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1   Introduction

In this chapter the authors will present the area that is to be researched, explain relevant background knowledge and introduce the purpose of this thesis.

1.1   Background

1.1.1   Food Culture in Sweden

Historically, Swedish food flavours have been influenced by conservation methods; like drying, fermenting, smoking and salting foods, mainly because this was a way of preserving foods before the invention of freezers and fridges (Olsson, 2015; Förare Winblad, 2001; Carlson-Kanyama, Linden 2001; Sandberg, 1995). *Husmanskost,* the old-fashioned home cooking, is typical referred to when describing the traditional Swedish cuisine. Containing various dishes like; porridge, gruel, black pudding, cabbage soup, dried fish, it is often described to be simple and has remained a secure part of the Swedish cuisine throughout history (Sandberg, 1995).

Consumption varies for the divergent demographic groups of the population. Age, income, gender, lifestyle and geographical location are all influencing factors to which food the Swedes consume. There is a gap between the younger and older generations in terms of healthy cooking, whereas the younger individuals tend to generally eat unhealthier food. Furthermore, women are more prone to eat healthier than men. (Lööv et al., 2015).

The commodities Swedish consumers buy today, are similar to the commodities bought fifty years ago, however they are likely to be processed. Less flour is bought, but Swedes buy more finished bread, less sugar is bought, but Swedes buy more products with sugar in, like sweets and chocolate. More imported food and new products has led to a wider product assortment of brands and product varieties in Swedish grocery stores. (Lööv, Widell & Sköld, 2015).

1.1.2   Electronic Commerce

Electronic commerce (e-commerce) is generally referred to as the process of buying and selling using Internet as the platform that connects the consumer and the seller (Chaffey, 2015). However, Chaffey (2015) states that e-commerce should include non-financial transactions as well. Non-financial transaction may be activities such as customer support. Kalakota and Whinston (1997) identified four possible perspectives to view the scope of e-commerce. Firstly, through a communications perspective, where focus lies on delivering information, products, services or payments through electronic means. Secondly as a business process perspective, emphasising how technology is used in business transactions and workflows. Thirdly as a service perspective, which concerns how information technology is used to enable cost cutting, increase speed, and the quality of service delivery. The final perspective concerns the actual buying and selling of products through the Internet and is called the online perspective (Kalakota & Whinston, 1997).

The e-business market in Sweden is growing every year. The Swedish online retail industry had a turnover of 42,9 billion SEK in 2014 (PostNord, 2015). Many online retailers in the beginning

of the 21st century failed at establishing successful online stores, including e-grocery stores, this is referred to as the IT-crash (Johnsson & Jönsson, 2006; Zachrison, 2010). There is a sense of optimism regarding e-business among companies and customers and it continues to grow (Svensk Handel, 2011). The major tools for marketing an online retail store in Sweden are search word optimisation, search word advertising, newsletters via e-mail, and Facebook (PostNord, 2015).

1.1.3   Electronic Grocery Retailing

In the late 1990s and the beginning of the 21st century, attempts of implementing e-grocery stores failed (Johnsson & Jönson, 2006; Taskanen, Yrjölä & Holmström, 2002). It was mainly in the United States that the first e-grocery stores were developed, but they encountered difficulties from the beginning and most firms within the new industry went bankrupt within a span of five years. Companies that were involved in the first attempts in the e-grocery industry invested vast amount of money, without considering the costs. Additionally, the failing companies overestimated the interest from the customers and the possibilities for growth in the market. Furthermore, difficulties with the distribution logistics were not dealt with properly in the process, and resulted in another underlying factor for failure. (Taskanen, Yrjölä & Holmström, 2002). The online grocery market has since the beginning of the 21th century re-developed. The market is becoming economically viable and is growing steadily. The online e-grocery stores are becoming a threat and the already established firms on the grocery retail market need to go online. Many new actors are interested in investing in the market and that makes the growth rapidly accelerate (Oliver Wyman, 2014).

Morganosky and Cude (2000) states that the stereotypical customers are high income females that has a family consisting of one or two children Referrals are the main reason for why customers go from a physical grocery store to an online grocery store. Other reasons might be advertisements from e-grocery stores or while browsing the Internet (Ramus & Nielsen, 2005). Major drivers for purchasing groceries online are the convenience and the time-saving. It is convenient to shop online and the customers save time by not having to travel to the store. The time saved can be used to do other thing the consumer perceive as more important for them (Keh & Shieh, 2001; Geuens, Brengman & S'Jegers, 2003; Galante, López & Monroe, 2013). However, customers have concerns regarding the groceries freshness and quality. A disadvantage of purchasing groceries online is because customers cannot use his or her senses to select the products they prefer. Furthermore, when purchasing groceries online the customer has to trust the company to deliver high quality groceries. Customers do not want to be exposed to inconvenient delivery or pickup arrangements (Galante, López & Monroe, 2013). A final disadvantage is that visiting the grocery store is by some customers perceived to be a social happening and thus they are not willing to purchase groceries online (Wilson-Jeanselme & Reynolds, 2006; Morganovsky & Cude, 2000).

E-grocery was initially adopted in an urban environment but has since then spread outside the cities. The usage of the e-grocery services is increasingly showing that there is a high usage in more rural areas. Clarke, Thompson and Birkin (2015) speculate that the further away a customer lives from a physical store, the higher the possibility of a purchase in an e-grocery is. However, they state that more research has to be undertaken in order to strengthen the claim of the effect geographical location of customers has on e-grocery stores.

1.1.4 Swedish Grocery Market

The grocery market in Sweden accounts for 52 percent of the total turnover of 250 billion SEK of the total retail industry (Statistiska Centralbyrån, 2015; HUI Research & Handelns Utvecklingsråd, 2015). The four biggest food companies in Sweden are ICA, Coop, Axfood and Bergendahls (Statistiska Centralbyrån, 2015). In 2014 ICA had approximately 51 percent of the market shares in the Swedish food market, followed by Coop with around 21 percent, Axfood with approximately 16 percent and Bergendahls with 7 percent (Delfi, DLF & HUI Research, 2015).

The average Swede spends around 12 percent of the total household budget on groceries. This is a lower percentage spent on food, compared to thirty years ago, but that does not mean Swedes are spending less money on food, rather that the Swede's financial situations have improved. The price sensitiveness on food is usually low, but it is highly dependent on the product category. When Swedes earn less money some products get prioritised over others. The Swedish consumers are more aware regarding price in times of crises and chose low price alternatives in higher extent. (Lööv, Sköld & Widell, 2010).

1.1.5 Pre-Packed Grocery Bags

The pre-packed grocery bag is a meal concept where customers purchase pre-planned dinners. The bags include pre-decided groceries and prepared recipes, which is usually delivered to the customer's home. In 2011, sales of the pre-packed grocery bags grew significantly in the Swedish market and were the same year appointed as Christmas *Gift of the Year* due to its innovative solution and high popularity. It is further suggested that consumers are becoming increasingly more willing to pay for the comfort and convenience brought by the service of purchasing a pre-packed grocery bag (HUI Research, 2011). The most usual method of purchasing the pre-packed grocery bags is through starting a subscription to a desired pre-packed grocery bag offered by the firm. Customers can usually choose from different standardised bags, and adapt to the number of dinners and portions that will be included in their subscription (Matkasseguiden, 2016a). Actors in the market worth to be mentioned due to popularity among customers are; Linas Matkasse, Matfrid, and City Gross (Matkasseguiden, 2016b).

1.2 Problem

There are three major current food trends among Swedes. One is the increased demand for faster and easily prepared food, due to the scarcity of time among Swedes and their decreased knowledge about cooking (Olsson, 2015; Carlson-Kanyama & Linden, 2001; Carlson Kanyama 1998). Activities that succeed each other, less importance of home economics in school and parents lack of time spent teaching their kids to cook are explained to be the underlying factors for this trend (Carlson-Kanyama & Linden, 2001; Carlson Kanyama 1998). This trend has led to an increased consumption readily prepared and processed food containing saturated fats and more sugar. There has been a counter reaction to this trend and more Swedes want to eat healthier, following a global trend of living healthier (Lööv et al., 2015). The second trend is the increased internationalisation and globalisation of the Swedish food culture, due to improved living standards and global exchange of cultural experiences. This has been enabled through

tourism, education and the development of information and transportation technology (Carlson-Kanyama & Linden, 2001). Lööv et al. (2015) states that even though global trends can be identified in the Swedish grocery industry, the traditional Swedish cuisine continues to characterise the consumers buying patterns.   The third trend regards the environmentally and ethically friendly movement that has led Swedish consumers to demand more ecologically and locally produced food. The food Swedish consumers wish to buy should be ecological, based on the seasonal availability and be ethically produced. The Swedish consumers want to know where the food is produced and who produces it (Lööv et al., 2015).

