

WHAT'S NEXT?

A qualitative study about the growth of online B2C marketplaces in the Swedish fashion retail industry. Will curated marketplaces replace retail companies' own online channels?

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Abstract

Online marketplaces are currently gaining popularity in the Swedish market, and global incumbents such as Amazon have recently entered the market. Marketplace platforms are traditionally seen as an additional distribution channel that serves as an opportunity for retailers to capture new revenue streams and customers. Nevertheless, a recent trend has been to focus on other values, such as providing inspiration and creating more compelling offerings towards customers. Today, brands are seen to create a curated marketplace themselves by carefully introducing selective third-party resellers, with a clear focus on the customer experience and with a specific customer segment in mind. Long term, curated marketplaces have the potential of 1) challenging incumbents and 2) replacing brands' own online channels. With the aim of understanding the challenges and opportunities that Swedish fashion retailers face in exploring this marketplace model, the study seeks to guide retailers in the decision of being established on a curated marketplace or choosing to create a curated marketplace. This paper uses a qualitative method where industry experts and consultants within the scope of fashion retailing have been interviewed. The result emerged that retailers need to consider either entering a curated marketplace or becoming a curated marketplace. In the long run, a potential market consolidation is likely to happen; defined in this context as a movement of niched actors being brought together, as it is becoming increasingly attractive to tap into ecosystems within niche categories. Brands that have a strong position in the market, together with a clear niche, can take part in untapped opportunities by doing the latter. Suppose retailers implement a curated marketplace model and succeed in creating the ecosystem that usually arises around it. In that case, there is potential to capture and analyze high-quality data, which is vital in customer understanding and product development. In the long term, curated marketplaces are seen to capture an increased number of customers and sellers in a specific niche. Finally, as most time spent online is allocated on social media, and customers seek more inspirational content, curated marketplaces blur the lines between e-commerce and social commerce.

Keywords: Curated Marketplaces, Digital Marketplaces, Fashion Retailing, E-commerce, Social Commerce, Big Data

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1. Introduction

1.1 Background

The decision to enter digital third-party marketplaces has traditionally been seen as a way to acquire new customers and introduce additional revenue streams, by going beyond retailers' own online channels (Maier and Wieringa, 2021; Zhen et al., 2022). However, at the beginning of 2022, the Swedish fashion retailer H&M went the other way around by starting their own digital marketplace for apparels - evolving from being a [mono-brand] fashion retailer that only sells their own brands to becoming a [multi-brand] fashion retailer that sells several brands. The brand launched a curated marketplace model by introducing selected third-party products within apparels at hm.com (Dagens Industri, 2022; Ringstrom, 2022). In the context of H&M, a curated marketplace model implies a thought-out strategy on customer experience and inspiration factors, with carefully selected items. This includes both portfolio brands and external third-party brands. As H&M has a prominent position in being a globally well-known brand, their decision to experiment with a marketplace model may inspire other actors in the competitive landscape to follow. However, retailers will still have to decide: *to be at a marketplace or to become a marketplace*. H&M chose the latter in the context of the Swedish market but saw that they could benefit from doing it differently in other geographical markets.

The growing landscape of e-commerce has impacted the retail industry, where more customers are moving towards online channels in their shopping journey. In Sweden, 66% of the population made online purchases on digital marketplaces in 2021 (E-barometern, 2021), where Zalando and Amazon were the key shopping destinations among the Swedish shoppers. The digital shift was further accelerated by Covid-19 with online sales 2020 growing more than 40% in Europe. Even though the growth rate of online sales has declined since then, it is still growing and is expected to continue to do so. (E-handeln i Europa, 2021)

Another growing e-commerce phenomenon is social commerce, where sales are facilitated through a social media platform. As many brands are seen merging their online sales channel with social media platforms, this reduces the distance between inspiration seeking and purchasing activities. (Lessard, n.d.) Instagram enables brands to connect their shop to the platform, and users can easily access a purchase link in the displayed products. The social

media platform successfully converts users to try new products in the Swedish market - especially among the younger generation of women. (E-barometern, 2021) This exemplifies the importance of inspiration in a sales context.

In 2019, 57% of global retail online sales were completed on marketplaces (Deloitte, b, 2020) and digital marketplaces [i.e., B2C platforms where one or several third-party resellers are displaying products for customers to buy] grew at a double rate of e-commerce in 2021. This illustrates an emerging trend within retailing. Convenience and broader assortments are pointed out as the main reasons why customers move towards marketplaces. Further, retailers turning to implement a marketplace model increased by 46% during 2020. (Mirakl, 2022) To this point, marketplaces have been seen as an additional distribution channel for retailers to acquire new customers (Briedis et al., 2020). However, as global marketplace incumbents are capturing increased market shares in the Swedish market (BCG, 2021), retailers are looking into new strategies on how to reach customers. An emerging strategy is to focus on niche segments and establish oneself as a curated digital marketplace, by launching carefully selected third-party products. (Deloitte, a, 2020) Customers are moving towards such niches, which allows the curated marketplaces to capture and analyze more data from different brands. This can, consequently, allow retailers to deepen their customer insights (Matz and Netzer, 2017) and help them be more relevant for their customers in terms of customer experience and product offering. In line with this development, it could be assumed that brands are hesitant to be in this setting where other brands also are exposed which have not been the case before. However, with the growth of emerging curated marketplaces, such choices have become more relevant for actors. Being brought together with other actors could become necessary in order to achieve the positive effects from being part of an ecosystem within a niche customer segment. Moreover, this could lead to market consolidation in the long run, as a result of brands being attracted to tap into emerging ecosystems within niche categories.

In this qualitative study, a Senior Consultant with expertise in marketplace models at Company F points out that *"We see that there are huge opportunities with curated marketplaces (...) but few Swedish retailers have realized the potential of digital marketplaces overall, and even fewer [Swedish] retailers have understood the value of becoming a curated marketplace."* (Quote captured in interview conducted on 29th of April 2022) And, according to an article published by The Wall Street Journal (2021), *"Brands that do not take marketplaces seriously now may find themselves in the same position as businesses that initially dismissed e-commerce"*

as a novelty.” Retailers need to understand the importance of curated marketplaces and its potential to shape the Swedish fashion landscape within online retailing.

1.2 Research Gap

Considering the changing landscape, academia and retailers call for more knowledge on why and how a curated marketplace model should be implemented. As this is an unexplored area of research, this paper seeks to contribute to academia by facilitating for an understanding of “What’s next” in the growth of digital marketplaces in the Swedish fashion retailing industry. There is extensive research on the benefits of entering a marketplace, being additional sales channels and acquiring new customers (Ryan, Sun and Zhao, 2012; Maier and Wieringa, 2021). However, there is little research on how other values (such as inspiration) aid the marketplace model. Further, the increased emergence of online marketplaces on the global market has been researched (e.g., Ryan, Sun and Zhao, 2012; Mantin, Krishnan and Dhar, 2014; Tian et al., 2018), but there is no research on why the Swedish market has not developed similarly. Also, there is no existing research on how the popularity of shopping at marketplaces will impact Swedish fashion retailers nor how to face competition by the incumbents, which is highly relevant as Amazon recently entered the Swedish market.

There is research on how social commerce has increased purchase intentions (Lăzăroiu et al., 2020) and facilitated retailers to introduce new sales channels (Grewal et al., 2021; Jin and Ryu, 2020). However, there is no research on how social commerce can stimulate the use of curated marketplaces: other topics, such as how word-of-mouth recommendations have influenced retailers and brands online, have received more attention in research (e.g., Huang and Benyoucef 2013; Li, 2019; Hajli et al., 2017). Further, to our knowledge, no research has combined areas within e-commerce in a way which makes sense for retail managers who want to evaluate the potential of introducing a marketplace model. Further, there is no literature explaining what a curated marketplace is and thereby no research that makes practitioners understand the implicational value of curated marketplaces. Moreover, as no research is applied to a real-life business setting, there is a risk that retailers will reject the opportunity of bringing in third-party resellers as there is no common understanding of what the concept of curated marketplaces implies. We seek to contribute to bridging this gap by addressing it with empirics

captured from industry experts to make recommendations for practitioners combined with existing research.

1.3 Purpose

The purpose of this study is to understand the growth of digital marketplaces in the Swedish fashion retail market and explore the emerging ecosystems [i.e., networks across several channels where interactions between parties are incentivized and facilitated] that surround the curated marketplaces. The research seeks to illustrate the challenges and opportunities related to the marketplace model; how Swedish retailers are exploring new ways of accessing data, the possibilities and risks that arise from introducing third-party resellers and get an overview how fashion retailers can challenge the incumbents by targeting niche segments. The aim of the study is to provide a common understanding of how Swedish fashion retailers are affected by the establishment of a marketplace model and if these actors thereby should consider to be a marketplace, or to be at a marketplace. Where it is deemed relevant, the context of the global market is compared to the Swedish market. Further, an opportunity is seen to guide decision-makers in understanding trade-offs related to implementing a marketplace model. This is done by evaluating the above-mentioned challenges and opportunities. The following research questions are to be answered:

1.4 Research Questions

RQ¹ - Is the implementation of a curated marketplace model a risk or reward, for Swedish fashion [mono-brand] retailers in an online setting?

RQ² - Are curated marketplaces seen as a disrupter of incumbents, by blurring the lines between e-commerce and social commerce?

RQ³ - Will the fashion retailing market become consolidated in Sweden? If so, how?

1.5 Focus and Delimitations

This study focuses on fashion retailers and their exploration of digital marketplaces in a context of the Swedish market. Curated marketplaces are seen as an emerging trend, which is an interesting phenomenon, as online marketplaces in general have not been a dominant sales channel in the Swedish market, as opposed to globally. According to the Senior Consultant at Company G, *"Sweden is far behind in establishing online marketplaces, compared to other markets"* (an interview conducted on the 10th of May 2022). In addition, the Head of Strategy and Transformation at Company A stated that the company sees that more customers are moving towards multi-brand destinations (from an interview conducted 6th of May 2022). As mentioned in the introduction, the Swedish fashion retailer H&M has recently transformed from being a mono-brand channel to a multi-brand destination in their online setting. As we believe the company has an influential impact on the Swedish Fashion market, our focus lies in the opportunities and challenges that could occur from such shifts and a focus on *What's next* in the market.

