bryman & Bell 2007). The decision regarding sample size will be determined according to choice and characteristics of the survey, along with the size and nature of the population. Therefore, the importance of having a population related to what is being studied will be crucial for this entire research and will determine whether or not the sample will come across as representative or not. Also, considering the sample size early in the research will determine what analysis that will be conducted (Bryman & Bell 2007). Even further, it is the absolute size of the sample that is of importance, not the relative size.

The sampling population in this thesis consists of approximately 170.000 people, representing a versatile group of PO.P's customers. From this population a sample of 686 respondents was studied. As of today, 4.8 percent of PO.P's customers are online shoppers (Stetz, 2011) and as the percentage of online users in the sample studied is comparable to that figure the respondents show a representative sample of the population. Putting it that way, the absolute size of the sample is considered large enough. Out of the 686 completed and valid respondents, 95 percent were women and 5 percent were men. Even that number is in accordance with the population as a whole. The age of the respondents varied from 19 to 49 years of age with a mean of 34 years of age. The sample represented respondent from many different places in Sweden.

## **2.3 Implementation of the thesis**

### **2.3.1 Collection of empirical data**

Several sources and techniques commonly used in quantitative studies have been used in the process of collecting relevant and realistic data.

Firstly, a majority of the material was collected through an online survey, which was distributed via PO.P's website, consisting of a selection of PO.P's customers in the age group 20-50 years. Furthermore, the authors received information from representatives of PO.P at various levels. This was necessary in terms of understanding the organization as a whole and to compose the survey as accurately and thoroughly as possible in order to generate the best results possible and to provide a basis for further analysis. Such information which the authors were given from the management of PO.P was of great importance for the completeness of this particular study. However, the majority of the information given needed to be treated confidential.

In addition, secondary data was collected from previous research and academic publications in the field of e-commerce and multi-channel strategies. The amount of material available was quite extensive in regards to the field of e-commerce while on the other hand, literature with regards to multi-channel strategies was to some extent limited. This could be explained due to the large number of studies designed with a narrative approach. Also the majority of existing studies are quite specific as they often explore a particular case, which can be difficult to apply to a more general context. Besides material from past studies, secondary data also include information gathered from industry reports and market statistical data.

### **2.3.2 Online survey design**

There are several advantages of an Internet-based survey regarding appearance and design according to Bryman and Bell (2007). An advantage is that the respondents' answers can be programmed and automatically downloaded into the database of choice. The downside is however that the respondent must be quite familiar with the Internet context. Web surveys have primarily been used to study large groups of online users (Bryman & Bell, 2007). Due to the fact that Internet-users tend to be better educated, wealthier, younger and not representative in ethnic terms, Couper (2000) also discusses the possibility of a biased sample of the population using an Internet-based survey. Yun and Trumbo (2000) concluded that

online surveys are suitable when resources are scarce and when the target audience is recipient to such as survey.

In line with the above, this thesis intends to use an online survey with a population sample obtained from PO.P's loyalty-card members. The questions were formulated in accordance with the past research and the authors were guided by techniques commonly used in creating questionnaires in the area of customer satisfaction and customer loyalty.

### **2.3.3 Online survey measurements**

This section aims to provide a clarification of the variables used in the performed tests and thus also give an understanding to how the online survey was outlined. Each question was answered on a scale from 1 to 10 where 1 corresponds to "disagree completely" and where 10 corresponds to "agree completely". The question about how far away from a perfect retailer PO.P can be perceived as has been answered on a different scale, where 1 corresponds to "far away" and where 10 corresponds to "very close".

#### *Customer Satisfaction - product*

- 1) I am satisfied with my last purchase
- 2) I will definitely buy this product again using this distribution channel
- 3) I will recommend this purchase to others.

#### *Customer Satisfaction - company*

- 1) How satisfied are you with PO.P?
- 2) To what extent does PO.P meet your expectations?
- 3) How far from a perfect retailer do you perceive PO.P to be?

#### *Customer loyalty*

- 1) I will recommend this purchase to others
- 2) I will recommend PO.P to others
- 3) I will recommend this way of shopping

#### *Convenience*

- 1) I find that the purchase was easy to complete

- 2) I find the web page and PO.P's e-shop easy to understand
- 3) I find it more comfortable to shop via PO.P's e-shop compared to the physical store.

#### *Trust*

- 1) I feel safe in ordering goods through PO.P's e-shop
- 2) I experience that the product I got lives up to what has been promised by PO.P's e-shop

## **2.4 Quality and Reliability**

### **2.4.1 Quality and reliability of research**

According to Bryman & Bell (2007), the quality of a research project is determined by its reliability and validity. A quantitative research must be reliable in terms of its consistency with a measure of a term. Validity, on the other hand, should take into account whether an indicator is a correct measure or not for the concepts being studied (Bryman & Bell 2007).

To ensure reliability of the data collected several studies in the area of customer satisfaction has been taken into consideration, especially throughout the establishment of the online survey. The survey was discussed carefully and conducted in cooperation with industry experts at PO.P before it was distributed through its website. Additionally, academic publications have been gathered only from reliable journals and databases in order to sustain the validity of the research. To ensure validity the authors worked closely together with the online manager at PO.P throughout the creation of the survey design and content.

Additionally, all sample respondents are actual customers of PO.P which gives creditability to the data and information studied.

## **3. Theoretical framework**

*Since this is a study which aims to examine a single organization and the difference between its customer groups, the authors have used a theoretical framework which will contribute to the understanding of the data collected as well as provide a structure in the way it is presented. The foundation of the overall theoretical framework has been build by appropriate general theory about customer satisfaction and customer loyalty. Beyond this framework, a model explaining consumer channel switching behaviors have been used in order to provide*

---

*deeper insight of how customer satisfaction and customer loyalty differs between the multi-channel shoppers and non multi-channel shoppers.*

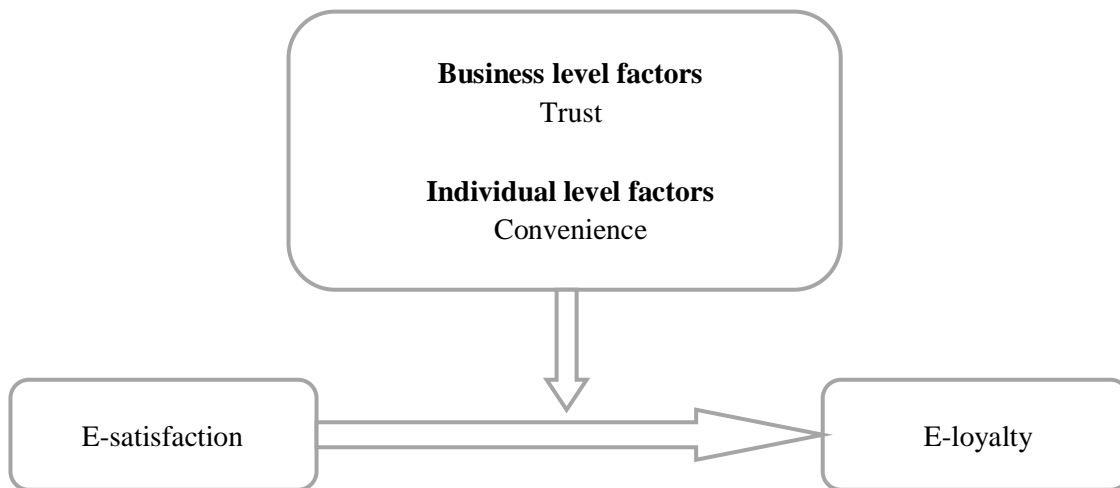
### **3.1 Customer satisfaction and loyalty theory**