The process of acquiring and retaining customers has become a top management priority, because of the realisation that if managed well it may be beneficial and profitable for the company. Foss and Stone (2001) argued that this is one driving factor to the growth of customer relationship management. They continue to argue that the increasing importance of online customer-care and sales channels is a second driving factor of the growth in customer relationship management (Foss & Stone, 2001). Customer relationship management is seen as a subset of relationship marketing, which is an interacting network of relationships that a firms has with customers, suppliers, stakeholders and society at large (Gummesson, 2008; Bendapudi & Berry, 1997). Customer relationship management develops stronger relationships between the firm and the customer; which leads to improved customer loyalty and firm performance. It is a widely researched topic, but the mediator constructing the relationship between a firm and its customer is often disagreed upon. The most common relationship mediators are trust, commitment, relationship satisfaction and/or relationship quality. In existing literature, trust and commitment is most commonly examined (Palmatier, Dant, Grewal & Evans, 2006).

In 2015, 93 percent of the Swedish population above the age twelve had access to the Internet and out of them 91 percent were continuously using it (Findahl & Davidsson, 2015). 80 percent of the Internet users claim that they have purchased items online, and the amount of money spent online had increased (HUI Research & Handelns Utvecklingsråd, 2015). In 2015, 35 percent of the Swedish population between the ages 18-79 years old purchased goods online at least once a month, this was a 6 percent increase from the previous year. The most frequent online shoppers were within the 30-49 age span, where nearly 50 percent shopped online at least once per month (PostNord, 2015).

Electronic grocery retailing in Sweden is one of the most rapidly growing industries online, although the increase in level of consumption each year is relatively small. The development of the industry is driven by increased digitalisation, more consumer choice, increased customer demand and maturity in the market (Svensk Digital Handel, 2015). The Swedish market for online groceries consists of few companies, but each year more firms are entering the market. Grocery retailers are making investments in the online grocery market, and this time they have had better success than previous attempts in the beginning of the 21st century (Svensk Digital Handel, 2015). One out of five Swedish consumers state that they have purchased groceries online (Svensk Digital Handel, 2014). The main reason Swedes shift their grocery shopping behaviour online is because it is perceived to be comfortable. However, factors such as a wider product assortment, the speed and easiness of the shopping experience, to get an overview of products and more product information should also be accounted for (Svensk Digital Handel, 2015).

The delivery cost, times and availability of home delivery is described in one customer survey to be the major disadvantages of purchasing the groceries online. There are other disadvantages mentioned connected to the shopping experience, where customers state that it is fun to shop in a physical store, and that the service is better in a physical store. Some customers want to use their senses in order to determine the quality of the perishable goods, which they cannot do in an online grocery store. Furthermore, a few customers feel that they cannot trust online grocery stores with collecting goods of good quality when they grocery shop online. Futhermore, the customer survey found that websites where the grocery shopping is conducted are perceived to be difficult to use and that the customers want their food directly, instead of waiting for the delivery to arrive. Among those who have never purchased groceries online the majority state that they want to see the groceries before purchasing them and thus they have not purchased groceries online. Additionally, other reasons mentioned are that grocery shopping is a habitual process made in a physical store, or that online grocery shopping does not fit their current living situation, cannot get deliveries to their home or at a time that suits them. A few have thought about purchasing groceries online, but have not yet made a purchase. A small percentage state that they do not trust e-commerce or that the products purchased online is of poor quality. (Svensk Digital Handel, 2015).

The current food trends and the high Internet usage, mentioned above, enables for a continuously increasing and developing electronic grocery market. However, the sales of the pre-packed grocery bags are decreasing. The reason for the stagnation of the industry is of great interest for the companies within the industry (Svensk Digital Handel, 2015). In order to remain competitive in this rapidly developing industry, where more competitors are entering, pre-packed grocery bag firms need to make strategic decisions that satisfy their customers. Thus, it is believed by the authors of this thesis that customer relationships within the Swedish pre-packed grocery bag industry are of high relevance for research.

1.3   Purpose

The purpose of this thesis is to explore what variables influence customer relationships in the pre-packed grocery bag industry and how these variables should be used in the context of developing customer relationships in the pre-packed grocery bag industry in Sweden. The theoretical contribution of this thesis will be to propose which product and service attributes are necessary for developing customer relationships in the pre-packed grocery bag industry.

1.4   Research Question

RQ1: "Which influencing factors are crucial for satisfying the customer relationships in the pre-packed grocery bag industry?"

RQ2: "How should these factors be used to create customer relationships?"

1.5   Definitions

Electronic Grocery Store: Refers to the electronic commerce when ordering groceries over the Internet. Electronic grocery stores typically consists of different steps where customer can pick their groceries, pay for them online and have them delivered to the customer's home (Raijas,

2002). In this thesis electronic grocery stores will be abbreviated as e-grocery stores and will be used interchangeably with online grocery stores.

Multi-channel retailing: A retail strategy that serves customer using more than one retailing channel such as the Internet, television and outlets (Stone, Hobbs, & Kahleeli, 2002).

Pre-packed grocery bag: Denotes the concept of buying groceries together with recipes in a meal plan. Mainly purchased in the form of subscriptions with home-delivery (Matkasseguiden, 2016c). In this thesis pre-packed grocery bag is abbreviated as PPGB.

Consumer: In chapter 4, 5, 6, and 7 the authors refer to consumers as every possible buyer of a pre-packed grocery bag. In chapter 1 and 2 the definition of a consumer might differ, because the authors of previous literature use word in various ways.

Customer: In chapter 4, 5, 6, and 7 the authors refer to customers as every individual that have bought a pre-packed grocery bag.

Non-customer: In chapter 4, 5, 6, and 7 the authors refer to non-customers as individuals that have never bought a pre-packed grocery bag.

1.6 Delimitations

The online grocery market is divided into three main categories; pre-packed grocery bags (PPGB), online grocery stores, and niche grocery stores. This thesis will only focus on the PPGB, as it has been the most commonly used retailing strategy for purchasing online groceries. (Svensk Digitalhandel, 2015).

The conducted research focuses on companies located in Sweden and on Swedish consumers.

This thesis is aimed to marketing students and for relevant people within the industry with basic knowledge in fundamental marketing strategies and phraseology.

1.7 Disposition

The disposition of this thesis is built upon the widely used IMRAD structure. The traditional structure, developed by Louis Pasteur, contains five sections: information, method, results, analysis and discussion (Wu, 2011). However, in this thesis, two additional segments have been added, namely the theoretical framework and conclusion.

2   Theoretical Framework

In this chapter the authors will present theories and existing research relevant to the purpose of this thesis.

2.1   IDIC-Methodology

A firm can implement a four-task process for the purpose of retaining and acquiring new customer relationships. It is generally a sequential implementation process that begins with the identification of customers, followed by the task of differentiating and interacting with customers, and ends with a customised treatment, this is referred to as the IDIC-methodology. Identifying and differentiating customers is a process of gaining insight, generally conducted without customer interaction. The process of interacting with customers and customising their treatment require individual participation from the customer. (Peppers & Rogers, 2011). The IDIC-methodology model is depicted in figure 2.1.
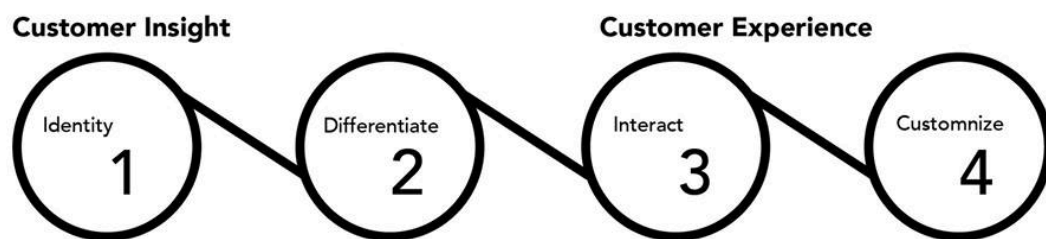
(Figure 2.1, Peppers & Rogers, 2011).