Further, the study illustrates the situation by bringing up H&M as a guiding example. The study will not include previously established marketplaces in Sweden. This delimitation was made as the primary interest lies in understanding the transformation of being a mono-brand retailer to become a multi-brand marketplace, thus introducing third-party resellers to their channel and observing the risks and rewards that arise from this. Moreover, the study will not include the customer perspective and their behavioral patterns within the area of curated marketplaces. Instead, we focus on retailers' perspective of their current online retailing state and their motivation to either launch or enter a curated marketplace. To not limit the scope of the study, we have chosen to include a varied set of companies, both Swedish and international. This is as we want to understand the competitive landscape, how different actors think, and not only one case - as this would provide less generalizability. However, we chose a narrow approach by focusing on curated marketplaces. This is to understand the emerging marketplace model and how it can disrupt today's way of doing retail. Thereby, we did not focus on understanding whether incumbent marketplaces will succeed in the Swedish market.

1.6 Disposition

The report is divided into seven chapters. A background of the current online retail market is given, together with previous research. The next chapter consists of a literature review, presenting earlier research on relevant areas. The methodology of the study is then described to (1) outline the research method and its approach, (2) describe the data collection and analysis, and (3) discuss the quality of the research. The methodology is followed by the findings from the 11 interviews and an analysis of them, with comparison to earlier research. Lastly, a discussion about the research questions is held, followed by conclusions, managerial implications, limitations, and suggestions for further research.

1.7 Explained Concepts

Figure 1.



Figure 1. Visualization to understand the dynamics of, and the differences between, Everything Stores, Niche Marketplaces and Curated Marketplaces. (Fahlgren & Östberg 2022)

To guide readers of the report and in providing an understanding for practitioners, Figure 1 is presented to explain the differences between niche marketplaces and curated marketplaces. A curated marketplace usually means it is a niche marketplace, but a niche marketplace does not imply that the marketplace is curated. To be a niche marketplace means that the actor has selected a category that it is focused on. In a curated digital marketplace, the actor has carefully

selected products and brands, for specific customer segments and their specific needs in mind. Being curated means to also provide inspiration and a large focus on the total customer experience. An example of this is to present the products with high-quality photographs, to present them in a context and to have product descriptions which include storytelling and not only describing product characteristics.

Considering the Everything stores, a Senior Consultant from Company F shared in an interview, *“On top of this, we have the Everything store which sells basically everything - making it the opposite of a curated marketplace. However, everything stores should not be underestimated, as the global marketplace incumbents are often of such format.”* (Quote captured in interview conducted on 29th of April 2022)

2. Literature Review

The following section serves as a foundation for the paper’s research questions to provide the reader with a subject background. Existing literature lacks research in the research topic. Therefore, literature from relevant topics will be combined to create a comprehensive understanding of emerging retail strategies by explaining and mapping out the evolution and current state of fashion retailing. Literature is presented on digital development, e-commerce and how digital growth has enabled retailers to analyze a growing set of data which can be used for creating a competitive advantage. Continuing, research on the growth of online marketplaces and their geographical differences will be presented to understand why retailers tend to sell their products on global marketplaces. Also, a deep dive is made to find out which benefits it brings and identify which challenges it poses.

2.1 Growth of Online Retailing

The highly competitive conditions in the retail landscape have created a need for retailers to evaluate and adapt their business model. To gain competitive advantages that are sustainable, retailers need to exceed the shoppers' expectations and interact with them in a new way. (Sorescu et al., 2011; Palmié et al., 2022) Previous literature is aligned on the fact that the growing e-commerce landscape has elevated the competitiveness in the retail market but also contributed to overall retail growth through the growth of digital sales. The growth of online shopping was further triggered and accelerated by Covid-19, and it is expected to continue to

grow (Ratchford et al., 2022; Kim, 2020; Grewal et al., 2021) Social distancing and lockdowns during covid-19 disrupted retailers' physical operations and its consumer activity, forcing shoppers to experiment with new channels in order to receive their goods. (Grewal et al., 2021; Jiang and Stylos, 2021; Guthrie, Fosso-Wamba and Arnaud, 2021) The increasing use of the internet and advancements in technology has resulted in opportunities to introduce new sales channels online. This opportunity has been captured by actors such as Facebook, implementing Facebook Marketplace as a platform where individuals and companies can sell their products. This is also seen in other social media platforms such as Instagram. (Grewal et al., 2021; Jin and Ryu, 2020) At the same time, traditional brick-and-mortar retailers have been facing significant competition from the born digital [i.e., retailers that have been operating in an online setting since its inception] retailers online, such as Amazon and Zalando, which continues to grow in conjunction with e-commerce growth. Retailers have been pushing themselves into the digital market to sustain their positions, exploring strategies and actions of multichannel and omnichannel retailing. (Palmié et al., 2022) Multichannel and omnichannel retailing has become the new normal, with a focus on customer-centricity and bringing the concept of customer experience into their digital business (Grewal, Levy and Kumar, 2009; Grewal et al., 2021)

Previous literature has shown that the longer retailers can keep their customers on their platform, the more beneficial it is. An appealing and engaging store environment, both offline and online, can increase the amount of time spent in-store by customers and their willingness to buy products, as it generates positive emotional responses. (Donovan et al., 1994; Kotler, 1973; Manganari, Siomkos and Vrechopoulos, 2009) In terms of an appealing store environment and how it impacts online retailing, we see that the emerging marketplace model also is stimulated by a social component. This is as social media with its inspiring content fosters browsing activities and we, therefore, want to use the term social commerce within the study. Social commerce is currently shaping e-commerce and the use of it can help firms to “*achieve a greater economic value*,” and it could be seen as an “*evolution of e-commerce*” (Huang and Benyoucef, 2013). As mentioned in the research gap, there are a lot of areas within the phenomena captured by previous research (e.g., Li, 2019; Lăzăroiu et al., 2020; Hajli et al., 2017), connected to the psychological impact, which we believe is outside the scope of this study. However, as mentioned by Li (2019), “*social commerce websites are empowered to generate content*” which makes shoppers discover new products. Also, social commerce is customer-oriented while traditional e-commerce is product-oriented (Ibid).

2.2 The role of data in the new digital landscape

Shoppers' movement into the digital landscape has enabled retailers to be data driven and analyze behavioral patterns more profoundly to keep track of its customers. Retailers get access to a growing set of data and information about their shoppers, which helps them create a more targeted customer experience and higher engagement. Using big data in business decisions allows retailers to understand and target their customers and personalize their shopper experience. (Shankar, 2019; Grewal, Roggeveen and Nordfält, 2017) *Big Data* generates a growing volume of digital records which gives retailers the ability to deepen their customer insights (Matz and Netzer, 2017; Acharya et al., 2018; Grewal et al., 2021; Hänninen, Smedlund and Mitronen, 2018; Grewal, Roggeveen and Nordfält, 2017) With big data, retailers can analyze their customers' past searches and purchases to predict what they are seeking to buy next. This is valuable for various departments; the product development departments can, as an example, launch more successful products. (Grewal, Roggeveen and Nordfält, 2017; Johnson, Friend and Lee, 2017; Rathod and Kumar, 2021) In omnichannel retailing, firms can gather a great amount of data points from various channels, including social media. This helps actors map out customers and understand their customer journeys more efficiently. (Bradlow et al., 2017) Retailers that invest in processes to collect and understand big data will have a higher likelihood of outperforming its competitors (Johnson, Friend and Lee, 2017) However, gathering and storing big data is expensive for retailers. The data needs to be continuously updated to stay relevant for firms, as it quickly becomes old and thereafter no longer accurate to use. (Bradlow et al., 2017)

2.3 Digital marketplaces

The decision to enter digital third-party marketplaces - as an additional distribution channel beyond retailers' own offline and online channels - have been common in recent times (Maier and Wieringa, 2021; Zhen et al., 2022). Such destinations are within literature defined as multi-sided (Hänninen, Smedlund and Mitronen, 2018). Marketplaces serve as intermediaries where they match sellers with buyers, selling third-party products (Ryan, Sun and Zhao, 2012) Literature has pointed out an increase in the number of such online marketplaces, which has been further facilitated by the growth in e-commerce (Ryan, Sun and Zhao, 2012; Mantin, Krishnan and Dhar, 2014; Tian et al., 2018) This phenomena is described to fall under the

emerging digital platform economy, dominated by companies such as Amazon, Etsy, Facebook and Google (Kenney and Zysman, 2016) Retailers extending their offering with third-party products are able to introduce new revenue streams (Mantin, Krishnan and Dhar, 2014), However, it also risks increasing the direct and downstream competition as well as a potential cannibalization effect (Hänninen, Smedlund and Mitronen, 2018; Mantin, Krishnan and Dhar, 2014; Zheng, Yu and Ma, 2022) When extending the product offering into an broader assortment, retailers are moving towards the “*Big Middle*” as well as becoming generalists and volume-driven (Levy et al., 2005).