Complete customer satisfaction may never be fully achieved; it is rather an ongoing process, which evolves over time. The process consisting of three elements; 1) overall satisfaction, 2) confirmation on expectations, and 3) the distance between the actual product and customer, hypothetically speaking, perfect product (Rossat, Larsen, Ruta, and Wawrzynosek 1998). Several studies have researched the drivers of customer satisfaction in Internet-related service channels. The online channel is characterized by self-service (Caruana, 2000) and thus standard measurements of customer satisfaction will be problematic to use as theoretical framework in this thesis. One example of such a measurement is the physical interaction that arises in the relationship between the personnel and the customers (Caruana, 2000). Since personal service and the physical presence are parameters which are non-existing in the e-commerce environment, it has been shown that elements of trust and convenience are of higher relevance with regards to online shopping. Therefore, the authors have been aiming to find a theoretical framework that evaluates trust and convenience in order to measure customer satisfaction of a company with a multi-channel strategy. The overall aim of customer satisfaction is to develop customer loyalty in order to increase the number of repeat purchases. Customers that pursue repeated purchases constitute the base and are the prerequisite for any type of business (Caruana, 2000). The general model of customer satisfaction concludes that customer satisfaction is driven by a number of elements. Elements particularly interesting to examine in regards of e-commerce have been modeled by E. Anderson and S. Srinivasan (2003). This model explains that e-loyalty is a result of e-satisfaction and that e-satisfaction is driven by two levels of factors; 1) business-level factors, and 2) individual-level factors. The authors' interpretation of this framework has been based on the particular case of PO.P and has been designed according to the model below. Thus the following paragraphs will provide an outline of the factors influencing the level of customer satisfaction with regards to the case of PO.P.

#### **3.1.1 The research model**

As the thesis aims to describe the channel relationship and how customer loyalty is depending on customer satisfaction within a single organization, the model had to be rearranged from its

original form in order to fit the nature of this thesis. Below, the authors offer an understanding of the model and its different parts, along with an explanation of how this model will provide value to further analysis of the data collected. Finally, the model will be interpreted to give answers to the research questions stated initially.



*The Research Model:* This model represents a slightly rearranged version of the original model introduced by E. Anderson and S. Srinivasan (2003). The rearrangement was necessary as it enabled the interpretation of the particular case of P.O.P. The model shows that there are several elements affecting customer satisfaction, business level factors as well as individual level factors. A certain degree of satisfaction is required in order to finally reach the level of customer loyalty.

### 3.1.2 Business level factors

#### *Trust*

Especially in e-commerce trust is of great importance. The aspects of the level of perceived risk and whether or not a product bought online satisfies a customer's expectations need to be included in the element of trust. The greatest concerns customers face when purchasing online are most often associated with the actual completion of the payment. In general and particularly apparent in e-commerce, if a customer lacks confidence towards the channel or the business as a whole, he or she will not be able to establish any degree of satisfaction, which as a result will not lead to e-loyalty either.

### **3.1.3 Individual level factors**

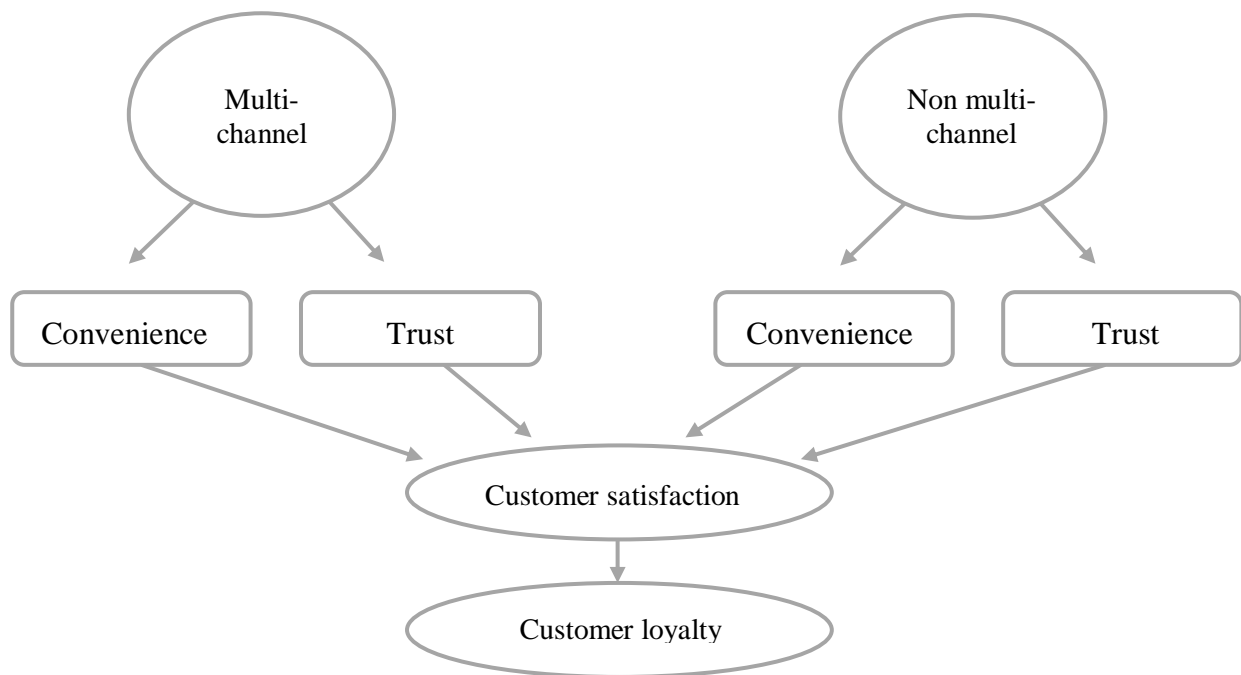
#### *Convenience*

The aspect of convenience involves parameters such as access to information, a customer's ability to complete the purchase and the payment, along with the element of time efficiency. The level of convenience is highly valued in e-commerce and affects the choice of channel extensively. Convenience is seen as the most prominent benefit towards choosing e-commerce over the physical store. Customers who choose distribution channel based on the level of simplicity and convenience will be less likely to inconvenience themselves by repeatedly searching for new potential suppliers, but will find themselves content when they find a convenient way to carry out their purchases.

## **3.2 Channel-switching behavior**

To understand why customers chose to switch between channels an extended version of Becker's model of time allocation (Reardon & McCorkle, 2002) has been studied. Becker's model assumes that a household will allocate its time and income spent on several different household activities as optimal as possible in order to reach highest level of utility achievable. Shopping on the other hand is not typically seen as a household activity but is rather a transaction cost. Here, such transaction costs include all the essential elements of the Becker model of time allocation. The extended Becker's model suggests that consumers will choose distribution channel which can provide them with the highest level of utility possible by the minimum deployment of resources.

Kelley et al. (1990) emphasize that consumers, in order to generate higher quality and less expensive goods will trade off time and energy by making choices at retailer level. Hence, the authors find it even more proper to use convenience as a factor within the theoretical framework to understand the customer satisfaction of multi-channel shoppers.



In line with the Research Model, the authors created this model which tries to demonstrate the relationship between the elements of convenience and trust, and how these are related to and indirectly determine the interdependence of customer satisfaction and loyalty. The degree of experienced convenience and trust will thus determine the possible reachable level of customer loyalty.