2.1.1   Identify Customers

Firms should be able to identify every customer as an unique individual, in as much detail as possible, for when the customer returns in one or several channels (Peppers & Rogers, 2011). Although the identification process is accepted to have high importance, few companies specify their selection criteria for their core customer selection. This is particularly apparent for entrepreneurial companies within unexplored market segments (Cespedes, Dougherty & Skinner, 2013). Modern technology and the increasing significance of the Internet have made it easier to recognise and identify individual customers. However, for many firms it is difficult to gather accurate customer information. For every company to identify their customers they have to be aware of limitations, make choices, and prioritise. To identify every customer individually, a firm should undertake a number of identification activities. These activities succeed each other and begin with the firm defining what information that will be connected to the customer's identity. Then through offline and online vehicles the information is collected and linked to the identified customer. The next identification activity concerns the collected information that needs to be stored in the firm's information systems. It is important that a customer is recognised as the same customer, even when the customer come into contact with different departments and employees of the organisation. Thus, the information stored in the firm's databases must be updated and be made available to all relevant departments and employees of the firm. The information stored should be analysed and used for evaluating customers' differences. Finally, the information kept on all customers' identities must be protected, because

if the information is leaked, it will threaten the customers' integrity and/or be used by the firm's competitors. (Peppers & Rogers, 2011).

Peppers and Rogers (2011) recognise the computers as an influencer to the customer data revolutions, where the computers have been essential to the process of gathering information about customers. Technology has enabled the recording, finding, and comparing of customer data. Customer data is an important asset for the firm and its customer identification process and can be easily accessible, as the customers in some cases provide information about themselves in the sales and/or registration process. This input of information from the customers provides the company with information regarding demography, behaviour, and attitudes and is labelled as directly supplied customer data. (Peppers & Rogers, 2011).

2.1.2   Differentiate Customers

Every customer is different from another and it is important for a firm to understand that the customers are different. The two most fundamental differences among customers are their value and their needs. The firm's value proposition can be apprehended in terms of the value the customer provides for the firm and the customer's needs that the firm should meet. Demographics, psychographics, customer behaviour, transactional histories and attitudes are tools and concepts for acquiring knowledge of the customer values and needs. (Peppers & Rogers, 2011).

2.1.2.1   Differentiate Customers Based on Their Value

Through evaluating the value of a customer's current behaviour and future possible behaviour, that is a result from the firm's strategic activities, the most profitable customers can be identified and resources can be allocated accordingly. What is currently known or predicted about a customer's behaviour is often referred to as actual value. While what the firm could represent for a customer, if it changes some aspects of its business strategy, is called potential value. It is near impossible to accurately determine a customer's actual and potential value, but to get an estimate of these for each individual customer is valuable, because every customer has some impact on the firm's financial situation. In order to determine which customers are the most valuable many businesses use what is called the RFM model. The model aids firms in ranking their customers based on the most *recent* transaction, the *frequency* of past purchases and the *monetary value* of the customer's purchases during a specified period. Based on the RFM model, the firm can develop a predictive plan of action. (Peppers & Rogers, 2011).

After customers have been identified and ranked they are placed in customer value categories. Peppers and Rogers (2011) identify five such groups as can be seen in the Customer Value Matrix depicted in Figure 2.2.
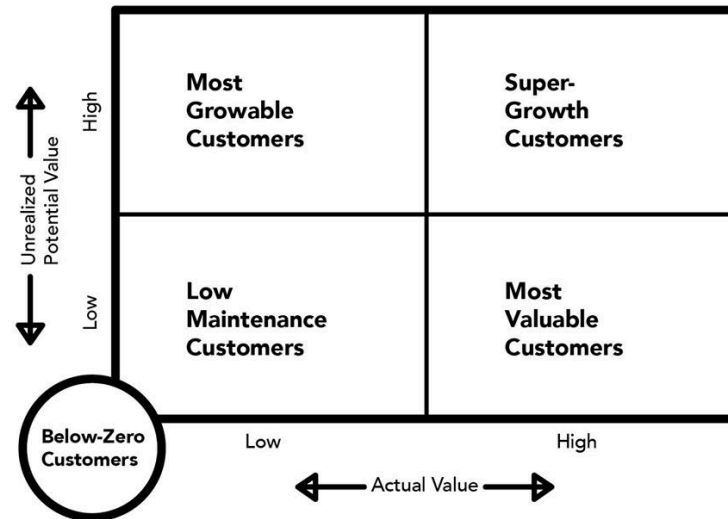
1. **Most valuable customers** are those customers with the highest actual value to a firm. These customers generally provide the company with a proportional profitability; therefore, a firm should implement various retention strategies.

2. **Most growable customers** are customers with a significant growth potential value, but little actual value. Generally, these are seen as the most valuable customers to the firm's competitors and thus it is important to use strategies to attract these customers to the firm and away from competitors.

3. **Low-maintenance customers** these customers have neither actual nor potential value for the firm, but to some extent they are still profitable. It is recommended that interactions with these customers should be made through cost-efficient and automated channels.

4. **Super-growth customers** have high actual value to a firm but they do also have significant potential value. Customers like these are rare and more common in business-to-business markets, as they are more likely already be high-value customers. However, they have an immense financial capital that could give the firm more business. These customers most likely know their value to the firm and use their customer relationship with the firm, to negotiate margins down while pushing volumes up.

5. **Below-zeros** have no, little, or negative actual and potential value. These customers are costly to serve no matter what changes a company makes. If there is potential to turn these customers into break-even or even profitable individuals that should be made, otherwise they should be disregarded and given to competitors. (Peppers & Rogers, 2011).

2.1.2.2 Differentiate Customers Based on Their Need

The customer's perspective is important for a firm to identify and understand, as customers rarely bother with what value they bring to the firms, they care about the need that the firm's product or services will fulfil. Peppers and Rogers (2011) define a customer need as a combination of the customer's wants, preferences and likes. The customer need is explained to be a driving factor for the consumer behaviour and is used to explain why and how a customer

acts. A customer need should not be confused with a product benefit, which is the advantage or the advantages that the customer gets from using a product; benefits are not equivalent to needs. Customer differentiation, based on their needs is a relatively unused and new way of differentiating customers, in comparison to differentiating based on their values. In order to create and maintain strong customer relationships, it is necessary distinguish needs (Peppers & Rogers, 2011). Salvador, Martin de Holan and Piller (2009) claim that identifying and satisfying different customer needs and aligning them with the organisation, forms the basis for successful mass customisation.

All customers will have different individual needs, just as they create different values for a company. However, at some point the customers' needs, will have to be categorised based on similarities. When categorising customer needs problems arise, as needs are complex and consist of different dimensions and nuances dependent on psychological predispositions, beliefs, life styles, ambitions and moods. Customer segmentation is a well-researched and used concept within the marketing discipline, but it is primarily used to segment based on product benefits, and is used in mass production where firms focus on serving one need that is shared by all customers in the selected target segment (Peppers & Rogers, 2011; Salvador et al., 2009). Mass customising firms should rather identify customers with distinctive needs, "specifically, the product attributes along which customer needs diverge the most" (Salvador et al., 2009, p. 72). Peppers and Rogers (2011) suggest that in order to successfully differentiate and categorise customers based on their needs a customer portfolio should be created. A customer portfolio is a categorisation of customers that are similar.

A firm should collect customer information through different means, but it is important to realise that customer needs might change based on the situation or over time. There is not one correct way to differentiate customer needs. However, a database where firms can store gathered customer information, and a collaborative filtering software that sorts though groups of customers to identify commonalities, will make the task less complicated for the firm (Peppers & Rogers, 2011). All information is therefore important and a firm should consider going beyond data collection of customers. Salvador et al. (2009) suggests that information can be found in incomplete orders where products have been evaluated but not purchased or customer feedback. Additional ways to differentiate customer needs is through acquiring community knowledge, which is the acquisition of an entire community's customer taste and preferences. Using community knowledge will enable a firm to use one customer's collected information to customise the experience for a customer with a similar need (Peppers & Rogers, 2011).