When entering an online marketplace, from a retailer's perspective, there are usually two options when entering an online marketplace. Retailers do either follow a reselling format or an agency format (Zhen et al., 2022). In a reselling format, retailers sell their products to a marketplace platform that holds and controls their inventory. In the agency format, the retailer sells their products through a marketplace platform but holds the inventory by themselves, where the platform provider takes a commission on each transaction. This model gives the brand the authority to set its prices, as well as decide what and how much to offer. (Zhen et al., 2022; Maier and Wieringa, 2021) Amazon is an example of a dual-format marketplace retailer. The company both resells (by letting other players use their platform and customer base) and acts as a wholesaler (buying products to sell on the platform). eBay, as another player, acts only as an intermediary between buyers and sellers. (Mantin, Krishnan and Dhar, 2014) However, regardless of the format retailers choose, customer experience needs to be assessed to sustain the competitiveness in the market. It is vital for all players that enter a marketplace to evaluate the customer experience that customers may face on that platform, as this adds to the total experience of the individual brand (Verhoef et al., 2009) Marketplaces come with both opportunities and risks for retailers. Customers can quickly shift towards other brands, meaning that third-party resellers can experience fluctuations in sales; with increases or decreases in sales of current products. However, total sales often increase. The marketplace model brings strategic advantages both in building their brand in an e-commerce setting, and in providing the benefit of a growing customer base. (Maier and Wieringa, 2021) In the future, it could be difficult for smaller retailers to choose *not to sell* through these platforms as the marketplaces have an extensive offering. At the same time, larger retailers find it challenging to compete with other digital channels, especially if the platform is combined with entertainment and social media. (Hänninen, Smedlund and Mitronen, 2018)

From a retailer's perspective, marketplaces have the power to open new markets, access new customer bases, and provide the existing customers with an opportunity to encounter new brands (Ryan, Sun and Zhao, 2012; Maier and Wieringa, 2021) Shoppers can also observe other shoppers' choices, as sales records are often embedded in the product page. Such information signals popularity and quality. (Ye, Cheng and Fang, 2013)

3. Methodology

3.1 Research Method and Approach

3.1.1 Research Method

A qualitative research method was selected for this study. It allows thorough emergence of the subject and a certain degree of freedom to go back and forth in collecting and analyzing interview data. (Bryman and Bell, 2015) Using a quantitative research method would challenge flexibility and adjustments for each interviewee. It was thus decided that a qualitative research method, where conductors of the study are involved in shaping the study, is a more suitable option. (Ahrne et al., 2015) Semi-structured interviews were selected as an interview method, as this facilitates a flexible process for the study to be shaped and adjusted progressively according to whom is interviewed. During the interviews, industry experts shared their views of the current state of online retailing and their thoughts about *what is next*. This facilitated a rich and deep understanding of the industry experts' point of view, in different elements that are seen to shape the development of where the market will be heading. This was needed to understand the opportunities and challenges that arise from being established in a marketplace, alternatively in being the creator of a marketplace. Interviewees elaborated openly on themes and challenged certain elements with contrasting perspectives. This, consequently, created possibilities for this research to study new themes. In addition, a list of whom to interview was not set in advance as each interviewee brought up new aspects to further understand.

3.1.2 Research Approach

Abductive research was selected as curated marketplaces in Sweden are an unexplored subject. This approach combines inductive and deductive, where hypotheses and conclusions are built

upon empirical findings and previous research (Anderson, 1998). Such method expands the empirical scope successively and adjusts the theory (Taylor et al., 2002; Flick, 2009). For this study, it is suitable as there is a need for exploration to understand how particular elements can affect, influence or shape online retailing in Sweden. As new elements and themes have emerged throughout the process, new literature has been analyzed accordingly with interviews.

3.2 Data Collection

This research process was divided into two parts: pre-study and a main study. The pre-study facilitated insight into which areas to target and exploration of whom to interview. It also allowed for exploration of the subject and an increased understanding of the study field. In the main study, data was collected from semi-structured one-on-one interviews with business experts. The experts represented both fashion retailers and consultancy firms within the field of marketplaces. As the study seeks to facilitate an understanding of what is next in e-commerce within fashion retailing in the Swedish market, the main source of data comes from the interviews. The representatives gave their views on e-commerce and digital marketplaces in the domestic and foreign markets. The retail representatives also shared their first-hand perspectives of how this has impacted their business. This was combined with consultants' industry expertise, as they possess a more holistic view of the subject without being limited to one specific company.

3.2.1 The Samples

To properly evaluate the incentives for fashion retailers to establish themselves in a B2C digital marketplace, insights from this specific group were deemed necessary. Talking to people who had insight into the specific area of marketplaces and their implementation was of interest. Interviewees were therefore selected based on their profession and company. Interviews were conducted with several company representatives from well-established actors who have experienced implementing a marketplace model. The company names have been anonymized, but the total turnover of the companies ranges from 6 billion - 4000 billion. A diversity in terms of company size was sought after, as this creates better possibilities to understand different perspectives on the research topic and decreases the risk for skewed results (Bryman and Bell, 2015). All interviewees had senior positions in a fashion retailer in the Swedish market with international experience or a special competence related to online marketplaces. The

interviewees were of different ages and from different positions, providing diversified perspectives on the research question. Five out of eleven interviews were held in person (all in Stockholm, Sweden).

All pre-study and main study interviewees were contacted through email or LinkedIn. Most of the representatives were recommended by our network or previous interviewees.

Exhibit 1.

Title	Company	Short Company Description	Interview format	Interview date	Length of interview
Product Innovation and Growth Manager	Company A	Swedish fashion retailer with online and offline stores, has established a curated marketplace in Sweden	In-person	2022-03-30	01:20:00
The Digital Development Manager	Company A	Swedish fashion retailer with online and offline stores, has established a curated marketplace in Sweden	In-person	2022-04-07	00:55:00
Head of Strategy and Transformation Manager	Company A	Swedish fashion retailer with online and offline stores, has established a curated marketplace in Sweden	Digital	2022-05-06	01:25:00
E-commerce and Retail Manager	Company B	Global social media platform that has established a global digital marketplace	Digital	2022-04-05	01:05:00
Head of Digital Business Manager	Company C	Swedish lifestyle retailer with online and offline stores, has established a curated marketplace in Sweden	Digital	2022-04-11	00:45:00
Country Sales Manager	Company D	International fashion retailer with an online store, is now established on a curated marketplace in Sweden	Telephone Call	2022-04-21	00:45:00
Head of Marketplace	Company E	Global marketplace incumbent	Telephone Call	2022-04-22	00:35:00
Senior Consultant	Company F	Consulting firm with expertise in marketplace models	In-person	2022-04-29	00:35:00
Senior Consultant (Second Interview)	Company F	Consulting firm with expertise in marketplace models	In-person	2022-05-11	00:45:00
Senior Consultant	Company G	Consulting firm with expertise in marketplace models	In-person	2022-04-04	00:35:00
Senior Consultant (Second Interview)	Company G	Consulting firm with expertise in marketplace models	Digital	2022-05-10	00:55:00

Exhibit 1. Table of Main Study Interviews

3.2.2 Phase One: Pre-study

During the pre-study phase, literature research and two guiding interviews were conducted to identify the current state of online B2C marketplaces in Sweden compared to international ones, as well as to explore any interesting emerging phenomenon and detect potential gaps where there is a need for further insights. The first interview within the pre-study was with a research professor at the Stockholm School of Economics, providing support in the design of the interview process, together with a discussion about the chosen field of study and helped develop the hypothesis of the study. The following interview was with an expert in the operations of e-commerce, with open-ended questions to increase our knowledge about online marketplaces and customer behavior within fashion retailing. These findings shaped the development of the questions to be explored during interviews in phase two. In the first phase,

the people we interviewed also suggested people that could be relevant for us to interview in a second round.

3.2.3 Phase Two: Main Study

Before the main study, it was decided that the number of interviews to be conducted should be decided based on when theoretical saturation is achieved (Bryman and Bell, 2015). As a result, 11 interviews were conducted in the main study. A total of 9 interviewees were interviewed, as two interviewees were interviewed twice. According to Arhne et al. (2015), 10-15 interviews is recommended as minimal. Further, the length of the interviews was between 0:35:00 hours and 1:25:00 hours. We chose not to limit the time of the interview as we wanted the interviewees to have freedom in providing longer answers when it was needed, and for the conductors of the study to explore what could be explored without being limited into a specific timeframe. One interview was limited to 0:30:00 hours, but this interview was with the interviewees whom we had second interviews with, as we found that more valuable information could be captured. Interviews were held from the 1st of March until the 10th of May. Interviews were conducted in person, on zoom and on the phone, as specified in Exhibit 1.

We used selected key themes (Appendix, exhibit 3) to guide the interview to collect information within specific areas without having to guide our interview objects to a great extent. This was done to decrease the risk of subjectivity from the conductors of the study (Bryman and Bell, 2015). Key questions (Appendix, exhibit 2) were created and followed during the interviews to capture aspects of the emerging phenomena, which was discovered in the first part of the study as well as during the ongoing interviews. The questions were updated before and after each interview, as research was done on each interviewee so that the best possible insights were to be captured. Without this approach - instead using a set structure of questions - there is a possibility of lost opportunities to capture the best possible insights (Bryman and Bell, 2015).

In all conducted interviews, both authors were present but served different roles. One of the authors interviewed while the other was taking notes and listening for non-verbal cues (Saunders et al., 2000). However, all the interviews were recorded, under permission, and directly transcribed to make sure that no misinterpretations were made (Ahrne and Svensson, 2011). In addition, transcribing it directly, by listening to the recordings, was also of importance

as only two of the interviews were held in English. The transcripts were then carefully assessed to make sure that the text reflected what the interviewees were de facto expressing.

3.3 Data Analysis

The quotes presented in the paper are selected by the authors and highlighted based upon where similarities and differences were found in the project's key themes (Exhibit 3, Appendix). To identify and structure the project's key themes (Exhibit 3, Appendix), the data captured from interviews was interpreted and analyzed using the Gioia methodology, which is suitable for abductive study approaches as this one. First, the empirics were transcribed and placed in a document which the authors of the study were making sure to be familiarized with. This was done by reading the transcripts several times to gain a complete understanding of what is in there. To separate the different areas that emerged from the interviews, data that shared the same or similar conceptual ideas and analogies were grouped into categories in first order themes. The empirical themes were then categorized again into overall themes. The overall themes found were (1) Are marketplaces the future of e-commerce in the Swedish market, (2) The value of Data, (3) Geographical differences, and (4) Coming to a decision. These themes are unexplored in the Swedish Market but contribute to this paper's research questions. (Gioia et al., 2012) After this step, the second order themes were allocated into aggregated dimensions. The data structure is illustrated in Figure 2 which summarizes the findings into the two orders and thereby into the dimension.