Reardon and E. McCorkle (2002) conclude in their study that offering multiple channel options will generate the most suitable platform in order to best deliver consumers' need for communication in terms of information and product allocation. If a retailer provides multiple channels Reardon and E. McCorkle argue that negative effects caused by channel-switching behavior will be limited.

Becker (1965) argues that the consumer faces an *optimization problem* when having to decide between the distributions channels to use. The optimization problem means that a consumer will choose to switch between channels when the benefits in relation to the costs of interacting with one channel knocks out the other channel, subject to income and assets limits. Hence Becker's model can be used to explain channel-switching behavior (Reardon & McCorkle 2002). The consumer model of channel switching behavior, studied by Reardon and McCorkle, will work as a guideline for the authors to understand why customers switch channels and thus become disloyal. The reasons to increased channel switching behavior

might origin from a number of dissatisfied customers and could as a result create a feeling of uncertainty within the retailer organization.

### **3.3 Diffusion theory – Rate of adoption**

Diffusion is defined as “the process by which an innovation is communicated through certain channels over time among the members of a social system” (Rogers, 1995). There are several aspects which affect the diffusion of an innovation. Rogers brings character to this concept by presenting four elements of relevance within the diffusion process. These four elements are: the nature of the innovation, the communication channels, the relevance of time, and finally the social system (Rogers, 1995).

According to Tomas S. Robertson (1995), there are five characteristics of an innovation included in the adoption theory. One of those five characteristics is complexity. The difficulty in understanding an innovation is determined by its complexity and will therefore affect the time needed to fully adopt an innovation. Previous literature have stated that time efficient shopping and shopping convenience have become important factors for consumers nowadays, and implementing a multi-channel strategy has become more and more relevant to many firms within the retail industry (Joo & Hyoung-Jin Park, 2008). Shopping convenience and the easiness to use a new innovative distribution channel will serve as the basic theory in the thesis. The authors have chosen these particular theories in order to analyze the multiple channel adoption in PO.P.

## **4. Literature review**

*In order to provide higher validity and better reliability of the thesis, the authors decided to implement a comprehensive literature review. The chapter will be divided into two parts comprising both a positive approach and a negative view regarding multi-channel strategies. Hence, the chapter will provide better understanding of the multi-channel strategy and thus acknowledging the relevance of the thesis.*

### **4.1 Positive approach to the multi-channel strategy**

The primarily reasons to why companies should devote e-commerce to their organizations and develop a multi-channel strategy are suggested to the possibility of an increased market share

and a reduction of costs (Frazier & Antia, 1995). This view regards the long-term perspective of having a multi-channel strategy.

According to Wallace et al. (2004), higher satisfaction in one channel can provide higher intentions to use alternative channels as well. Several studies confirm that multi-channel shoppers consume more money and earn relatively more than non-online shoppers (The Wall Street Journal, 2004) and therefore experts in this area consider multi-channel shoppers to be the most valuable customers to a company, since those customers purchase and spend both time and money in more than one distribution channel (Van Baal & Dach, 2005).

Time efficient shopping and convenience shopping are two parameters which have become increasingly important in regards to consumers' shopping behaviors and attitudes (Joo & Hyoung-Jin Park, 2008). It has become apparent that there are several factors driving customer satisfaction, and previous studies have researched the relationship between service quality and customer satisfaction (Joo & Hyoung-Jin Park, 2008). According to Corritore, et. al, (2003), the relationship between service quality and customer satisfaction is strongly influenced by trust. Jarvenpaa, Tractinsky, and Vitale (2000) proof the relevance of that finding. With empirical evidence they have shown that trust in an e-shop can reduce the perceived risk which the consumers might experience while buying from a specific retailer. Also, several researchers state that brand trust can be of significant importance and even the determinant factor when a consumer chooses to pursue the purchase transaction (Kim & Jones, 2009). Trust can also be interpreted in perceived risk and in a statistical report by Olle Findahl (2010), one of the most apparent risks in the context of e-commerce is the risk of credit card fraud.

Firms which are offering an extensive product range can benefit at all levels within the company and therefore an Internet-based distribution channel gives the retailers the opportunity to reach a larger customer base since there are no constraints in terms of location (Wang & Head, 2002). According to Joo & Hyung-Jin Park (2008), retailers can attract and retain customers more effectively by understanding and identifying customers' shopping behavior. Hence, retaining currently existing customers is relatively cost efficient in relation to attracting new customers (Chu & Desai, 1995).

## **4.2 Negative approach to the multi-channel strategy**

In contrast to the review above, there are also several negative aspects of multi-channel strategies. According to Falk et al. (2007) the risks of offering several distributions channels were initially concluded by firms with well-established multiple channels. Webb and Hogan (2002), have identified some internal conflicts which may be developed within the company's distributions channels. When developing a multi-channel strategy there may occur several conflicts with regards to issues concerning a company's budget, financial objectives, and product prices. These conflicts make companies and the total channel system suffer. Conflicts could arise from cannibalization, i.e. the majority of the customers choose to shop in one channel instead of the other. According to Van Baal and Dach (2005), 20 percent of all online transactions are not completed within the same retailer, in which the customer collected information from. This is due to the fact that competitors online are only a few "mouse clicks" away (Srinivasan et. al, 2002).

## 5. Online survey findings

*This chapter will provide the result from the online survey which was conducted on the 686 responding PO.P customers. The result will be presented in the same manner as the survey was outlined and thus cover those areas accordingly.*

### 5.1 Definitions

Firstly, in order to understand the results, this section gives the reader a clarification of the different variables created and used for the calculations.

The nature of this study, and thereby a requirement for being able to answer the research questions, demanded creating two different customer groups; *multi-channel shoppers* and *non-multi-channel shoppers*. The concept of multi-channel does not mean that both channels are used for the actual payment; it only requires some kind of involvement in both channels. The chosen estimate for determining a consumer's involvement with one or several channels was the degree of interspersion in both channels. All questions were answered on a scale from 1 to 10 where 1 corresponds to "disagree completely" and where 10 corresponds to "agree completely", except the question regarding how far away PO.P can be perceived as a perfect retailer which was answered on a scale where 1 corresponds to "far away" and where 10 corresponds to "very close".

The *multi-channel shoppers* are those customers that answered  $\geq 6$  on the question if they were helped/inspired/informed by the e-shop before making the purchase in the physical store, given that they had made their last purchase in the physical store. Also, this group contains those customers that answered  $\geq 6$  on the question if they were affected by the physical store before they made the purchase online, given that they had made their last purchase online. This group contained 212 respondents.

The *non-multi-customers* are those customer that answered  $\leq 5$  on the question if they were helped/inspired/informed by the e-shop before making the purchase in the physical store, given that they had made their last purchase in physical store. Also, those customers who answered  $\leq 5$  on the question if they were affected by the physical store before they made the purchase online given that they had made their last purchase online. This group contained 304 respondents.

*Online shoppers* are those customers that answered that they had made their last purchase online and who also answered  $\leq 5$  on the question whether they were affected by the physical store or not before purchasing online. This group contained 26 respondents.