It is often that customer needs correlate with customer value, the most-valuable customers are often the customers that get their needs satisfied by the providing firm. Psychological needs are the most essential customer need, and the most effort should be put in identifying and differentiating these as it may guide the customisation of customers and ultimately affect the customer relationship. (Peppers & Rogers, 2011).

Figure 2.3 depicts how companies can differentiate using customer needs.
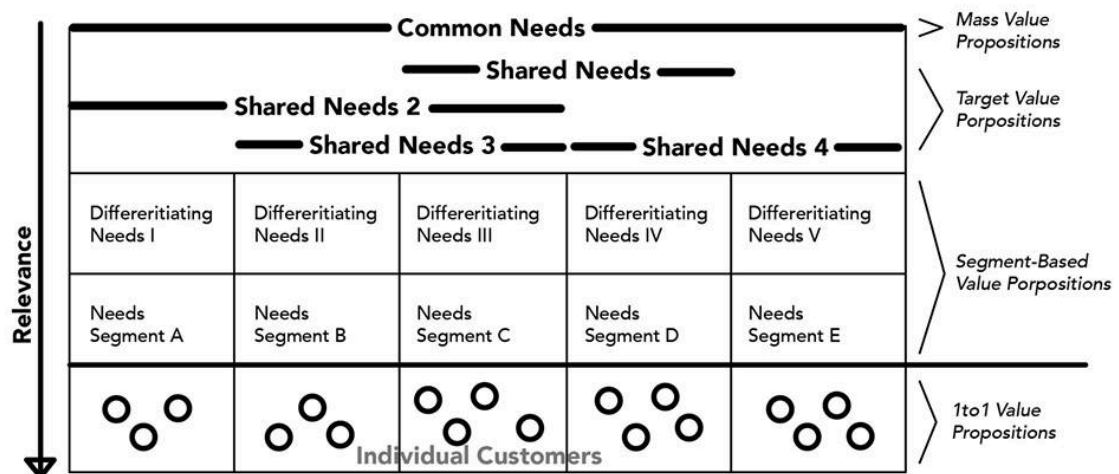
2.1.3 Interact with Customers

Communication between two parties is what defines a relationship. Peppers & Rogers (2011) emphasise that companies should strive to create a positive interaction and communication with its customers. A firm is advised to reach a level of intimacy with the customer to manage an individual customer relationship. It is a difficult, and continuing process that requires interaction between a customer and the firm, which eventually will create a mutually beneficial experience. This allows the firm to become an expert on its business and of the customers the firm serves; this ensures that the firm can satisfy the customers' needs. (Peppers & Rogers, 2011).

Interactive communication between a customer and the firm should be an individually addressable dialogue. It is an explicit bargain where the enterprise offers the customer an incentive for the customer's time, attention or feedback. To be able to create a valuable communication with customers a company has to listen, instead of trying to influence the customer to a buying decision during every encounter. The development of various types of medias enables firms to create individually adapted communications in order to acquire new and maintain existing customers. There are a number of addressable medias through which the firm can engage in such exchanges, for example the Internet, social media, wireless, voicemail, e-mail, texting, fax, digital video recorder. The firm's goal should be to understand each individual customer through communication. Current customer needs and the customer's potential value is information that firms generally are interested in which can be obtained by interacting with the customer. However, the majority of customers are reluctant to communicate with a firm and to extensive questioning by a firm, and thus the dialogue must be well thought through. (Peppers & Rogers, 2011).

2.1.4 Customise the Customer Experience

It is expensive to accommodate a personalised offering of interaction and transaction for every individual customer. Firms should engage in mass customisation, which in essence is about satisfying what the customer wants when he or she needs it (Peppers & Rogers, 2011; Salvador et al., 2009). There are various definitions of mass customisation. According to Peppers and Rogers (2011) mass customisation is goods and services mass produced in lot sizes of one. Pine

(1993) in Salvador et al. (2009) states that mass customisation is "developing, producing, marketing and delivering affordable goods and services with enough variety and customisation that nearly everyone finds exactly what they want" (p. 72). Mass customisation has been enabled by the development of the information technology that is used to facilitate the manufacturing and service delivery process. When a firm mass customises it prepares several modules for a product and/or its related services, delivery options, and payment plans. This is customisation processes is more of a configuration process. These modules can then be assembled into product configurations based on the customer's needs. Mass customising could, if components of a product can be put together in a standardised way, be more financially efficient than a traditional mass production (Peppers & Rogers, 2011).

Peppers and Rogers (2011) have developed four divergent approaches to mass customisation:

1. **Adaptive customisation** offers customers a standardised product, designed so that customers can customise it themselves.
2. **Cosmetic customisation** offers various customers a differently presented product.
3. **Collaborative customisation** offers through a dialogue with the customer a customised product. In this dialogue, the firm helps the customer to express his or her needs and then identifies the offering that adequately could fulfil those needs.
4. **Transparent customisation** offers a customised product or service to a customer without notifying the customer that the product or service has been customised to suit his or her individual needs.

Salvador et al. (2009) writes that a firm must be careful with presenting customers with too many options as it may result in the paradox of choice. If a customer is presented with too many options the customer value might actually decrease, because the cost of evaluating the alternatives might exceed the additional benefit of having many choices. This might lead to a postponement of purchase, or even a classification of being difficult and undesirable to shop from. Assortment matching might be an effective solution to this problem, as it involves, through software configuration, matching customer choices with customer needs. (Salvador et al., 2009).

2.2 Consumer Decision Process Model

The Consumer Decision Process model is a widely used model for consumer decision-making that can be found within several marketing literatures. It can be used to analyse how consumers "sort through facts and influences to make logical and consistent decisions" (Blackwell, Miniard & Engel, 2006, p. 70). The customer decision process model allows firms to view the purchasing process from the consumers' point of view and help marketers and managers develop marketing and sales strategies (Blackwell et al., 2006; Brassington & Pettitt, 2013). The Consumer Decision Process model is depicted in Figure 2.4.

(Figure 2.4, Kotler, Armstrong, Wong and Saunders, 2008)

2.2.1   Need and Opportunity Recognition

The identification of a gap in the current or preferred state of living triggers a need or an opportunity recognition. This can arise when a consumer's life changes and new needs are appear. Much of the development in consumer product and service markets is due to the continuous process of recognising new needs and opportunities (Rosenbaum-Elliott, Percy & Pervan, 2015). Kotler et al. (2008) identified the need to be prompted either from internal or external stimuli. The internal stimuli refer to when an individual's normal needs, such as hunger or sleep, increases to a level high enough to become a drive. The external stimuli denote the wants that occur when a consumer is exposed to different factors that trigger a need (Kotler et. al, 2008). Furthermore, trends in the markets will act as an external stimulus, as the problem and need recognition changes and is to some extent influenced by the consumer's drive to emulate other consumers (Blackwell et al., 2006; Rosenbaum-Elliott et al., 2015) Not all needs or wants will be fulfilled as it entails both the motivation and the capability to accomplish the specific need in question (Brassington & Pettitt, 2013).

2.2.2   Information Search

The customer can make an internal memory search and an external environmental search (Brassington & Pettitt, 2013). The customer wants to identify which purchase decision will solve their problem, and how and from where the solution can be acquired. Customers tend to trust family members, friends, and colleagues to a higher extent than companies, because their advice is perceived to be more unbiased and trustworthy than advise provided by companies. Advertising sales personnel, and the Internet are the major commercial sources of information. Internet has simplified the process of information search considerably. Given that anyone with Internet can access and enter various sources of information provided online. (Blackwell et al., 2006; Kotler et al., 2008).

There are two divergent processes of customers conducts information search. The first process is heightened attention when the customer becomes more aware and interested in information regarding a specific product or service category. The second process is active information search where the customer actively searches for material, for example reading product evaluations. (Blackwell et al., 2006; Kotler et al., 2008).

Acquiring large amounts of information may not always lead to a better purchase decision. All information received can be overwhelming for a customer to process, and it could eventually result in a decision that the consumer might regret after the purchase has been completed. Time shortage can as well lead to more stress while searching for information and lead to a poor purchasing decision. Additionally, information search is dependent on previous experiences and prior brand perceptions. If the customer is satisfied with the previous purchase the customer is more likely to select it again. Thus less information search is needed. If the customer had a bad previous experience connected to a brand, the information search will most probably be more extended. (Blackwell et al., 2006; Rosenbaum-Elliott et al., 2015).