Figure 2.

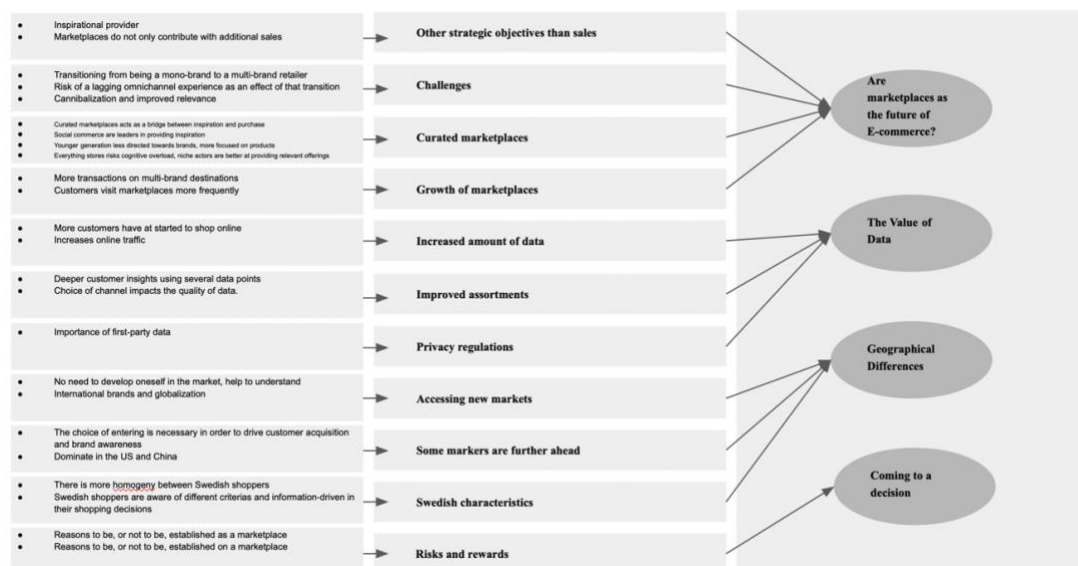


Figure 2. Visualization of how data was structured and analyzed.

3.4 Quality of the Research

3.4.1 Reliability and validity of the study

An implication of targeting specific people is that the selection of interviewees is not fully randomized, which risks skewing the results (Bryman and Bell, 2015; Ahrne et al., 2015). Generalizability - the degree to which the research applies to a larger setting - is somewhat limited due to the apparent risk of having a selected set of interviews, i.e., non-randomized samples (Bryman and Bell, 2015; Ahrne et al., 2015). Another implication, which is a common problem within qualitative research, is the risk of subjectivity and impact from the report's writers (Ahrne et al., 2015). To deal with the outlined limitations and improve the reliability of the findings, one of the company representatives was interviewed twice with clarification questions and further questions as it was identified that a second interview was beneficial, as saturation had not yet been achieved (Bryman and Bell, 2015). Also, interviewed actors had different backgrounds as an effort to decrease the risk of interviewees' subjectivity to skew the results (Ahrne et al., 2015). To further improve the reliability of the paper and make sure that the interpretation was aligned with the interviewee's perspectives, the paper was shared with all participants in the study. This was also done to increase the paper's trustworthiness and authenticity. (Guba and Lincoln, 1994).

The limitation of the qualitative approach, as with all interview-based interviews, is that it is subjective. The respondents explain their personal views on the subject. Further, limitations with semi-structured interviews are that responses and questions can differ from each interview. This, consequently, makes it harder to analyze the similarities and differences within the empirics. Also, conductors of the study selected quotes which were deemed to be relevant, which risks subjective bias to impact the study. (Ahrne et al., 2015)

3.4.2 Ethical Considerations

In the start of each interview, a description of how we will treat their data was shared in the interviews. In conjunction with the interviews, consent forms were sent out to all interviewees (See Exhibit 4 in the appendix) and signed versions were collected by the study's conductors. Further, interviewees were informed about how data will be handled in alignment with GDPR;

that no confidential information will be shared in the report and that their names nor company will not be revealed, only title. Title were deemed necessary as it adds relevant information to the reader, creates a better understanding and assurance of the interviewees' competences. However, to improve the objectivity of the study, no age, gender, or names are mentioned in the report as we want to enable the interviewees to share information without having to worry about their privacy, and that we do not want that to create cognitive bias among readers (Bryman and Bell, 2015).

4. Empirics

The following chapter outlines the study's findings as captured by the interviews. Specified empirical themes that emerged from the Gioia methodology (presented in figure 2) have been outlined to compare how respondents' answers are similar to, or differ from, one another. Further, possibilities and challenges of the marketplace model - in the context of the Swedish market - are illustrated. The chapter outlines important areas to consider for retailers who want to gain an increased understanding of the marketplace model. The important areas are sorted into the following sections: *the development of e-commerce and marketplaces, the value of data, geographical differences, characteristics of Swedish customers, curated marketplaces and niche customer segments, the decision of establishing or entering a marketplace.*

4.1 Are Marketplaces the Future of E-commerce in the Swedish Market?

The Head of Strategy and Transformation Manager at Company A notes that there has been increased interest among Swedish customers to shop at marketplaces and explains that “*we see that more and more of the customers' interest is directed towards the places where they can get a wider range [of offerings]. We see that customers are moving towards broader marketplaces and that we are going from [offline] stores and brand.com [websites] to marketplaces.*” The Product Innovation and Growth Manager at Company A also confirms that this is seen in actual customer shopping behavior, “*we see (this trend) that customer transactions go from mono brand websites to multi-brand destinations. Zalando grows, She-in grows - all marketplaces grow. It is something that no one can ignore, and something that everyone has to deal with as a brand.*” The Country Sales Manager of Company D also highlighted a shift in behavior among the younger generation, saying “*completing a purchase online is especially common among the younger generation*” and continues, “*the younger*

generation is much less directed towards brands. Instead, they look at what influencers such as Zara Larsson are wearing - and that then becomes 'the brand' for them." The Head of Strategy and Transformation Manager at Company A takes on by saying, *"it [the trend] is connected to social commerce - customers do not go to a site to shop, but they see it as part of the customer journey to find inspiration in the world of social commerce. My image is that this is an ongoing evolution - and we do not know who will win. And, in addition, shopping may take place everywhere, but now it has been consolidated into a number of major players."*

About the development of e-commerce, the Head of Strategy and Transformation Manager at Company A said that *"no one really knows what will happen - the only thing we know is that we are constantly evolving and changing, and it depends who you ask; someone would say that the [offline] store is completely disrupted - that stores are no longer relevant, as everything should be digital, while someone else would say that it is the digital ones - Brand.com - that is disrupted through marketplaces, because that is where the customer is today"*. About the potential for the marketplace model to continue to grow (in Sweden), the manager continues, *"History has shown that no model lasts over time - every model and every actor is challenged over time. My own personal image is that marketplaces are also becoming disrupted"* and *"nor do we know what the end game is (...) but [one can ask-] what is it that disrupts the marketplaces themselves?"*

4.2 The Value of Data

The Head of Strategy and Transformation Manager at Company A shares that a marketplace model allows them to collect an increased amount of data, which helps them to *"understand what customers do and (...) simply be able to adapt the experience so that it becomes more relevant to customers."* Further, the Head of Strategy and Transformation Manager at Company A explained that their brand tries to set up a strategy by asking themselves, *"how do we do as much as we can with that traffic?"* The E-commerce and Retail manager at Company B agrees about the importance of data in saying that *"to be in e-commerce today, one must drive traffic. And that is never ending; one needs to pump every day when it comes to the discussion of whether to exist in an e-commerce setting."*

The Country Sales Manager of Company D addresses how data was important in their launch of a jeans collection, saying that *“we are doing a lot of deep analysis with data, and we just built our ecological jeans collection much based on data - development of models, colors, and design was all supported by data”*. Aspects of product development were also brought up by the Product Innovation and Growth Manager at Company A by exemplifying the Chinese company SHEIN: *“SHEIN launches new products and collections online before producing them. By measuring demand, using data, SHEIN can produce items that there is an evident demand for.”* Further, the Head of Digital Business at Company C explained that the buying decisions online differ from offline, stating that *“if one looks at how we make purchases and merchandise planning online (...), there are not any buyers who make purchases [online] in the same way as it is for physical stores. Everything is instead based on numbers - there are numbers for everything. Purchases are therefore only based on data.”*

Addressing the importance of data from the perspective of understanding customers, the Product Innovation and Growth Manager at Company A explains that *“It becomes more important to be as close to the customer as possible; to let every customer and individual tell what they [themselves] value as relevant, and thereafter adapt the business based upon that. The better one can adapt, the more relevant you will be”* However, as the customer's time and attention is limited, the value of the data becomes more significant. The manager continues saying *“28% of time online is spent on social media, 4% of that is retail, and then, if you only have 4% of customers' time, that is the only time you have to influence the customer's purchases,”* and continues *“the players who can find the best relevance (...) will win the most online time.”*

However, many of the respondents outlined that the amount of collection in personal data is exponential, raising privacy concerns. A discussion on what will happen if retailers become limited in how much they can track customers was also brought up by the E-commerce and Retail manager at Company B, remembering that *“those who were worst affected by the iOS change that happened last year, meaning that cookie-based advertising was affected, you had to switch to first party data collection as you no longer could reach third party data, and this hit the small players the hardest (...) while the big giants were getting bigger, and taking bigger market share.”*