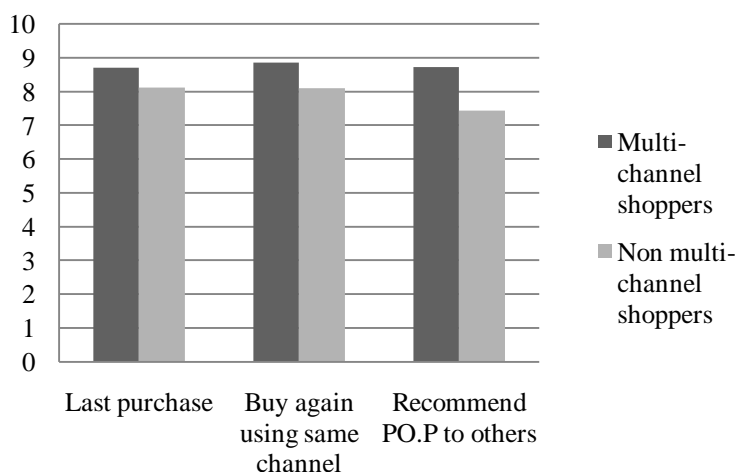
## 5.2 Customer satisfaction and loyalty

In order to provide some conclusion whether PO.P gains from its e-shop establishment great emphasis was placed on investigating customer satisfaction and loyalty between the two customer groups.

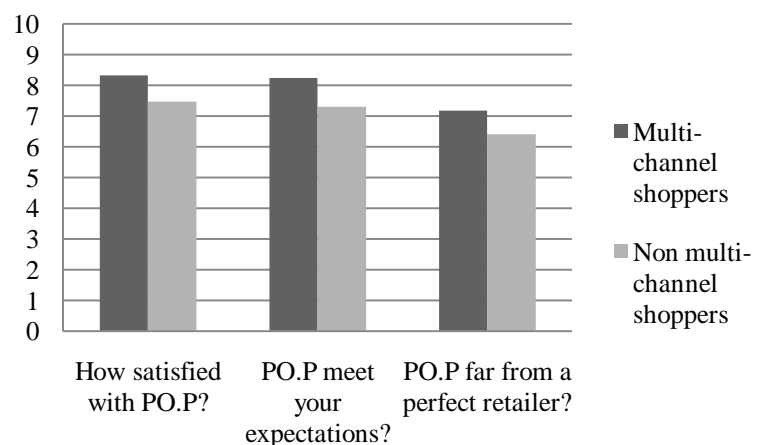
$H_1$  (a): *Multi-channel shoppers of PO.P are more satisfied and more loyal than the non multi-channel shoppers.*

Knowledge from past research and theory was considered as estimates for these parameters were determined. According to the above stated, three questions were asked as an estimate for measuring customer satisfaction on a product level and another three questions were asked to measure customer satisfaction at the enterprise level. The results were the following:

**Customer Satisfaction - Product**



**Customer Satisfaction - Company**



*Customer Satisfaction:* The tables above summarize the mean value of the variables measured to determine customer satisfaction between the two customer groups. As they are presented it is clearly the case that the multi-channel shoppers are overall more satisfied than the non multi-channel shoppers. All of the measures above were of significant impact.

As the diagram shows the multi-channel shoppers are more satisfied as related to the non multi-channel shoppers in terms of all elements tested for.

To ensure its significance an independent sample t-test was performed and the result is shown in the table below.

	Significance	Mean Difference
Customer Satisfaction, Product	0,000*	0,88029
Customer Satisfaction, Company	0,000*	0,87042
Customer Loyalty	0,000*	1,14708

\*The test is significant at the 0,05 level.

The table, which present performed independent t-tests, ensures that multi-channel shoppers are experiencing higher levels of both the customer satisfaction and the customer loyalty. The mean values are significant,  $P < 0,05$ , and thus it can be concluded that the multi-channel shoppers are in general more satisfied with PO.P's products and the company as a whole. But also these customers appear to be most loyal to PO.P.

From this table it is possible to conclude that multi-channel shoppers are significantly more satisfied in terms of the product but also in regards to the company as a whole. Here, the aggregative mean difference of customer satisfaction shows that the multi-channel shoppers have on average a higher mean responding to 9.59 percent higher than the non multi-channel shoppers. In terms of customer loyalty the mean difference shows that the multi-channel shoppers have a higher average mean of 13.88 percent relative the non multi-channel shoppers.

From theory it has been shown that the degree of loyalty is best determined by asking whether or not a customer will recommend his or her purchase to others. Satisfaction and loyalty showed high correlation for both customer groups, which also is in the lines with previous studies. Interesting, however, was that it appeared to be a higher correlation in terms of the non-multi channel customers although the multi-channel customers have shown higher mean values for all variables included in the measurement of customer satisfaction and customer loyalty.

---

		Multi-channel shoppers		Non multi-channel shoppers	
		No. of shoppers	CL	No. of shoppers	CL
CS - product	Pearson Correlation		0,806		0,873*
	Sig. (2-tailed)		0,000		0,000
CS - company	Pearson Correlation		0,395*		0,534*
	Sig. (2-tailed)		0,000		0,000
N		212		301	

---

\*Correlation is significant at the 0,01 level (2-tailed)

*Customer Satisfaction and Customer Loyalty:* In line with theory and past academic publications, customer satisfaction and customer loyalty are highly correlated which the table shows as well. Interestingly, it appeared to be a higher correlation in terms of the non-multi channel customers although the multi-channel customers have shown higher mean values for all variables included in the measurement of customer satisfaction and customer loyalty.

Evidently, there appears to be correlation between customer satisfaction and customer loyalty. Interestingly, the table above shows that the correlation between customer satisfaction, with regards to the company level, and customer loyalty is however not as strong.

Overall, the multi-channel shoppers showed a higher level of customer satisfaction. It was therefore interesting to further examine what actual parameters that drive customer satisfaction with regards to this customer group. To determine factors that significantly impact the level of satisfaction with regards to the *last purchase* a linear regression was computed and a satisfaction index was created from the three questions regarding the product. Several variables were tested for, i.e. product ranch, service, layout, and delivery, however the regression below presents only the independent variables of significant value. All variable are measured as explained above.

*Dependent variable:*

Y: Customer Satisfaction

*Independent variables:*

X<sub>1</sub>: Convenience

X<sub>2</sub>: Trust

	Beta	Significance	Adjusted R squared
Convenience	0,377	0,014*	0,599
Trust	0,488	0,002*	

\*Regression is significant at the 0,05 level (2-tailed).

The table summarizes the outcome of the linear regression with customer satisfaction as a dependent variable. It was shown that variables of convenience and trusts have a significant influence on customer satisfaction with regards to the multi-channel shoppers.

Variables of trust and convenience turned out to be significantly important in terms of customer satisfaction, where the level of trust ( $\beta=0,488$ ), in comparison the level of convenience ( $\beta=0,377$ ) appeared to affect the greatest.