2.2.3   Evaluation of Alternatives

After the consumer has searched for alternatives the purchasing options must be assessed. The customer will compare the various product offerings with each other. Customer evaluation is an

individual process that is influenced by individual and environmental factors (Blackwell et al., 2006). A product offers a bundle of benefits to the customer in the product attributes that will satisfy the customer's recognised need, want, or solve the customer's problem. A product attribute might be functional, symbolic or emotional (Rosenbaum-Elliott et al., 2015; Blackwell et al., 2006; Brassington & Pettitt, 2013). Each attribute of the product will be evaluated based on the degree of importance for the customer; it is assumed that customers have utility functions for each different product attribute. Different product attributes will lead to an expected total product satisfaction, while another combination of various attributes will lead to another total product satisfaction. The strength of the brand image will play an important role for the customer's evaluation process, as it is the collection of beliefs that consumers have towards a specific brand (Kotler et al., 2015).

2.2.4   Purchase

A purchase can either be planned for some time in advance or prompted at the time of purchase, an impulse purchase. Impulse purchases are triggered by a sudden strong desire to purchase a product and/or service, and concerns for consequences fades (Rosenbaum-Elliott et al., 2015). An impulse purchase does not imply that a product must be fully unplanned but could refer to selecting a slightly different product than originally intended (Blackwell et al., 2006; Kotler et al., 2008). The second aspect influencing the purchase decision is the choice of distributor to buy from, or the choice of what channel to shop through (Rosenbaum-Elliott et al., 2015; Blackwell et al., 2006). Blackwell et al. (2006) suggest that the choice of distributor might not always be the one most preferred by the consumer but might be decided through factors such as the existence of promotions or location of the store. Additionally, a purchase can be postponed, changed, or cancelled due to the perceived risk of the customer when ambiguity regarding the purchase outcome exists. The perceived risk can be driven by the amount of money at stake, purchase uncertainty, or consumer self-confidence. To reduce the perceived risk, the consumer may return to the stage of information search and re-evaluate alternatives (Kotler et al., 2008).

2.2.5   Post-Purchase Behaviour

The level of satisfaction experienced by the consumer is the main issue within the post-purchase behaviour phase (Rosenbaum-Elliott, 2015). Many models have been developed to explain the post-purchase behaviour. Firstly, there is the cognitive dissonance, which explains that customers are psychologically uncomfortable and try to make reason with their purchase choice and its doubts. If the chosen product shares or have similar attributes to the rejected products it will lead to less cognitive dissonance, and a more satisfied post-purchase evaluation. However, a chosen product, which shares little or no attributes to the rejected products, will result in greater cognitive dissonance that leads to a less satisfied customer. By providing a truthful description of the product, its capabilities and attributes, a firm can minimise the cognitive dissonance. (Brassington & Pettitt, 2013; Kotler et al., 2008).

A second model of post purchase behaviour is the Expectancy Disconfirmation Model where prior expectations are emphasised. If customers have high expectations of the product performance but the product does not deliver what was expected, then customers will be highly dissatisfied. However, if the customers had low expectations and the product performs poorly the level of dissatisfaction will not be as high. The same is true for the level of satisfaction,

when expectation is low and performance is high the level of satisfaction will be high. (Rosenbaum-Elliott et al., 2015; Moon, Philip & Moon, 2011).

2.3   Word-of-Mouth, Referrals and Social Media

Word-of-Mouth (WOM) is an informal and interpersonal communication form. It is believed that WOM is both an influential and a trustworthy source of communication to the consumer (Sweeny, Soutar & Mazzarol, 2014; Kirby & Marsden, 2006). WOM has been defined as "Oral, person-to-person communication between a receiver and a communicator whom the receiver perceives as non-commercial, concerning a brand a product or a service" (Kirby & Marsden, 2006, p. 164). Negative and positive WOM is typically associated with extreme dissatisfaction and/or extreme satisfaction (Ryan, 2015; Sweeny et al., 2014). Research suggests that positive WOM have a greater influence on purchase intent and tends to be more frequently expressed (Sweeny et al., 2014). Contradicting the claims of Kirby and Marsden (2006) who states that negative WOM, which generally is more influential than positive WOM. The occurrence of WOM is natural in consumer behaviour and does not always have to be induced actively by the employees marketing responsible. Consumers will listen to WOM as it is part of the normal information search in their purchase decision process. It is further suggested that when the perceived risk of a product is more apparent consumers tend to pay more attention to WOM. This suggest that firms that offer high involvement products and services should pay attention to WOM as it will have a more significant effect on their intended consumer's purchase decision (Kirby & Marsden, 2006).

Word-of-mouth marketing can carry risk to the marketing strategy, as it is an intangible, erratic, and consequential source of marketing. It is therefore suggested that the company should be involved in the feedback they receive and simplify the process for customers who wish to make complaints to the company and maybe even offer incentives for communicating positive WOM as it is proven to be beneficial (Kirby & Marsden, 2006).

Social media has had a significant influence to word-of-mouth marketing as it has made WOM between consumers more accessible through online forums, where opinions, attitudes, purchase behaviour and post-purchase evaluations are expressed (Mangold & Faulds, 2009). Mangold and Faulds (2009) further express their hypothesis that electronic WOM through social media will become more influential than traditional WOM as the accessibility will increase. Sweeny et al. (2014) suggested that the expertise possessed by the WOM sender would increase the credibility for referrals. This claim is strengthened by Kirby and Marsden (2006) who states, "people listen to their close relatives and friends, or others they perceive as respectable experts" (p. 175). WOM attained from weaker acquaintances is still influential but might have more effect for distribution of a general message concerning the company's offerings (Kirby & Marsden, 2006). When the size of the social media network grows, the value for the company increases and results in a influential accelerator for WOM (Ryan, 2015). Differently from other marketing activities the usage of social media will include the consumers point of views and the consumers own contribution has a large focus. The contributions could include evaluations, praises, criticism, and general feelings towards products and services connected to the company (Ryan, 2015).

Wagenheim and Bayón (2007) explain that customer satisfaction of a product or service

converts into positive WOM, which in turn transforms into acquisition of new customers. Satisfaction has been proven to have an effect on referrals, most apparent in the business-to-consumer context, and it is suggested that companies should engage in activities to ensure customer satisfaction, and through this acquire new customers (Wagenheim & Bayón, 2007).

2.4   Bundling Theory

Pure bundling, is a retail approach that provides consumers with the opportunity to purchase two or more products for a lower price or a better solution, than the cost of purchasing each item separately (Laudon & Traver, 2012). The approach is explained as the buy-one-get-one-free approach, and is commonly applied in several businesses and on a variety of product offerings (Chaffey & Ellis-Chadwick, 2012). Pure components are goods, which are being sold separately as an unbundled offer (Roehrich & Caldwell, 2012). Mixed bundling means that the goods can either be sold in a bundle or as a separate item (Roehrich & Caldwell, 2012; Bhargava, 2013).

Bundling is a widely used and researched strategy by marketing academics and practitioners. There are several benefits to why firms use bundling as a marketing strategy. It is proven that better price discrimination can be achieved. Bundling can be used as a price discrimination, which means that the willingness among different customers to purchase a good for a certain price is not affected by the other goods included in the bundle, and if the other goods are consumed or not (Laudon & Traver, 2012; Fang & Norman, 2006; Sheikhazaden & Elahi, 2013). Additionally it can help reduce transaction cost and the cost of product packaging. By bundling, consumer values can be sorted in accordance with the complementarities among the bundle components in the existing bundle, which leads to a reduction in transaction cost. (Bakos & Brynjolfsson, 1999; Sheikhazaden & Elahi, 2013). Finally research has shown that bundling might have an impact on a firm's competitive advantage by deterring potential entrants (Sheikhazaden & Elahi, 2013). Suppliers who can bundle have a competitive advantage over those who do not want to, or those who cannot bundle (Laudon & Traver, 2006). Bundling generally leads to a higher profit margin in a company. Customer's individual preferences are important for determining the bundling strategies. However, this is a problem as companies generally have limited information on customer's individual preferences. It is proven that the better a company knows its customers' individual preferences; the likelihood of a higher profit will increase. A company should strive towards identifying its customer's maximal willingness to pay for a specific bundle to be able to meet the specific demands from customers (Geng, Stinchcome & Whinston, 2005). It is proven that the price per product consumers are willing to pay increases depending on the number of products bundled in a package (Laudon & Traver, 2012).