4.3 Geographical differences

4.3.1 Different Conditions in Different Geographical Markets

The Head of Digital Business at Company C, explains that *“introducing third-party resellers enables retailers to introduce international brands in a way which differs from before - and the risks do not have to be extensive.”* It was further explained that *“a brand from the US can enter Scandinavia quite easily [through the marketplace platform] and (...) both the platform owner [Company C] and the third-party resellers have the possibility to test the market - and we can test a new brand or category that we might not have had before.”* In an interview with a Head of Marketplace at Company E it was also explained that *“one of the key benefits from being established on our marketplace is that resellers on our platform are provided with the opportunity to access whole new markets, without themselves having deep knowledge of the location in question. This provides whole new opportunities of expanding into new markets and for customers to experience brands and products that they would not otherwise be exposed to.”*

The Head of Strategy and Transformation Manager at Company A explains that they are established on selected marketplaces, in other international markets, where they see that *“external marketplaces are a way to find new customers, drive traffic and drive sales.”* and that *“in some markets, retailers’ own channels are not as relevant; traffic is elsewhere - such as at marketplaces.”* Further, the Digital Development Manager at Company A explains that *“looking at China and India; if you are not present on the big online marketplaces, you do not exist in the market and it is hard to drive both customer acquisition and brand awareness.”* The fact that the conditions differ between market was further confirmed by the Head of Strategy and Transformation Manager at Company A, saying that *“In parts of Asia, they are very dependent on [and loyal to] certain established marketplaces, and marketplaces are a large part of the trade.”* In contrast, the Head of Strategy and Transformation says that the situation for European marketplaces is that *“In Europe, we have Zalando and Asos which have a large footprint in Europe but otherwise, there are [mostly] local retailers which dominate in each country. In Sweden, we see Nelly and Boozt as examples [of marketplaces].”*

A Senior Consultant at Company F points out that *“We see that there are huge opportunities with marketplaces (...) but few Swedish retailers have realized the potential of digital marketplaces overall, and even fewer [Swedish] retailers have understood the value of*

becoming a curated marketplace.” The consultant continues, “many players do not lead the market, instead they follow what others are doing. This results in lost opportunities - nothing ventured, nothing gained.” Further, the number of active online B2C marketplaces differ between geographical locations and as explained by the Head of Marketplace at Company E, “the US is way before Sweden when it comes to the establishment of marketplaces - both when it comes to the number of marketplaces but also in the way they are used.” The Head of Strategy and Transformation Manager at Company A highlighted the fact that “the US is dominated by Amazon,” while the Digital Development Manager at Company A says that “the Swedish market is very fragmented, with many strong brands,” and continues by explaining that “in the Nordic countries, (...) [Company A] has great awareness and a strong brand, as well as a large customer group, and then it will not be as relevant to run on someone else's marketplace”. The Senior Consultant at Company F also points out that “the opportunity of introducing third-party resellers is especially relevant for actors who have an established customer group and an existing ecosystem to tap into,” and that “introducing a curated marketplace is a way to protect yourself from competition against global marketplaces such as Amazon and Zalando. We believe that the best way for retailers to compete with these players is by also implementing a marketplace [as they are doing], but by doing it better. The Everything stores cannot provide the same values, and thus the curated marketplaces have an advantage.”

4.3.2 Characteristics of Swedish Customers

The Head of Marketplace at Company E highlights some differences that can be seen in Sweden compared to other locations, especially when it comes to shopping behavior and intention to buy. The manager says that: *“Swedish customers’ willingness to pay for certain product characteristics is way higher. As an example, Swedish customers are willing to pay 10% more for a product that they know is made in a more sustainable way. Swedish customers are usually more aware and information driven.”*

The Head of Marketplace at Company E also explains that *“Swedes do not always complete a purchase”* meaning that the conversion rate of sales is generally lower. The awareness and lower sales conversion is further confirmed by the Country Sales Manager of Company D, saying that *“Compared to e.g., Germany - where people purchase 10 dresses, try them on and send back 9 of them - Swedish customers order maybe 1 dress that they already tried on or felt confident that it will fit.”* This is further confirmed by the Product Innovation and Growth

Manager at Company A, stating that *“There is generally a big difference [between Sweden and other locations]. As an example, Germany is a market where our customers do not pay with cards. That shift in the market is also apparent in that more things are going digital, and you have way much more return purchases.”* The manager continues, *“We see that the collaboration with Klarna, and its Buy Now Pay Later (BNPL) solution, is very popular in Germany.”*

The Senior Consultant at Company G elaborated on the characteristics of Swedish customers by stating that, *“In Sweden (...) there is a lot more homogeneity in the population regarding what people chose to wear and what brands that should be selected.”* The consultant continued the argument by describing the challenges that global marketplace incumbents - as everything stores - face in being attractive to Swedes, stating *“market concentration is probably more conducive to for instance curated marketplaces as opposed to the Everything stores.”*

4.4 Coming to a decision

4.4.1 Challenges with Online Marketplaces

According to the interview with the Product Innovation and Growth Manager at Company A, if retailers choose to go from mono-brand to multi-brand but not manage to convert sales of their own products, *“the biggest risk is if it leads to cannibalization from the third-party resellers.”* Additionally, the manager elaborates by stating that there are risks associated with a multi-brand strategy *“if the customer does not perceive our development as something that improves our offering and makes us more attractive to customers.”* The manager continues with, *“if we do not succeed in improving the relevance, our overall offering in order to acquire more customers, or [to] maintain the same number of customers.”* To tackle these risks, the manager emphasizes, *“developing better exploration and inspiration possibilities might not convert more sales (...) but we will need to give customers continuous reasons to visit us.”*

Talking about the differences between online and offline shopping, the Product Innovation and Growth Manager at Company A explains that *“it can be tricky to provide inspiration and exploration possibilities in a marketplace setting, where lots of products are being displayed, and different shopping orientations demand different targeting strategies.”* This is also elaborated on by the E-commerce and Retail Manager at Company B, who adds that

“Marketplaces that provide broad assortments with a large number of options risks leading to cognitive overload for customers [i.e., Receiving more information than one can process at once].” Arguing for improved inspiration possibilities, Head of Marketplace at Company E stated that there are opportunities to improve in this area, and that inspiration of how to do that can be found overseas: *“Influencers are in the US much involved as a way to inspire and promote marketplaces. They are running live-shopping events and translating a form of emotion-based relation to marketplaces.”*

4.4.2 Opportunities with Curated Online Marketplaces

About a changing e-commerce landscape and the increased appearance of marketplaces, the Product Innovation and Growth Manager at Company A said that *“higher demands and challenges will be placed on what platforms convey and what they stand for.”* The Digital Development manager pointed out that *“there will be players focusing on sustainability, fast fashion, high end, and those types of niches within marketplaces, which has not been the case before. Many firms have, in the past, tried to use generic brands to get width. [Nowadays] we are moving towards more niched players - everything is moving more towards niches.”*

The Product Innovation and Growth Manager at Company A illustrates the situation when niched players enter the market with social media platforms, saying that *“When an actor becomes too large, niche actors often enter and break up the target group. Social media started with Facebook, then came Instagram, then Snapchat, and then TikTok - all these players came in and broke off the target groups. This is true for all companies, regardless of industry; when you become too broad, you lose your relevance. If you try to be for everyone, then you are for no one.”*

The Country Sales Manager of Company D described the company as a *“global brand that has a total turnover of 17.7 billion, and Company D’s own website has a turnover of 2.2 billion. You can also find Company D on many different marketplaces online today. We are competing with ourselves”*. As a result, the manager describes that they now have *“chosen to look at the direction and see other values there are to capture - a different look at what we ourselves convey.”* The reasoning for why Company D entered H&M’s marketplace was that *“H&M take pictures of their clothes in a different way from what we do. The pictures are fashionable and trend-wise cool. We too want our clothes to be presented in this inspirational way,”* says

the manager and continue, *“H&M also has ecology at its core (...) and we want to work more with sustainability and ecology.”* The manager further confirms that the values of Company D taps into H&M’s goal of doubling their turnover while halving the carbon footprint in 2030 and continues by saying that *“H&M fits well into our core values of sustainability and ecology. We also see our collaboration as a way to increase our presence in Scandinavia.”*

In discussing the difficulties of controlling the brand perception and targeting different customer segments in a marketplace structure, the Senior Consultant at Company G outlined, *“the logic of fashion is not to sell to everyone - you want to sell to a small group of highly influential people who will pay higher and higher premiums for your products. At the end of the day, if you go to a marketplace which do not have a selected assortment that is presented to customers, you actually risk losing the ability to communicate with the variety of different customer segments.”* The consultant continues, *“I actually think that the Internet should shift more towards the curated marketplace model (...) with a thought-out strategy on how to connect products with customers at scale, and how to do that algorithmically right.”* The consultant explains, *“the [classic] algorithm has to consider a variety of different factors - both on the merchant side and the customer side.”* and continues, *“but the curation experience is different, because it makes the discoverability of products a lot less uniform, more idiosyncratic, and a lot more human.”* The consultant continues saying *“Everything stores are more search based while the visitors at curated marketplaces, with its niche, are likely to get customers to browse more.”* The consultant continues, *“for Everything stores, browsing and inspirational features are not in focus - rather, long duration on site is seen as a friction point which should be decreased as shoppers should find directly what they are looking for.”*

The Head of Digital Business at Company C describes the reason for why they established a curated marketplace model as *“we saw an opportunity to be a niche player in sports and sports fashion, as we have an established and strong brand - especially in the Nordics - and we have sufficient knowledge in order to offer an attractive platform for players in sports and sports fashion.”* The Company C manager continues, *“we want to be a curated platform where (...) products are shown in the right context and displayed towards the right customer segment, meaning the active customer.”*

4.4.3 Retailers' Decisions

It could be seen as beneficial from going from a mono-brand to a multi-brand destination as it *complements the retailer's offering with a wider range of external brands*” according to the Senior Consultant at Company F. In terms of H&M, The Head of Strategy and Transformation manager at Company A said that *“they had already been working with external brands to broaden their assortment within cosmetics and home interior. Therefore, it was a natural evolution of what they always had done”*. This was further supported by the Senior Consultant at Company F saying that *“H&M has a background of co-labs, which probably facilitated their decision to introduce other brands on their platform [hm.com].”*.