**Summary:  $H_1(a)$  Finds support**

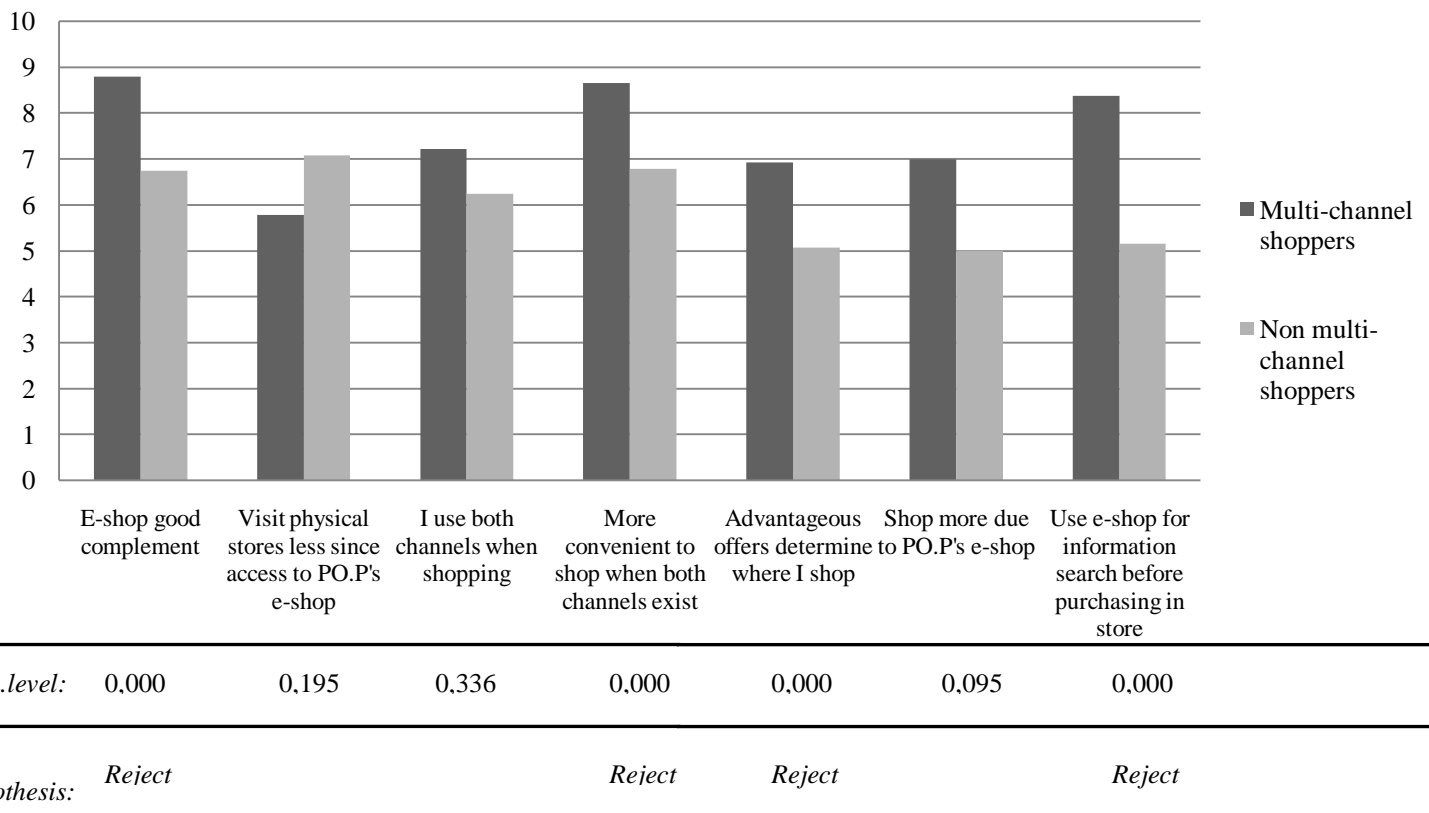
### 5.3 Channel relationship

As presented above, several studies in the area of multi-channel strategies have been published and many of them are contradictive in regards to benefits and drawbacks with such strategy. In order to understand if there is a conflict between the two distribution channels provided by PO.P and how these perceptions vary among customers the authors have examined customer attitudes and behavior.

$H_1$  (b): *Having multi-channel strategies is beneficial for PO.P*

In order to conclude the relationship between the channels, whether the channels positively affect each other or not there were several aspects needed to examine this. Several questions were considered in order to determine whether there is an interaction between the channels and if so, how this interaction is perceived by the different customer groups.

### Channel Relationship



*Channel Relationship:* The chart shows mean averages over a number of questions that relate to the relationship between the e-shop and the physical store and how these interact. The result presented above shows that there are scattered opinions between the two different customer groups. The following factors were of significance. 1) The multi-channel shoppers are experiencing that PO.P's e-shop is a good compliment to its well-established physical stores. 2) They also find shopping to be more convenient when they are offered access to both distribution channels. 3) The multi-channel shopper are more affected by relevant and advantageous offers when determine which channel to shop from. 4) In addition, it was shown that the multi-channel shoppers primarily use the e-shop to search for information prior of the actual purchase.

Some interesting differences appeared between the customer groups. Four observations of relevance can be drawn from the diagram above.

- 1) The multi-channel shoppers are experiencing that PO.P's e-shop is a good compliment to its well-established physical stores.
- 2) They also find shopping to be more convenient when they are offered access to both distributions channels.

3) The multi-channel shoppers are more affected by relevant and advantageous offers when determining which channel to shop from.

4) In addition, it was shown that the multi-channel shoppers primarily use the e-shop to search information prior to the actual purchase.

Neither of the results presented above show any tendency for cannibalization between the channels in regards to the multi-channel customers.

*Summary: H<sub>1</sub>(b) Finds support*

## **5.4 Adoption**

The results from above demonstrate the importance of convenience and trust especially with regards to the multi-channel shoppers. In line with the results the authors consider that this customer group finds it easier to assimilate new innovations. Accordingly, the authors found it interesting to examine the theory of adoption and whether or not it is possible to relate rate of adoption to convenience and trust. The following hypothesis was stated.

*H<sub>1</sub> (c): Convenience and trust influences the rate of adoption in online shopping*

The study clarified some characteristics of difference between the customer groups with regards to adoption of innovation. It was clearly shown that online shoppers are those who find it relatively easy to adopt to new trends in the society as well as those who greatly try new things.

To test this hypothesis a correlation was calculated. As the customers have completed the survey with regards to their last purchase, this test aims to examine whether the customers which made their last purchase in P.O.P's e-shop, and thus have adopted to this innovation, found the element of convenience to highly influence this decision.

This test was thus completed only involving the customers who made their last purchase in P.O.P's e-shop. The outcome is presented in the tables below.

---

		Number of online shoppers	Convenience
Rate of Adoption	Pearson Correlation	1	0,335*
	Sig. (2-tailed)		0,046
	N	37	36

\*Correlation is significant at the 0,05 level (2-tailed).

The positive correlation, with a correlation coefficient of 0,335, was significant at the 4,6 percent level. The correlation between rate of adoption and convenience turned out to be positive, however not particularly strong.

---

		Number of online shoppers	Trust
Rate of Adoption	Pearson Correlation	1	0,374*
	Sig. (2-tailed)		0,025
	N	37	36

\*Correlation is significant at the 0,05 level (2-tailed).

The positive correlation, with an correlation coefficient of 0,374, was significant at the 2,5 percent level. According to the figures presented in this table, the correlation between rate of adoption and trust is to some extent stronger than the one of convenience.

As stated above, convenience seems to be a factor which is essential to the online shoppers thus the test above showed positive correlation between the probability of adopting new things rather easy and experiencing the purchase relatively convenient. Additionally, the aspect of trust seems to be related to adoption which, in accordance to the table, correlates positively. Thus, convenience and trust play a significant role in online purchasing decisions. In response to the above stated, the study thereby shows that the customer that adopt towards using PO.P's e-shop seeks simplicity.