Bundling and the development of the Internet have led to a reduced marginal cost of pricing and distribution of digital goods. There are products, which are not profitable when sold individually, but are if they are sold in a bundle. (Bakos & Brynjolfsson, 1999).

Unbundling means to distinguish a business into its fundamental parts commonly done by selling specific subsidiaries or business lines (Law, 2009). When unbundling in a retail environment, products that previously have been sold together as a bundled offer can then be sold as pure components (Roehrich & Caldwell, 2012).

2.5   Customer Involvement

Customer involvement is an important determinant in customer satisfaction and has often been linked to the level of brand loyalty, brand discrimination, product selection, and purchase decision, amongst customers. Customer involvement is a goal-directed state of mind, where a need for a particular product or service is derived from the goal-directed stimulus (Cheung & To, 2011). Customer involvement is usually divided into high involvement and low involvement. The purchase decision of high involvement products is more extensive than with low involvement goods (Moon et al., 2011). Rosenbaum-Elliott et al., (2013) states that involvement is a function of three sources of importance that will determine the level of involvement in a product or service. The first source is the *consumer* and the difference in self-concepts, values, personal goals, and needs. Secondly are the *product* attributes, which include price, the frequency of purchase, symbolic meanings of the product, perceived risk of poor performance, and the length of commitment to the product. The *situation* is the final source and do include issues like how much time is allocated to product purchase, if the product is bought privately, or in the presence of others (Rosenbaum-Elliott et al., 2013).

Moon et al. (2011) tested the effect the level of involvement had on the customers' satisfaction in an e-retailing setting. It was concluded that for both high and low involvement purchases, satisfaction is a function of perceived performance of a product, rather than the prior studies that indicate expectation of a product was an important determinant of satisfaction. Furthermore, a positive or negative experience with a prior purchase, in both high and low involvement categories, was the best indicators of customers' willingness to return to the online store. This indicates that online firms should focus on the actual value they provide for their customers and improve the customer's shopping experience. (Moon et al., 2011).

2.6   Electronic Commerce

Electronic commerce has changed the underlying structure of marketing and consumer behaviour. Attaining new customers has been the primary focus since the beginning of e-commerce. However, recently online firms have recognised the importance of retaining existing customers and thus there has been an increase of focus in applying customer satisfaction models to the e-commerce businesses (Moon et al., 2011). Moon et al., (2011) argue that the general customer satisfactions studies might not be applicable to e-commerce because of how it differs from store-based shopping.

One issue with e-commerce is the lack of trust customers have for the electronic retailers (e-retailers). Although many technological proactive precautions with the aim of creating trustworthy transactions are taken, Salam, Iyer, Palivia and Singh (2005) conclude that those actions are not sufficient for establishing trust. The firm must have a long-term perspective where customers progress from transactional dependence to deep dependence as the customers' expectations are met or even exceeded. Once deep dependence is established between a firm and its customers trust is more likely to be created. (Salam et al., 2005).

Web-rooming is a new trend emerging among customers. Web-rooming means that customers conduct research online before they make a purchase offline (Verhoef, Kannan, & Inman, 2015). Information search is conducted on multiple websites for the same or similar product in

order to find a better option, mainly a lower price. In one study, around 45 percent say that they did research online before a purchase in an offline store. Technological improvements have enabled this consumer behaviour. Many consumers can through technological advancements, like smartphones, web-room while they are on-the-go (PostNord, 2015).

3   Methodology

In this chapter the authors will present how the selected method of research was chosen.

3.1   Research Philosophy

Research philosophy is defined as "the development of knowledge and the nature of knowledge" (Saunders, Lewis & Thornhill, 2009, p.107).

There are two major research philosophies, positivism and interpretivism. Positivism focuses on things that can be measured, such as social phenomenon and to produce credible data. However, interpretivism focuses on the complexity of social phenomena and how to gain interpretive understanding of it (Collis & Hussey, 2014; Saunders et al., 2009). In this thesis the research philosophy interpretivism was chosen because of the nature of the authors' study. The underlying reason for this was because the results will be interpreted and analysed rather than measuring a frequency of an occurring phenomena.

3.2   Research Purpose

The most frequently occurring research purposes are exploratory, descriptive, and explanatory. For this thesis the exploratory approach was selected, as it is the most appropriate for the purpose of the thesis. New data was added throughout the process of the research and was relatively flexible and adaptable to whatever the new data that occurred. (Saunders et al., 2009).

Exploratory research is conducted when the purpose is to study a subject where insufficient knowledge and information exists. By identifying patterns, researchers can develop strategies rather than testing them (Collins & Hussey, 2014). According to Saunders et al. (2009) exploratory research is commonly used as a method of identifying a real state of the situation and why it is so. By assessing the issue in a new setting the researchers can clarify the nature of the research area and thus add background for further exploration. The three principal sources of information in a business setting for exploratory research are; information search in literature, interviews with experts in the subject, and conducting interviews with consumers (Saunders et al., 2009). All of these sources were used as means to gather data for this thesis.

This thesis was conducted with purpose of attaining knowledge on the e-grocery industry with a focus on pre-packed grocery bags (PPGBs), and to present how companies within the industry can manage customer relationships. The newness of the PPGB industry therefore influenced the authors to select this style of research. Additionally, to support the selection of exploratory research the authors believed that there is an existing gap in the research for the PPGB industry in Sweden. Thus the authors intend that their study could shed light on the state of the industry for future research within this gap.

3.3   Research Approach

Deductive reasoning is generally used when researchers have abstract and general ideas in order to explain or predict a specific observation; it goes from general to specific (Graziano & Raulin, 2004; Woodwell, 2014). Woodwell (2014) state that deductive theories attempt to add to, and

formalise existing information and theories. The research that is conducted needs to have a highly structured methodology for the hypothesis to be tested and replicated. The deductive research approach generally measures facts quantitatively, therefore the concepts needs to be operationalised (Saunders et al., 2009). The deductive research approach is more often used in natural science, mathematics and economics than in social science (Saunders et al., 2009; Woodwell, 2014). Scholars within social science often criticise the deductive research approach for its lack of understanding human interpretation and the development of rigid methodology that does not allow for alternative explanations (Saunders et al., 2009; Woodwell, 2014).

Inductive reasoning observes specific cues and from the observations form constructs, it goes from specific to general (Graziano & Raulin, 2004; Woodwell, 2014). An inductive research approach aims to understand the context and to establish various views of the phenomena, thus it more frequently uses a qualitative research method with a smaller sample size than in quantitative studies (Saunders et al., 2009). Inductive reasoning is often critiqued because of the validity of interpreting empirical evidence. Inductive researchers use observations in order to develop theories of causality, however, these causalities cannot be directly observed but is rather the result of the observer's judgement and "reinforced by circumstantial evidence that may suggest alternate explanations" (Woodwell, 2014, p. 54).

A combination of deductive and inductive reasoning was conducted in this thesis, where the authors deducted variables from consumer and company interviews that were important for customer satisfaction and inductively observed the connection between those variables, the state of the market and customer relationship. The purpose of this thesis aims to both explain the social phenomena of customer satisfaction in an e-grocery setting and as well reinforce prior information and theories. The authors considered the critique for both forms of reasoning and concluded that a purely deductive approach would have been too rigid in explaining the social phenomena, and a purely inductive approach could have compromised the validity of data interpretation as it could have been influenced by the observers' own judgements.

3.4 Research Method

The research for this thesis was built upon qualitative research to attain an in-depth understanding on the how customer relationships are affecting the current state of the online grocery industry. A quantitative research was considered but dismissed. The numeric results attained were thought to not have the same fit for the research purpose as the estimated results from qualitative research would have had.

Primary data is either collected through quantitative or qualitative methods. A quantitative research method is used among larger samples and often uses a numeric approach whilst qualitative research is conducted with either personal interviews or focus groups (Sauders et al., 2009; Rosenbaum-Elliott et al., 2015). Personal in-depth interviews were selected both among the companies and the consumers to avoid the risk of attaining militated answers, that is not uncommon when performing group interviews (Rosenbaum-Elliott, 2015). Qualitative interviews was conducted with industry experts and through personal interviews with both customers and non-customers of the online grocery industry to acquire both company and customer perspectives.