Continuing, when choosing to create a marketplace, the Digital Development Manager at Company A shares that, *“We asked ourselves: What is the cost of establishing our products on a marketplace compared to investing an equal amount of money into creating a marketplace ourselves?”*. The manager continues saying *“If we have a long-term plan of keeping a larger piece of the pie and driving more customer acquisition to our own site [then we should likely go with our own marketplace]. It is all about customer data - and if we would establish ourselves on a marketplace, we would not own the customer data in the same way as we do on the brand.com website.”*

Elaborating on the decision to be at a marketplace, the E-commerce and Retail manager at Company B reasons that *“few big players will be able to survive [without establishing themselves on a marketplace] but most companies will need to be in several places [including marketplaces] which could result in cannibalization - and that will cost. But, as an example, there is 7 million active users in Sweden and 4 billion users on Company B, and players can choose to be at our platform to get volume, which we of course take a commission of for every transaction but without being present, you could lower your sales by 40-60%, and it is the same with google.”* The E-commerce and Retail manager at Company B added, *“some players [simply] cannot afford not to be in marketplaces.”* According to the Senior Consultant at Company F, *“the actors that we have helped to implement curated marketplaces have experienced few downsides, and many upsides (...) It might require a change in the way you work with selection of products and work with suppliers, but it can definitely be worth it”* In accordance, the manager at Company C shares their experience of establishing a marketplace

model being *“It is a lot about going from the old principals to trying out new stuff and continuously learning on a daily basis”*.

5. Analysis

The purpose of the following section of analysis is to outline the similarities and differences that were identified in the empirics. Conflicts and agreements that appeared in the empirics will be compared and, when deemed relevant, contrasted with existing literature.

5.1 Curated marketplaces are becoming increasingly relevant.

It emerges from the interviews that the US is ahead of Sweden when it comes to the establishment of marketplaces. Customers on the Swedish market are not as keen on Everything stores as customers in the US; Swedish customers are instead looking towards curated marketplaces. In accordance with this trend, several companies are moving towards curated marketplaces by focusing on mindfully selected products and resellers which are introduced into their digital settings, to provide complete offerings within specific segments and provide superior experiences. This supports the point made by the Product Innovation and Growth Manager at Company A, namely, *“If you try to be for everyone, then you are for no one.”*

5.2 Improved offerings depend on the capability to capture the customers’ time online.

Relevant product offerings are becoming increasingly important and there is a constantly ongoing battle of customers' time and attention. The Product Innovation and Growth Manager at Company A argued about how being relevant should increase customers' time on site, thereby seeing longer duration times as something positive. While this perspective and the literature outlines a positive link between more time spent on the site and higher amount of purchase (Donovan et al., 1994; Kotler, 1973), the consultant from Company G had a contrasting view: time is seen as a friction point online which could be decreased, as shoppers should find directly what they are looking for. However, these opposite arguments illustrate the different objectives behind the Everything stores compared to the curated ones. The Everything stores aim for search-based activities while the curated ones aim for browsing

activities, as highlighted by the Senior Consultant at Company F. Different opinions spur from the fact that general marketplaces are less focused on inspiration and more focused on providing a friction-less shopper journey where selected items are found fast, and decreased time spent on site is therefore positive. Curated marketplace with an emphasis on providing inspirational features, could be seen as blurring the lines between traditional e-commerce and social commerce. When customers browse and explore more, the curated marketplace can capture more of the customers' time and attention, and thus - from the perspective of providing inspiration - longer time on site is likely to be positive. *“Developing better exploration and inspiration possibilities might not convert more sales (...) however, we will need to give customers continuous reasons to visit us,”* says the Head of Strategy and Transformation Manager at Company A, thus emphasizing the need for inspirational features.

If the product offering is becoming too broad, there is a risk of becoming less relevant to customers according to the Product Innovation and Growth Manager at Company A, who explained that *“If you try to be for everyone, then you are for no one.”* An important aspect of this is to understand which products customers want, and whether customers appreciate a niche or broad assortment. This is supported by the E-commerce and Retail manager at Company B, pointing out risks of cognitive overload in marketplaces that provide broad assortments and many options.

5.3 Marketplaces do not only contribute with additional sales.

Marketplaces have traditionally been seen as an additional sale- and distribution channel to retailers (Maier and Wieringa, 2021; Zhen et al., 2022), and the [US] market is, according to The Head of Strategy and Transformation Manager at Company A, dominated by [incumbent] marketplaces which are high performers in this area (Kenney and Zysman, 2016). However, it emerges from the interviews that the choice of entering digital marketplaces is potentially motivated by other strategic benefits beyond additional sales and new customers. The decision of *which* marketplace to enter seems to become increasingly critical. This decision has close alignment to which strategic objectives retailers prioritize, and in considering how retailers want to be perceived by their customer. What the retailer wants to be associated with - and what values the marketplace has - will send signals to customers. Also, the evaluation of customer experience has become more critical to assess (Grewal et al., 2021). This argues for an upcoming appearance of curated marketplaces, where resellers make sure to be *“shown in*

the right context and displayed towards the right customer segment," as according to the manager at Company C. In the case of Company D, there were two main objectives that nudged them into their choice of entering H&M's marketplace: First, H&M, with their clear goal of 2030, was seen as a suitable collaborator in the Swedish and German markets as Company D wants to focus more on ecology, and so does H&M. Second, Company D found that the way H&M presented their products to their customers is inspiring. Therefore, the choice of entering a digital marketplace today does not only facilitate additional sales and acquiring new customers (e.g., Ryan, Sun and Zhao, 2012; Maier and Wieringa, 2021). The question is no longer *where we can gain the most sales*; the questions that are more relevant are *how we position ourselves in today's competitive landscape*, and *who do we collaborate with to meet selected goals*. This ties back to the question by the Head of Strategy and Transformation Manager at Company A, namely, *are you selling volume or brand?*

5.4 Retailers will need to increase their inspirational features online.

The literature outlines that *"In the future, it could be difficult for (...) larger retailers to compete with their digital channels, especially if the platform is combined with entertainment and social media"* (Hänninen, Smedlund and Mitronen, 2018). In addition, the Product Innovation and Growth Manager at Company A outlined that 28% of online time is spent on social media, and only 4% on retail sites. Social media's ability to provide inspiration and capture customer time and attention is something that retailers are trying to compete with but, in addition to trying to win a larger percentage of customers' online time (by providing better inspiration), retailers have also increased their presence in social media and introduced this as a sales channel. Retailers have begun to embed transactional links in content seen on Facebook or Instagram (Grewal et al., 2021; Jin and Ryu, 2020), with the hope of acquiring customers in social media platforms. In the long term, retailers will benefit more from capturing these customers in their own ecosystem, but the only way to do this is by providing better inspirational features on retailers' own channels. Product Innovation and Growth Manager at Company A shared, *"developing better exploration and inspiration possibilities might not convert more sales (...) but we will need to give customers continuous reasons to visit us."*

5.5 Data is valuable, but it can also be costly to access.

In the empirics, The E-commerce and Retail manager at Company B also pointed out that *“to be in e-commerce today, one must drive traffic - and that is never ending; one needs to pump every day when it comes to the discussion to exist and not exist,”* which puts further emphasis on using data to stay relevant. This draws back to the example of SHEIN, as outlined by the Product Innovation and Growth Manager at Company A. SHEIN uses data to measure demand, and understand customers’ needs and preferences. In that way, they are fully driven by insights driven from customer data and produce selected items after seeing a definite interest. Worth to notice is, as mentioned in the literature review, data is useful, but it must be continuously updated for it to be accurate; companies could have a large dataset, but it quickly becomes old and, if it is not up to date, that could guide users of the data in the wrong direction (Bradlow et al., 2017). This illustrates that being on top of data can be costly but, when used correctly it enables companies such as SHEIN to grow in popularity.

A new discussion about data, which is not covered in earlier research, is how retailers will be affected if new regulations in data capturing emerge, that limits retailers from tracking their customers. As mentioned by the E-commerce and Retail manager at Company B, Apple launched a new iOS that made it harder to reach third-party data [i.e., Information collected about companies that do not have a direct relationship with the customer], limiting retailers to get insights about cross-selling, what customers buy, or heading at, after visiting them. This, further on, creates a pressure of the value in first-party data [i.e., data that is collected from a retailer’s own platforms, when the retailer owns the data] that retailers possess, which consequently could create competitive advantages for digital marketplaces that carry a larger number of brands. This could also lead to an improved understanding of behavioral patterns.

5.6 Choice of channel impacts the quality of data.

Retailers need to carefully select which channels to be present on. Being displayed in relevant channels will improve your exposure to customers who are likely to be a good target for your brand. This will gradually improve your relevancy through the collection and analysis of customer data, and implementation of decisions are made based on that. On the other hand - if you are established in the wrong context - this might lead to data collection, leading to a

misleading analysis of that data. From that perspective, curated marketplaces are superior. As data guides decision making, brands want to ensure that they are established in the right places. The more exposure they get in the right context, the more significant the data will be.

6. Discussion

6.1 Is the implementation of a curated marketplace model a risk or reward, for Swedish fashion [mono-brand] retailers in an online setting?