**Summary:  $H_1(c)$ : Finds support**

## **6. Analysis**

*In this chapter the authors will provide the reader with an analysis of the study, including business related research and appropriate theory, along with online survey findings summarized above. In terms of structure, the analysis aims to present the findings according to the framework presented in chapter four. The framework as such covers customer satisfaction and customer loyalty, channel relationship, and the rate of adoption. The elements of trust and convenience and their relevance to the findings will be emphasized throughout each part of the analysis in order to connect to earlier formulated topics of importance.*

### **6.1 Customer satisfaction and customer loyalty**

The process of establishing customer satisfaction is endless and thus complex in its nature. From this perspective, standard measurements of customer satisfaction have been developed by a number of experts and researchers in the area. However, these measurements have not come to use in this study since the characteristics of e-commerce and online channels are not applicable to such standardization. However, the overall aim of customer satisfaction is to convert customers into being loyal customers. The findings from the online survey present that customer satisfaction and customer loyalty is strongly related. According to the findings it has been shown that the multi-channel shoppers are experiencing a higher level of satisfaction, in fact the results indicate a 9.59 percent higher level of satisfaction in comparison to the non multi-channel shoppers. Similarly, customer loyalty shows the same tendency and the corresponding figure indicates that the multi-channel shoppers are in general 13.88 percent more loyal to P.O.P. Hence, P.O.P's multi-channel shoppers are the most satisfied ones and not surprisingly the most loyal ones as well. In line with the theoretical framework, the elements of trust and convenience have a significant influence on these customers. That is, depending on the extent to which customers trust that the e-shop will deliver what was promised and that he or she feels confident to make the purchase and payment, it is more likely that the customer experiences satisfaction. Also, it is easier for customers to sympathize with something that they find easy to handle and hence, the simplicity and convenience of P.O.P's e-shop affect the customers' overall satisfaction. With the extensive supply of offers that are available to customers online, there is a potential risk that customers easily switch between retailers. From past research it is stated that high level of customer satisfaction will in fact minimize customers' intention of switching which thus

implies higher level of customer loyalty (Reardon & McCorkle, 2002). Multiple channels sometimes offer more convenience to the customers and if the customer increases the amount of repeated purchases within the same multi-channel retailer he or she will become more loyal and also develop higher levels of trust.

Due to the fact that the business of e-commerce increasingly captures market shares from the physical stores (Linderoth, 2010), especially within the retail industry, a large number of customers switch between the different distributions channels. How is the extensive implementation of multiple channels affecting the channel relationship?

## **6.2 Channel relationship**

The way in which the different distributions channels influence each other has been demonstrated in the survey findings. The perceived channel interactions differ between P.O.P's various customer groups. As Becker explains in his model of time allocation consumers will choose distribution channel in regards to the highest level of utility possible to reach with minimum use of resources. The ongoing discussion in the field however, deals with whether it is beneficial or not to actually introduce a multi-channel strategy. Firstly, if the consumer lacks the confidence, in terms of trust, to pursue the purchase online, it is possible that he or she will choose another distribution channel, which gives the consumer the confidence to do so. The authors intended to examine how and to what extent the channels are affecting each other. The following four results which became apparent are; 1) The multi-channel shoppers are experiencing that P.O.P's e-shop is a good compliment to its well-established physical stores. 2) They also find shopping to be more convenient when they are offered access to both distribution channels. 3) The multi-channel shopper are more affected by relevant and advantageous offers when determine which channel to shop from. 4) In addition, it was shown that the multi-channel shoppers primarily use the e-shop to search for information prior of the actual purchase. Since the multi-channel shoppers responded higher on all claims, the multi-channel strategy will not increase the risks of cannibalization within P.O.P. In line with the today's society, in which more and more people seek to manage their time more efficiently, convenience can lead to more habitual behavior for the multi-channel customers. Also, if customers are aware of the characteristics of their last purchase, for example its convenience, and if they highly value what was offered to them at that time, the chances of repeated purchases are relatively high.

But in order to increase the base of multi-channel shoppers, a significant number of consumers need to adopt the e-commerce shopping behavior. Is such adoption behavior also driven by trust and convenience?

### **6.3 Adoption**

As mentioned above there are differences, from customer to customer, in how fast innovations are adopted. When analyzing the online survey findings, it became apparent to the authors that multi-channel shoppers search for convenience when shopping. Hence, convenience plays a significant role in attracting new customers and therefore P.O.P should be analyzing the e-shop on a more regular basis in order to clarify and perhaps ensure whether or not it offers what is required. As people become more familiar with Internet in general and Internet-based activities, taking the step from only having purchased cloths in a physical store to becoming a multi-channel customer is thus not a tremendously huge step. In addition to convenience, the findings provide understanding of adoption behavior in general. The customers that adopt to the innovation of e-commerce more quickly were easily identified. Clearly, the multi-channel shoppers adopt more rapidly to new trends than the non multi-channel shoppers and evidently, the elements of trust and convenience correlate with the degree to which the customers adopt the e-shop with regards to time. Additionally, it can be discussed whether the e-shop can gain from a positive word-of-mouth effect from the multi-channel shoppers in order to attract the non multi-channel shoppers to become multi-channel shoppers. The interaction between the company and its multi-channel shoppers is therefore of great importance.

## **7. Discussion and implications**

*In this chapter, the authors offer a discussion regarding the multi-channel strategy. This is followed by a conclusion which provides answers to the initially stated research questions. Besides of an overall discussion, a criticism of the results and a suggestion to further research, followed by managerial implications will be highlighted.*

### **7.1 Discussion and critics of the result in the thesis**

The results from the previous chapter give the authors a sufficient basis to conclude that multi-channel shoppers are more satisfied than non multi-channel shoppers. It also provides enough data to conclude that P.O.P's multiple channels do not suffer from cannibalization.

Before proceeding to analyze the conclusions and the implications of these findings, a discussion about why convenience and trust are parameters which affect customer satisfaction and customer loyalty in such large extent. Also, an argumentation whether or not the online survey participants have answered truthfully enough in order to provide a reliable result of the thesis will be given.

Previous researches have concluded that general factors that drive customer satisfaction and customer loyalty cannot be measured entirely with standardized measurements. This is due to the fact that these measurements are characterized to suit the traditional store environment, which involves elements of physical interaction and personnel service (Caruana, 2000). Hence, specific elements with regards to online shopping are needed. In today's society people require time efficient services and thus must be easy to handle, and thereof the factors which measure customer satisfaction and customer loyalty within e-commerce need to incorporate the perceived risk and simplicity as the virtual service offers.

The authors have consistently argued that customer satisfaction leads to customer loyalty. As shown, which also is in line with the previous literature, the customer satisfaction and customer loyalty are highly correlated. However, the results demonstrate that the correlation, with regards to customer satisfaction on a company level, is not nearly as high as the correlation regarding customer satisfaction on product level. In line with the above discussion on that the standardized parameters cannot be used as the driving factors for the level of customer satisfaction in e-commerce, the following can be argued. The physical interaction and personnel service are, among others, parameters which highly influence the overall appearance of a physical store, however these are not present in the e-commerce environment. Thus, the lack of such elements may be the reason to why the correlation between the customer satisfaction on company level was relatively low in comparison to the customer satisfaction regarding the product.

The thesis as such is based primarily on an online survey representing P.O.P.'s own customers' opinion in the matter. The authors assume that the respondents have given a fair picture of their involvement and experience in each distribution channel, along with their individual opinion about P.O.P. Therefore the results presented in chapter five are highly reliable.

In fact, that only 4.8 percent of P.O.P.'s loyalty-card members are online shoppers could possibly be construed as limiting the study and thus rule out the possibility of a complete

analysis. However, this was taken into consideration before completing and distributing the online survey. Additionally, there was an ongoing dialogue between the authors and the PO.P management team when composing the survey.