Through semi-structured interviews with company representatives, the authors acquired deeper understanding about the current market conditions as well as different perspectives on the electronic grocery phenomena. The aim of the qualitative study with company representatives was to explain how the companies serve their customers through business and marketing strategies, which affect their customer relationships. The aim of the qualitative study with customers that have experience of purchasing groceries online was to develop a deeper understanding of the effects that company's customer relationship management has on the customer's experience. Areas of possible improvement or development might be identified from the customers' preferences and tastes. Furthermore, by interviewing customers with no experience of online grocery another perspective was aimed to be attained, and possibly explain what might make some customers purchase groceries online.

3.5   Data Collection

To answer the research questions qualitative data was collected from primary sources that are relevant for the purpose of this thesis. Primary data collection was not solely sufficient for the exploratory purpose of this text. Secondary data was gathered for an extensive search in existing literature, with the aim of attaining knowledge and gaining an in-depth understanding of what effect customer relationship has on the e-grocery in Sweden.

3.5.1   Primary Data

The authors used sources of primary data collection recommended for exploratory studies, and for this thesis interviews were selected (Saunders et al., 2009). The purpose of the thesis was communicated prior to the interviews and the participants participated voluntarily. The first source were interviews conducted with company representatives from the firms are actively participating in the development of the online grocery industry. As the focus of the data collection was delimited to companies providing pre-packed grocery bags (PPGB), because of this reason companies that do not provide this service were not contacted. Semi-structured interviews were conducted as it was concluded that semi-structured interviews was the most suitable option for gathering empirical data. This is because it allows the interviewed company representatives to talk freely about a concept and share their experiential knowledge rather than answer a question. By conducting semi-structured interviews, the authors were able to gain the company representatives' perspectives on the e-grocery industry and what role customer relationships have within their operations. One company interview was conducted via Skype and the second company interview was conducted in person, this was dependent on the preferences of the interviewees. The second source of primary data was conducted through eight semi-structured interviews with two groups of consumers that had either purchased groceries online or consumers that had not purchased groceries online. In the process of gathering data on consumer opinions of the PPGB it was decided to conduct individual interviews with both customers and with non-customers to attain a broader consumer perspective. Current and previous customers of the PPGBs were selected as participants to contribute with opinions on the positive and negative aspects from their experiences. Non-customers who have not yet bought a PPGB were chosen as participants to investigate the perceptions of e-grocery, because they would contribute with their unbiased knowledge of the industry.

3.5.1.1 Selection of Participants for Company Interview

The four largest grocery retailers in Sweden are ICA, Coop, Axfood and Bergendahls (Statistiska Centralbyrån, 2015). Therefore, these companies were all potential candidates for interviews. Companies of various size, was selected because it is believed by the authors, that factors like market coverage could have an effect on customer relationships. The authors found the wide assortment of PPGBs at Bergendahls interesting and therefore chose them as an interviewee. To broaden the perspective a smaller scale company with an interesting strategy of flexibility was selected; Gastrofy. The interviewees from the company interviews are presented in the Table 3.1:

Interviewee	Company	Position within the company	Type of interview	Transcript	Length of interview	Date of the interview
Felix Bengtsson	Gastrofy	Head of marketing and communication	Skype	Yes, 6 pages	30 min	16th of March, 2016
Pontus Andersson	Bergendahls Food	E-Commerce manager	In person	Yes, 9 pages	40 min	30th of March, 2016

(Table 3.1)

3.5.1.2 Selection of Participants for Consumer Interview

To increase the coverage of data, participants with different backgrounds were selected as this may have an effect on how they view the situation. This is because there might be differences in opinions due to dissimilar factors such as; income, generation, and experience of grocery shopping. Four interviewees from each consumer group were selected and interviewed by the authors. Interviews denoted with 1 were the interviewees who had at some point purchased a PPGB and interviewees denoted with 2 had never made an online purchase of groceries. The interviewees from the consumer interviews are presented in Table 3.2:

Interviewee	Age	Gender	Located in	Type of interview	Date of the interview	Length of interview
Interviewee 1A	50	F	Falköping	In person	9th of April, 2016	20 min
Interviewee 1B	31	F	Hässleholm	Phone	14th April, 2016	30 min
Interviewee 1C	47	F	Linköping	In person	10th of April, 2016	15 min
Interviewee 1D	51	F	Jönköping	Phone	12th of April, 2016	25 min
Interviewee 2A	74	F	Falköping	In person	9th of April, 2016	20 min
Interviewee 2B	48	F	Kristianstad	Phone	14th of April, 2016	30 min
Interviewee 2C	49	F	Linköping	In person	10th of April, 2016	15 min
Interviewee 2D	21	F	Jönköping	In person	16th of April, 2016	15 min

(Table 3.2)

3.5.1.3   Interview Guide

Semi-structured interviews were chosen as a method of acquiring primary data. An alternative method of gathering primary data would be structured interviews, most likely in a form of a questionnaire. The purpose of the interviews was to gain personal perspectives and previous experiences; a structured interview might have limited the interviewees in their answers, especially in consideration to the interviews with the company representatives. However, an unstructured interview would have provided the authors with too broad answers that were not related to the topic of the thesis, thus being insignificant to the research conducted (Saunders et al., 2009). The prepared questions, found in Appendices 1,2, and 3, that were asked to the participants were all related to a pre-selected theme connected to existing theories and to the purpose of the thesis. The themes in the interviews conducted with the representatives from the companies regarded their view on e-grocery, customer relationship and how those themes affected each other. Through these questions the authors intended to gain information about the influencing factors that affect the customer relationship in the e-grocery industry in Sweden that were used to answer the research questions. The theme in the interviews conducted with the consumers was the online grocery industry, where the directed question regarded their experiences and perspectives of the industry, why they had or why they had not purchased a PPGB, and finally their preferences when grocery shopping.

3.5.2   Secondary Data

As a source of secondary data pre-existing literature was studied. The majority of all existing literature was found through Jönköping University's library and the university's literature database; Primo. A few articles were found using the search functions Google Scholar, and Google. All existing literature was chosen based on their relevance to the purpose of the thesis and considerations to the validity of the sources were applied. Search terms based on key elements of the content of this text were used.

3.6   Interpretation of Data

The analysing of the data occurs not just after the data collection, but also during the processes of gathering empirical data. It is important to be flexible during the process of data collection to use the data collection in the desired way. The procedure of how to analyse data can be attained using three approaches; summarising, categorisation and structuring. These three approaches can either be used on their own, in different combinations or in order to support the interpretation of the data. (Saunders et al., 2009).

The authors of this thesis chose to primarily use categorisation as a method of analysing the empirical findings. The answers given during company interviews and interviews with consumers was divided into categories. The categories that were categorised needed to be relevant, therefore it was chosen to emphasise on the internal relevance and the external relevance. In the internal relevance it is important to see the meaningfulness in the relation to the data. In the external relevance the meaningfulness in relation to other categories should be clear. By categorising the empirical data a deeper understanding of the relationship between the results and the literature search was generated, and helped the authors draw the conclusion. By categorising the findings, a deeper understanding of the relationship between the empirical data collected and existing literature for chapter 5, 6, and 7 was made more understandable. The categorisation helped the authors draw connections and see what voids had not been filled in

existing literature, and what contributions are made to the literature with this thesis. (Saunders et al., 2009).

An additional approach that was used was summarising, in which the most important points expressed during the interviews was summarised and placed together in a longer statement. The longer statement was then be rephrased and the main points, which was expressed during the interviews was stated. (Saunders et al., 2009).

An important part of analysing the propositions against collected data is to find patterns in the data, look for alternative explanations, and seek to explain why a negative case can occur. A valid conclusion should be "verified by their ability to withstand alternative explanations and the nature of negative cases" (Saunders et al., 2009, p. 496).

3.7   Quality of Data

Qualitative research, which is non-standardised, is usually audio-recorded, and then it is transcribed and reproduced in a written text (word-processed). The process of correcting transcription errors is called data cleaning. (Saunders et al., 2009). In this thesis not all interviews were audio-recorded due to individual preferences of the participants. This might raise concerns with the quality of data and has been carefully considered by the authors. When the interviews with the participants whom where not willing to partake in audio-recordings were conducted, detailed notes were taken instead.