When trying to forecast the future of e-commerce, the Head of Strategy and Transformation Manager at Company A said, *"No one knows what will happen (...) nor what the end game is."* This uniqueness of transforming from a mono-brand retailer to a multi-brand marketplace comes with risk, but it can bring many rewards if it succeeds. It was explained by the Senior Consultant at Company F that if retailers do not dare to take a risk, there is less chance of a reward, saying *"many players do not lead the market, instead they follow what others are doing. This results in lost opportunities - nothing ventured, nothing gained."* This section seeks to discuss the potential risks, together with the potential rewards that arise from introducing third-party brands in a context of the Swedish market.

6.1.1 Risk of cannibalization

The Swedish fashion market, in general, possesses many brands, making the market more fragmented. H&M Group has several popular brands within their portfolio, and all have strong positions in the Swedish fashion retailer market. An assumption to be made is that each brand is likely to cater to a unique customer segment, which could be seen as the main reasoning behind each brand's appearance - investing a lot of time, money, and effort into creating what each individual brand should stand for. Gathering them all under the same digital roof (the brand.com website) could, however, be confusing and carry risks. The same follows for the external third-party brands that are introduced. A very brand loyal customer might not want to be associated with H&M. On the other hand, H&M is well recognized as a global brand, and they have a strong positioning in many markets. This brings many opportunities for portfolio brands that are part of H&M Group to access new markets and increase revenues for the group as one company. There is a potential risk of cannibalization, but such effects are of less concern

if the sales are allocated towards other brands in the brand portfolio. The effect of this trade-off depends on the degree of cannibalization for the external brands, but the silver lining is that records of sales in external brands can still add valuable information to H&M about its customers.

6.1.2 Risk of a lagging omnichannel experience

The history of fashion retailing has moved from a physical world into a digital one; and from multichannel to omnichannel retailing (Palmié et al., 2022). Omnichannel retailing aims to create a seamless experience, blurring the physical and digital world from a customer's perspective. However, as H&M is introducing several brands to their marketplace, the offering differs between the two formats that they use on the Swedish market: the offline store and the online marketplace. Customers often start their shopping journey online today, searching or browsing for clothes. When visiting the physical store, there is a risk that the customer becomes confused as the third-party products offered on the online marketplace are not available in the offline store format. This runs the risk of customer dissatisfaction which calls for a distinct communication online to separate the offerings.

6.1.3 Rewards to reap - opportunities to seize

Suppose new data privacy regulations are introduced, limiting retailers' ability to track customers' movement outside their ecosystem. Multi-brand retailers will then likely pose a competitive advantage over mono-brand retailers. Limited possibilities for data collection make it difficult for small retailers to collect enough customer data to understand what their customers seek. Thus, big [marketplace] players may gain leverage over individual retailers. Building on these arguments, multi-brand retailers can gain advantage by developing a curated marketplace before such privacy legislation is enforced. As e-commerce grows, data capturing is one of the reasons for why a retailer may benefit from being established as a marketplace as opposed to being established at a [external] marketplace. Increased customer data contributes to the understanding of customer preferences, but it can also be essential for product development and for increasing customer relevancy.

6.2 Are curated marketplaces seen as a disrupter of incumbents, by blurring the lines between e-commerce and social commerce?

Retailers must consider new strategies for how they can capture customers' time and attention online. Inspiration for how this can be done is seen in social media, as this is where people spend most of their time online. Further, the inspirational features are critical for retailers to improve, in order to capture more of people's time online. By incorporating inspirational features into their platforms, as inspired by social media's ability to present content in a context. One can argue that curated marketplaces are bridging the gap between inspiration and purchase, also providing a complete and well thought out shopper experience for shoppers. How this disrupts the market will be discussed in the following section.

6.2.1 Curated marketplaces' potential to disrupt

Our empirics showed that customers nowadays visit online retailers for other reasons than completing a purchase. They also seek inspiration and - as curated marketplaces provide better inspiration and better customer experiences - these [curated marketplace] destinations have the potential to disrupt the market by serving customers in ways that other players in the market cannot. With this, the curated marketplaces serve a complete ecosystem which is superior to what each individual brand can offer by itself.

In the same way as, curated marketplaces are superior to individual brands, they also have the potential to disrupt incumbent marketplaces, as they are serving a niche segment which are not fully satisfied by the incumbent Everything stores. According to the Senior Consultant at Company F: *"introducing a curated marketplace is a way to protect yourself from competition against global marketplaces such as Amazon and Zalando. We believe that the best way for retailers to compete with these players is by also implementing a marketplace [as they are doing], but by doing it better. The Everything stores cannot provide the same values, and thus the curated marketplaces have an advantage."*

6.2.2 Curated marketplaces as a bridge between inspiration and purchase

As the distance between inspiration seeking and purchasing activities are reduced - the curated marketplaces are doing the same but the other way around; instead of introducing a sales

channel to the inspirational platform, inspiration is added to the sales channel. By incorporating inspirational features (inspired by social media) into their platforms, one can argue that such curated marketplaces are bridging the gap between inspiration and purchase, by providing a complete and well thought out shopper experience for shoppers. One could ask why retailers have not been able to bridge the gap earlier? The answer for this could be that - for mono-brand retailers - a *complete* browsing activity could be hard to offer as only one brand is displayed. The Senior Consultant at Company F shared *“In Sweden, there are many strong brands within apparels, but customers are seen to be moving towards the destinations that offer them the best inspirational content, and places where you can easily visualize many options at the same time, and also presenting outfits for the customer as well as recommendations on how to style certain garments.”* The consultant argues that such additional attributes are fostered by social media platforms, saying that *“This is also the strength of social media - customers like to browse them as they can see all options at one place - if retailers have their own brand only, customers feel a need to check other sites as well. If you can provide other options at your site, we believe that the customer is likely to experience your site as more complete, and thereby they will be less likely to leave your site but instead do all shopping in your ecosystem.”*

6.2.3 Social commerce are leaders in providing inspiration

Many social media platforms have also embedded transactions, further fostering social commerce (Huang and Benyoucef, 2013), as their way of keeping the customer within the same ecosystem. One aspect of things is that new shopping behaviors are observed regarding where shoppers go to browse. As the use of social media has widened, the younger generation is more likely to seek **inspiration** online. This is growing even stronger as influencer marketing - of firms that use celebrities to promote their products - is increasing. The Country Sales Manager of Company D mentioned that young shoppers are moving their focus from brands to products, as influencers become the “face of the brand” which inspires their audience. A typical journey for a younger shopper, according to the Strategy and Transformation Manager at Company A, is to seek inspiration in social media channels; when they find a style or characteristic that they like, they usually turn to search engines such as Google to find that specific or a similar product. Assuming that the reseller checks the box to seem trustworthy, the shopper is likely to complete the purchase. Instagram is, as shown, the platform that influences the younger women's purchase intention the most when purchasing new products (E-barometern, 2021).

6.3 Will the fashion retailing market become consolidated in Sweden? If so, how?

Curated marketplaces can capture niche customer segments by providing attractive product offerings and superior customer experiences. Niche retailers will therefore be brought together as the brands will seek to establish themselves on such consolidated marketplaces, since it is the place where more customers are to be found. Looking towards the future, *“there will be players focusing on sustainability, fast fashion, high end and those types of niches within marketplaces, which has not been the case before,”* as according to the Digital Development Manager at Company A. How the market will consolidate is described in this following section.

6.3.1 The emergence of curated marketplaces

At scale, the extensive amounts of information on customers those the large marketplaces can access through data makes incumbents near impossible to compete with. As incumbent marketplaces grow and acquire exponential amounts of customers, the amount of customer data scales accordingly. This implies that incumbents will get exponential leverage, further accelerating the relevancies built upon data insights about customers. This creates a spiraling effect where, in the long-term, it will be increasingly hard to compete with the incumbent marketplaces.

Curated marketplaces can capture customer segments which the incumbent marketplaces fail to serve. By providing superior customer experiences, including inspiration - curated marketplaces have the potential to build a complete ecosystem around that niche customer segment. One could still argue that incumbents are too big to fail; *and they are so*, in a sense, as they will be able to capture most customers, excluding the niched customers. But why would they not be able to capture the niche customer, *even if they tried?* If the niche customers are captured by curated marketplaces, then those niche customers would not add data to the incumbent marketplaces. Consequently, the incumbents would not be able to understand that niche customer segment.

6.3.2 Market consolidation will be seen in the niche segments

A fundamental downside of being a large marketplace (such as global marketplace incumbents) is that it is challenging to cater for all possible needs, and even harder to develop good offerings

in terms of experiences that are targeted to each individual customer within that niche. A fundamental downside of being a large marketplace (such as global marketplace incumbents) is that it is challenging to cater for all needs, and even harder to develop good offerings in terms of experiences that are targeted to each individual customer within that niche. This is how curated marketplaces can challenge global marketplace incumbents - by catering for a niche segment and provide more relevant offerings in terms of both products and experiences. This is how curated marketplaces can challenge global marketplace incumbents - by catering for a niche segment and providing more relevant offerings in terms of both products and experiences. If curated marketplaces succeed in doing this, it will be able to attract an increasing number of customers in the niche segment they are specialized in. What the curated marketplace is signaling and delivering towards customers can then be seen as the “branding” of that curated marketplace. If this branding is seen as attractive to customers, an increased number of sellers in that niche segment will be attracted to be established on this curated marketplace. With this development, the curated marketplace has become a hub for both customers and sellers in this specific niche segment of the market. This is where customers spend their time and thus, this is where sellers will want to be.

What’s Next? In the long run, this will lead to a market consolidation in the niche segments, as both [niche] customers and [niche] sellers are moving towards curated marketplaces.

Figure 3.