Since the authors probably have a relative better understanding and insight in the field of e-commerce than the average respondent, this may have contributed to a possible narrow-mindedness initially. But with access to academic research which has given an extensive insight in the area of e-commerce, along with valuable information given by industry experts this myopic view was reduced significantly.

The research questions have been answered efficiently and the overall results were in line with what the authors predicted. The development of e-commerce has only begun and there are still many unexpected opportunities, which in the future must be taken action on. Thus, the thesis emphasizes a long-term perspective of the development of the business of e-commerce. In response to how the channels influence each other and how customer satisfaction and customer loyalty are affected, along with further developed by an integrated multi-channel strategy, the results from the online survey have given a rather clear picture of the present situation in the case of PO.P.

In order to possibly provide future research to other industry actors an attempt to give a generalization with regards to theory has been done. However, a generalization of the study and its conclusion cannot be established since the thesis examines a unique case of a single organization. In order to apply the findings more broadly a similar case-specific study needs to be researched for that particular organization.

## **7.2 Conclusions**

In order to provide a conclusion to the research questions, it was of most importance that the data collected could be analyzed with reliability. Furthermore, a theoretical framework of relevance needed to be interpreted in order to function as an overall mainstay. The respondents of the online survey represent an exclusive group of 686 real customers of PO.P. This provide both validity and reliability of the research, hence causality is delivered to the findings of the research.

The authors aim to contribute to the further development of PO.P's e-commerce, and to hopefully be able to establish a framework for an eventual expansion to other countries. The

thesis may even obtain better potential to function as a link between PO.P and its customers in order to increase overall customer satisfaction and customer loyalty.

Below follows a more detailed summary of the results which has been demonstrated. In order to reach the objectives of this study, three different research questions were formulated.

- 1. Are the multi-channel shoppers of PO.P more satisfied than the non multi-channel shoppers?*
- 2. Are the multi-channel shoppers of PO.P more loyal to the brand than the non multi-channel shoppers?*
- 3. How are the different distribution channels affecting each other within PO.P?*

### **7.2.1 Satisfaction within multiple channels**

The model used in this thesis, and which to some extent was rearranged shows that customer satisfaction is highly driven by trust and convenience. Customers are seeking convenience and find it advantageous to have the opportunity to search for information in one channel, most commonly the online distribution channel, prior to the actual purchase transaction. According to the online survey findings and the analysis, the conclusion is as follows.

Multi-channel shoppers experience a higher degree of satisfaction, relative the non multi-channel shoppers, which may be explained by the fact that they interact with the company in a greater extent using both distribution channels. If consumers provide themselves with extensive knowledge about the products prior to the purchase transaction, the probability of customer satisfaction will increase. People have a willingness of allocating their time more efficiently which coincides with the notion that e-commerce is a great addition and complement to the traditional physical store in the aspect of time saving. Thus as above stated, the strategy of having multiple channels sometimes offers more convenience to the customers since it involves, and while facilitating ordering products at home. Besides the element of convenience, the significance of trust showed to be of great importance with regards to satisfaction. Evidently, customer satisfaction determines a customer's loyalty towards a brand or a company and therefore, having multiple channels, if managed correctly and carefully, will provide greater customer value.

### **7.2.2 Loyalty within multiple channels**

Customer loyalty is, according to the authors, highly driven by customer satisfaction. In line with the online survey findings, it is possible to conclude that the multi-channel shoppers form a significant part of PO.P's most loyal customers. Again, this reflects the theory about customer satisfaction and customer loyalty thus this customer group, as concluded above, represents the overall most satisfied customers. In line with this, it is possible to imagine that customers who spend more money and visit both the physical store and the e-shop more frequently will eventually become more loyal to the entire company. Having satisfied customers within the multiple channels will thus be essential in order to increase its base of loyal customers. This link can also be translated to the model used in this thesis.

Also, it has been discussed whether the relation between customer satisfaction and customer loyalty is depending on the presence of elements such as physical interaction and personnel service. Since these elements are difficult to integrate in e-commerce the authors argue that the absence of these parameters is the reason to why the correlation between customer loyalty and customer satisfaction on a company level is relatively low. Thus, PO.P may want to consider the further development of its e-shop with regards to these findings.

### **7.2.3 Perceptions of channel relationship**

“One of our long-term objectives is to increase sales in all channels within the multiple-channel” - Maria Öqvist, the CEO of PO.P

PO.P has experienced substantial growth in both its e-shop and physical stores in recent years (Öqvist, 2011). E-commerce is still a relatively undeveloped business but due to the increasing competition, understanding how the multiple channels affect each other is thus crucial as cannibalization may occur. The authors can conclude, in the case of PO.P, that cannibalization within the multiple channels is not affecting the physical store in the current situation. Even if the online survey is a reliable source, the authors want to notify once again that only 4.8 percent of the loyalty-club members, a group consisting of approximately 170 000 of PO.P's customers, can be translated into pure e-commerce customers. Due to the fact that customers of PO.P are seeking convenience and some of them demand e-commerce, PO.P needs to keep in mind that these particular customers would probably leave for another retailer if the e-commerce had not existed. This knowledge is helpful in order to understand

that PO.P could take advantage of its e-shop as an attempt to attract new customers and to increase sales in the physical stores as well.

In conclusion, the existence of a multi-channel strategy is advantageous when there has not shown any signs of cannibalization between channels, but instead seems to be the case that the presence of both distributions channels actually offers greater customer value.

### **7.3 Suggestions of further research**

In order to provide PO.P with further understanding of what its customers' value and how the company is perceived among its customers, a further research project should aim to increasingly explore social media and to what extent PO.P and its customers can gain of such knowledge. Furthermore, since people seek convenience when shopping, PO.P should also try to investigate the possibility of making its e-shop compatible to smart phones. According to Warma Faring (2011), 8 out of 10 smart phone users use their smart phone in shopping activities. Maria Öqvist, the CEO of PO.P has already noticed this trend of an increasing and extensive usage of smart phones in the online retailing industry even if the digital platform and mobile phones are not compatible.

The authors' choice of studying PO.P and its e-shop has involved some limitations. For example, the franchisers do not receive any profits made from the e-commerce division. In view of this, the authors propose further research of this situation in order to gain understanding of how the franchisers will be affected in the long run as PO.P continues with its multi-channel strategy. It could be an essential area to increase knowledge in thus the company probably wants to prohibit internal conflicts locally as well as globally.

PO.P has expanded its e-commerce to the US and for the moment the clothes are sold through Amazon. Hence, a further research project should investigate whether there are cultural differences in customer satisfaction. This can be highly valuable for PO.P in its further development of the multi-channel strategy.

### **7.4 Managerial implications**

People nowadays use Internet on a more regular basis, whereof the definition of multi-channel shoppers has become relatively ambiguous. It is problematic to categorize between consumers that are multi-channel shoppers since Internet is used for daily activities such as involvement in discussion forums, interaction with friends, and information search in all matters.

Furthermore, behavior-based advertising has become more relevant to companies (Daw & Newman, 2011). Customers are affected by commercials and advertising every day but when the actual amount of such advertising is hard to distinguish, due to the massive exposure, it is also difficult to relate or be able to reflect it as marketing. This brings about some implications. Hence PO.P needs to be certain of which customers that are multi-channel shoppers in order to attract and retain profitable customers to its e-commerce.

According to Rogers (1995) the rate of adoption is dependent of the characteristics of the innovations as far as time concerns. PO.P launched its e-commerce business in March 2009 and has increased its sales figures since the beginning according to Öqvist (2011). However, when PO.P entered the e-commerce industry, the economy had come to be influenced largely by the then financial crisis. The retail industry suffered huge losses from the financial crisis and the sales in e-commerce dropped significantly (Ghadami et al, 2010). It is important to keep in mind that the financial crisis also affected the number of PO.P's online customers. Henceforth and to the extent it is possible further development of the e-commerce should be in harmony with the development of the whole economy in order to reach the masses of potential customers.

Even if the relative Internet usage in Sweden is one of the highest in the world, the customer behavior cannot be taken for granted. According to Olle Findahl (2010) almost everyone in the age group of 16-55 years has purchased goods online. But due to the highly competitive environment of the e-commerce market many customers choose to switch online retailers, i.e. e-tailers, more frequently as compared to customers present in the physical store environment. As already mentioned, 20 percent of all online transactions are not completed within the same retailer, in which the customer collected information from (Van Baal & Dach, 2005). And thus, in order for PO.P to survive and distinguish themselves from the crowd in this highly competitive environment it needs to differentiate and to be certain about what its potential customers' value and demand. Therefore, PO.P must maintain an active role in the matter to gain knowledge in customer demands. This can for instance be accomplished by monthly online surveys or improved social media monitoring. The understanding of social media is crucial especially with regards to its own brand and how it is perceived by its customers.

---

## 8. References

### Literature

- Antia D. K. and Frazier L. G (2001) 'The Severity of contract enforcement in interfirm channel relationships' *Journal of Marketing*, Vol. 65, p 67-81
- Becker, G., S.(1965) 'A theory of the allocation of time' *The economic journal*, Vol. 75, p 493-517
- Bryman, A. and Bell E. (2007) 'Business Research Methods' New York, US: *Oxford University Press*
- Caruana A. (2002) 'Service loyalty: The effects of service quality and the mediating role of customer satisfaction' *Journal of Marketing*, p 811-828
- Chatterjee, P. (2010) 'Multiple Channel and Cross-Channel Shopping behavior: role of consumer shopping orientations' *Marketing Intelligence & Planning*, Vol. 28 p
- Chu, W. and Desai S P. (1995) 'Channel Coordination Mechanisms for Customer Satisfaction' *Marketing Science*, Vol. 14, p 343-359
- Corritore, C.L., Kracher, B., Wiedenbeck, S., (2003). 'On-line trust: concepts, evolving themes, a model'. *International Journal of Human- Computer Studies* Vol. 58, p 737-758
- Couper, M. P. (2000) 'Web Surveys: A Review of Issues and Approaches' *Public Opinion Quarterly*, Vol. 64, p 464-494
- Falk, T., Schepers, J., Hammerschmidt, M., Baue H H. (2007) 'Identifying Cross-Channel Dissynergies for Multichannel Service Providers' *Journal of Service Research*, Vol. 10, p 143-160
- Findahl, O. (2010) 'Swedes and the Internet' 2010 .SE
- Gahdami, F., Aghaie, A., Mohammadkhan, M. (2010) 'The Impact of Financial Crisis on B2C e-commerce' *iBusiness*, Vol. 2, p 193-200
- Jarvenpaa L. S., Tractinsky, N., Vitale, M. (2000) 'Consumer trust in an Internet store' *Information Technology and Management*, Vol. 1, p 45-71
- Joo H-Y and Hyung-Jin Park M (2008) 'Information search and purchase channel across in-home shopping retail formats' *Academy of Marketing Studies Journal*, Vol. 12, p 49-61
- Kelley, S.W., Donnelly, J.H Jr and Skinner, S., J. (1990) 'Customer participation in service production and delivery' *Journal of Retailing*, Vol. 66 p 315-35
- Kim, S., and Jones, C., (2009) 'Online shopping and moderating role of offline brand trust' *Direct Marketing: An International Journal* Vol. 3 p 282-300
- King, R. C., Sen, R., and Xia, M. (2004) 'Impact of Web-based e-Commerce on Channel Strategy in Retailing' *International Journal of Electronic Commerce*, Vol. 8, p 103-130

- Newbery M. (2010) 'New fashion retail channels: how consumers will be buying clothes – forecast to 2016: Evaluation of channel evolution, 2000-2016' *Just-Style*, p 11-14
- Newman, J. and Daw, D.(2011) 'The Battle Over 'Do Not Track'' *PC World*, Vol. 29, p 13-14
- Reardon, J., and McCorkle, E., D. (2002) 'A consumer model for channel switching behavior' *International Journal of Retail & Distribution Management*, Vol. 30, p 179-185
- Robertson S. T (1995) 'The Process of Innovation and the Diffusion of Innovation' *Journal of Marketing*, p 14-19
- Rogers, M. E. (1995) 'Diffusion of Innovations' *The Free Press* Fourth Edition, p 1-37
- Rossat, J., Larsen, J., Ruta, D., and Wawrzynosek, M. (1998) 'Customer Loyalty, a literature review and analysis' *Working Group Marketing Strategies & Consumer Policy*
- Srinivasan, S. S. and Anderson E. R. (2003) 'E-Satisfaction and E-Loyalty: A Contingency Framework' *Psychology & Marketing*, Vol. 20, p 128-138
- Srinivasan, S. S., Anderson, R., Ponnnavolu, K. (2002) 'Customer loyalty in e-commerce: an exploration of its antecedents and consequences' *Journal of Retailing*, Vol. 78 p 41-50
- Statistics Sweden (2010) 'Use of computers and the Internet by private persons in 2010'
- The Wall Street Journal (2004) 'Shoppers who blend store, catalog, web spend more' The Wall Street Journal september 2003
- Van Baal. and S, Dach C. (2005) 'Free riding and customer retention across retailers' channels' *Journal of Interactive Marketing*, Vol. 19, p 75-85
- Wallace W. D., Giese L. J., Johnson L. J (2004) 'Customer retailer loyalty in the context of multiple channel strategies' *Journal of Retailing*, Vol. 80, p 249-263
- Wang, F. and Head, M. (2002) 'E-tailing: An analysis of Web-impacts on the retail market' *Journal of Business Strategies*, Vol. 19, p 73-93
- Webb K L (2002) 'Managing channels of distribution in the age of electronic commerce' *Industrial Marketing Management*, Vol. 31, p 95-102
- Webb, L. K and Hogan, E. John (2002) 'Hybrid channel conflict: causes and effects on channel performance' *The Journal of Business & Industrial Marketing*, Vol. 17, p 338-356
- Yun, G. W., and Trumbo C. W. (2000) 'Comparative Respons to a Survey Executed by Post, E-mail, and Web Form' *Journal of Computer-Mediated Communication*

### **Other digital sources**

Linderoth, M. (2010) Dagens Handel 'Näthandeln tar andelar från traditionella butiker' 2010-09-10 available: via Affärsdata

Warma Faring, A. (2011) 'Åtta av tio använder sina smarta telefoner i samband med shopping' *available*: <http://www.market.se/Brancher/Ovriga/Atta-av-tio-anvander-smarta-telefoner-i-samband-med-shopping/> 2011-05-05

Polarn O. Pyret (2011) *available*: [www.polarnopyret.se](http://www.polarnopyret.se)

### **Contacts within Polarn O. Pyret**

Anna Sandberg, *Online Manager*, personal meetings 2011-03-08 & 2011-03-25

Maria Öqvist, *CEO*, personal meetings 2011-03-08 & 2011-03-25

Stefan Stetz, *Business Development Manager*, e-mail conversation 2011-04-14 - 2011-05-16.