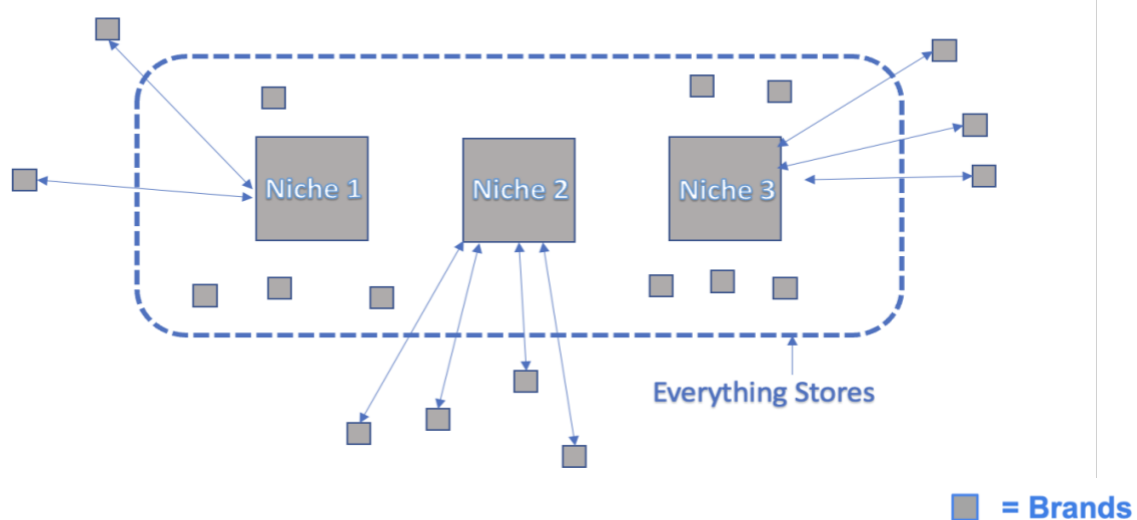


Figure 3. A visualization on how we will see market consolidation within the niche segments to move towards curated marketplaces. (Fahlgren & Östberg, 2022)

Everything stores have blind spots of customers that they cannot serve, and these niche customer segments are attracted to take part of the niche offerings as offered by niche marketplaces and curated marketplaces. Everything stores have blind spots of customers that they cannot serve, and these niche customer segments are attracted to shop niche offerings, as offered by niche- and curated marketplaces. Going back to the differences between the former and the latter; curated marketplaces can serve customers in a way that is superior to the niche marketplaces in providing values such as inspiration and customer experience. Going back to the differences between niche and curated: curated marketplaces can serve customers in a way that is superior to niche marketplaces in providing values such as inspiration and customer experience. As we see that these values are becoming increasingly important, curated marketplaces are likely to grow stronger within the niche customer segments. Further niche sellers are likely to select curated marketplaces as this is where the niche customers are heading. In the long run, this will lead to market consolidation in the niche segments, as both [niche] customers and [niche] sellers are seen to move towards curated marketplaces.

7. Conclusion

The study sought to explore the growth of digital marketplaces in the Swedish fashion retail market and explore the emerging ecosystems [i.e. networks across several channels where interactions between parties are incentivized and facilitated] that surround them. The research questions asked were whether implementing a curated marketplace model is a risk or reward for Swedish fashion [mono-brand] retailers in an online setting. Risks include cannibalization of sales, risk of a lagging omnichannel experience, and doing things other than the usual. Rewards include data collection benefits, improved assortments and tapping into existing ecosystems where the opportunities to be relevant in a specific niche is superior. Retailers that do not dare to take a risk have a lesser chance of a reward, and thus it is recommended to take the leap. However, retailers should consider whether it is best to create a marketplace or tap into an existing marketplace. Such a decision is further explained under managerial implications.

Second, the study sought to explore whether curated marketplaces are seen as a disrupter of incumbents by blurring the lines between e-commerce and social commerce. The empirical findings of this study indicates that this likely is the case in the Swedish fashion retail market. The most time spent online is on social media platforms today, and it has emerged from this

study that the younger generation visits brands.com for other reasons than completing a purchase. One such reason is to gain inspiration, and the retailer offering the best relevance will win the most online time. Improving relevance can be leveraged by data to understand what the customer wants to see and buy. However, retailers need to give customers reasons to visit them to access better data. This could be done by implementing inspirational features similar to what the younger generation sees on social media platforms. Curated marketplaces are doing the other way around social commerce; instead of introducing a sales channel to the inspirational platform, inspiration is added to the sales channel. Also, the younger generation is more directed toward products rather than brands. Combining these elements is why curated marketplaces will blur the lines between e-commerce and social commerce, and it is in that way curated marketplaces are disrupting the marketplace incumbents [Everything stores].

Third, the study sought to explore whether the fashion retailing market will become consolidated in Sweden. To achieve the positive effects from being part of an ecosystem within a niche customer segment, the empirical findings indicate that it has become increasingly relevant for brands to be brought together. As the study reveals, more customers are moving towards multi-brand destinations online and there is a growth of emerging digital marketplaces. Therefore, the fashion retailing market is likely to lead to a market consolidation where niche actors are attracted to tap into emerging ecosystems within niche categories. Moreover, retailers need to consider the choice of being at a curated marketplace or becoming a curated marketplace, as the retailing market in a Swedish context will become consolidated sooner or later. The following managerial implications will guide the decision.

7.1 Managerial Implications

There is an inflection point of when retailers should go from choosing to *be at a* marketplace to instead *become* a marketplace.

For retailers that have (1) a strong brand awareness in the market (2) an existing customer group, and (3) a clear niche on which products to offer - there might be untapped opportunities to explore. One such strategy is to consider becoming a curated marketplace, with an ecosystem to surround it. If the retailer succeeds, an increasing number of actors are likely to want to tap into the created ecosystem - further strengthening the potential benefits that arise. Retailers and brands that *cannot* meet the requirements will have to turn to an existing marketplace.

The above factors represent *internal* factors of the company's current positioning and its potential to build an ecosystem. However, retailers should have a dual thinking where they consider internal as well as external factors (such as the context of the market). It might be that a retailer fills the criteria to establish themselves as a marketplace in the Swedish market, but not in the context of other markets. Because of this, the decision needs to be re-evaluated for each context.

7.2 Limitations and Further Research

The study was limited to understanding retailers' perspectives and not the customer perspective, and thus, the implications for practice are not empirically tested. It only stretches to the insights of the business experts. The study should be tested on customers based on, or complemented by, a quantitative research method to support this. In the context of social commerce, as an example, our research could have investigated a potential correlation between the use of social media and the entrance to curated marketplaces. To further understand *why* they enter and *what* added value curated marketplaces give compared to retail companies' online channels. This is to research how many customers use Instagram, as an example, as a source for inspiration and progress towards retailers afterwards.

If brands enter a curated marketplace and benefit from how the products are displayed, this might convert customers to go back to their online channel of that brand. Thus, it would be interesting to research further how their own channel's conversion rate is affected by being established in [someone else's] marketplace. With the study samples, a limitation was that only one of our interviewees was established on HM.com. It would, as future research, be interesting to see what value portfolio brands in the H&M Group see in this by being established on the website. Further, we did not explore how retailers can sustain sales and traffic to their channels while being established on a curated marketplace. Analyzing this concept from a financial performance perspective would also be interesting, as to see if the return on investment is higher for retailers who enter a marketplace, or if retailers see better financial gains when sticking with the retailers' own channels. We explored cannibalization effects in the interviews, but no in-depth analysis was made on how it impacts sales in actual bottom-line results.

According to the interviewees, shoppers have been prominent towards brands in selecting products. However, the younger shoppers want to find similar products, regardless of brand, while the older shoppers search for specific brands because of their known quality. It would be interesting to see more empirical research to test if this is true - will people turn to purchase more products based on their product characteristics instead of the brand of the product? Moreover, if demographics impact, does this mean that this development will become even more vital as the population changes?

Further, additional research is also needed to understand how social media and e-commerce will continue to interact, and how marketplaces - especially the curated ones - are bridging the distance between inspiration and purchase.

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Appendix

Exhibit 2. Key questions explored during the interviews.

What is your perspective on data in the context of a marketplace?

What is your perspective on customer behaviors and preferences, as seen in a marketplace setting?

Are there any challenges or opportunities that you have seen or experienced from being established in a marketplace as compared to becoming a marketplace?


What is your perspective on the curated marketplace model, and its opportunities and challenges in the context of the Swedish market?

Exhibit 3. Key themes explored during the interviews.

Key Themes:

- *Data,*
- *Geographical differences*
- *Characteristics of Swedish customers*
- *Challenges and opportunities with a marketplace model*
- *Addressing different customer segments*
- *The decision of establishing or entering a marketplace.*

Exhibit 4. Consent form.



Consent to participation in student's survey / interview

The student's project. As an integral part of the educational program at the Stockholm School of Economics, enrolled students complete an individual thesis. This work is sometimes based upon surveys and interviews connected to the subject. Participation is naturally entirely voluntary, and this text is intended to provide you with necessary information about that may concern your participation in the study or interview. You can at any time withdraw your consent and your data will thereafter be permanently erased.

Confidentiality. Anything you say or state in the survey or to the interviewers will be held strictly confidential and will only be made available to supervisors, tutors and the course management team.

No personal data will be published. The thesis written by the students will not contain any information that may identify you as participant to the survey or interview subject.

Secured storage of data. All data will be stored and processed safely by the SSE and will be permanently deleted when the project is completed.

Your rights under GDPR. You are welcome to visit <https://www.hhs.se/en/about-us/data-protection/> in order read more and obtain information on your rights related to personal data.

Project title	Year and semester
What's next?	2022 VT6
Aim of the study	
A qualitative study about the growth in online marketplaces, within fashion retailing, in Sweden	
Students responsible for the study or interview	
Karin Östberg, 50650 & Lisa Fahlgren, 50686	
Supervisors and Department or SSE	Supervisor e-mail address
Fredrik Lange, Program Director for the SSE Retail Management	fredrik.lange@hhs.se
Type of personal data about you to be processed	
Current role and company name, no names will be stated.	

I have taken part of the information provided above and consent to take part in this study:

Signature	Place and date
Name	

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