The answers that was given during the interviews and then transcribed, was interpreted and analysed to formulate valid conclusions and further theories. By doing this, the result is considered to be valid. The interviews were conducted in Swedish because the participants would be able to answer the questions more correctly, and then the authors translated it. The process of translating responses may have caused errors in the data and was considered when analysing the results, but the authors have sufficient knowledge in English to preform this task without major errors.

4   Empirical Findings

In this chapter the findings from the data collection is presented. The different types of interviews have been separated for structural reasons.

4.1   Interviews with Company Representatives

4.1.1   City Gross

Interview Pontus Andersson, March 30th 2016, E-business manager at Bergendahls Food

Bergendahls is the fifth largest retail group in Sweden, with three main business areas: Bergendahls Food, Bergendahls Fashion and Bergendahls Invest (Bergendahls, 2016a). Bergendahls Food is the fastest growing retail group within the Swedish grocery retail industry. Bergendahls Food owns a number of retail chains on the Swedish market, for example City Gross and EKO (Bergendahls, 2016b). The authors focused on City Gross in their interview, since City Gross is Bergendahls Food's main grocery retailer.

4.1.1.1   The Swedish Grocery Market

Everyone needs food and the vast majority of food purchases are done in a physical store and the penetration of electronic grocery stores is about 1,5 percent. However, it is forecasted that in five to ten years this penetration will increase to 7-10 percent. The companies that invest resources today are what drive this development, as well as the consumers that have different need for grocery shopping. The younger generation will buy more products online, than the older generations, and this include electronic grocery purchases. Pontus Andersson is convinced that everyone involved in the industry today and those who will enter, are going to invest both effort and financial capital.

There are both positive and negative aspects with electronic grocery retailing according to Pontus Andersson. A firm within the grocery industry can collect more information about a customer in an online grocery store, than what is possible in a physical grocery store. Having knowledge about the customer will help the firm to support and satisfy needs, which will lead to stronger customer loyalty. However, consumers are proven to be less loyal online as stores are only *one-click-away*. If an online retailer cannot meet a customer's individual demand or demands, the customer can easily switch to a competitor. This puts pressure on companies delivering the products and services to meet the customer need in order to provide a good customer experience. A personal customisation of the customer experience, based on collected customer information will drive customer loyalty, as the customers perceive the company to provide them with better care.

City Gross will be a part of this development and they will invest into the market, focusing on creating opportunities for more channels. They are going to be where the consumers are. If a growing proportion of the customers switch to an online store, City Gross must invest resources to meet the growing demand.

"Vi kommer att skapa förutsättningar för att bli ett flerkanals bolag… Vi ska befinna oss där våra konsumenter är"

<div align="right">(P. Andersson, personal communication, 2016-03-30)</div>

Translation:

"We will create prerequisite to become a multi-channel firm... We will be where our consumers are"

Pontus Andersson describes the current state of the market to be in a position of extremely fast development. There will be technological advancements in the way groceries are delivered. The delivery of groceries is far more complex than the delivery of an item of clothing or a book. This is due to the durability of perishable goods, like meat and butter because they have a shorter durability than other goods. There are more procedures and rules that need to be followed for delivering groceries, than there is for other products. New products will emerge, for example there are refrigerators that can scan the content and tell the customer that they need to buy more milk. The problems with these products are the price, because the normal consumer cannot yet afford a refrigerator like this. In the future consumers will require more from the firms existent in the market. The reason behind this is the increased digitalisation, consumers are more aware than before about their surroundings, and the environment. In the future a customer may demand meat from a particular farm because the customer had read that the farms fed their cows with one sort of food. The current trend of buying sustainable and environmentally friendly is just in its initial phase. Pontus Andersson states that honesty and transparency for firms are becoming increasingly important. The essence is that the firm constantly identifies issues, develop solutions and offer customers what they want.

4.1.1.2   City Gross' Role on the Market

At the time of the interview, City Gross offers PPGBs, but will in the future launch an option that offers the customers more freedom of choice. A proportion of the consumers are satisfied with the pre-packed concept, as it is simple, effortless and timesaving. However, there have been an increasing number of customers wanting the possibility to make more choices based on their individual need, they want a customised product. City Gross will provide a two-parted solution to this problem. Firstly, they are going to create a collection of recipes where the customer chooses a number of recipes, and the ingredients will be delivered to their home. It is a PPGB where the customer selects the recipes rather than City Gross. Secondly, there will be an e-grocery store, where the customers select ingredients and create their own recipes, which can be delivered to their home. This is built on the customer needs, and in the end City Gross will have a wide product assortment, where they conceptualise and implement strategies, based on what the consumers want. The development will lead to City Gross being an online supermarket with the availability to select a pre-packed dinner solution, choose recipes from a wide selection of existing recipes or purchase items individually to build their own recipes. The concept will be tailored for a specific customer, because each customer has different needs.

City Gross is a rapidly growing company. A connection between the opening of a new physical store and the increase of online purchases can be identified. Furthermore, in areas where City Gross do not have many physical stores, their online sales are greater. This is due to online marketing but also word-of-mouth from their existing customer. When City Gross opens a store in one of the areas where the electronic commerce is well-used, they do not need to invest as

much effort and resources to be noticed with new customers, the customers already know who City Gross is.

4.1.1.3   Areas of Development

Pontus Andersson said that the major reason to why customers today are unsubscribing to the PPGB is because there is not enough variety.

"Även om de flesta konsumenterna i Sverige är rutinmänniskor och vanemänniskor, så har alla människor ett behov av ... (att bryta) en vardag och då bryter man ett mönster."
(P. Andersson, personal communication, 2016-03-30)

Translation:
"Even though most of the consumers in Sweden are creatures of routine and habit, most of the people have a need ... (to break) the everyday life and then you break a pattern."

Everyone have a need for variety, to do something unusual, even though Swedish consumers are creatures of habit. When a customer stops subscribing to City Gross's PPGB, the company will contact the customer to find the reason behind their decision and try to convince them to return. It is common to pause the subscription during public holidays, like Christmas or Easter, or for vacations. Most customers pause their subscription and re-subscribe when they return to everyday life. It is important to understand the customers' behaviour, when the behaviour is understood correctly the company can adapt their communication accordingly. Pontus Andersson states that Sweden and the remaining Nordic countries are not as developed as other markets in for example the United States or United Kingdom, and this is part of a maturity process. Worth to be mentioned is that these markets are larger than the Swedish, thus the effects of their investments are greater and more noticeable than the investments made into the Swedish market.

4.1.1.4   Customers and Customer Relationships

City Gross have a wide customer base today, consisting of both young and old, men and women, who are satisfied with the concept of the PPGB. The early adopters are families, as this PPGB's customer group need routine and often seek time-saving solutions. The family represents a substantial portion of the customer group, but as the concept become more established one can see that different customer groups try the product and not only in the larger cities but also on the countryside.

City Gross see customer relationships as an investment rather than a cost. Their company foundation is based on the development of products that the customers enjoy rather than giving customers products that they believe the customers will enjoy. It is a customer-to-company perspective rather than a company-to-customer perspective. In the short run it might not be as profitable as working on a company-to-consumer perspective, but it will lead to greater customer satisfaction. Feedback and customers' opinions are important to the company. However, most customers remain silent, but more information about customers' opinions is always sought after.

"Vi tar action hela tiden. Är det en kundgrej går den alltid prioritet nummer ett. Sen önskar man att man fick reda på mer… De flesta kunderna är tyvärr silent…. Alla som ringer in och klagar är vi sjukt glada för, för att då kan vi förbättra oss."

(P. Andersson, personal communication, 2016-03-30)

Translation:

"We take action all the time. If it is a customer related issue it will always have priority number one. You wish you got to know more… Most customers are unfortunately silent… Everyone who call us and complain are we really grateful for, because then we can improve"

City Gross communicates through e-mails and telephone with their customers, but soon they will launch a chat as well. City Gross has the ability to meet their customers in person as well, because the customers come and collect their PPGBs from the physical stores. In the physical stores City Gross has ambassadors who can talk to the customers, see how the customers are feeling and collect additional customer information.

4.1.2 Gastrofy
Interviewee: Felix Bengtsson, 16th of March, Marketing responsible at Gastrofy

Gastrofy is company based in Stockholm providing pre-packed grocery bags (PPGB) to customers located in larger cities in Sweden. Gastrofy cooperates with the grocery retailer Coop, to distribute their products and thus mainly focuses on the customer's orders. The services are unlike competitors, as customers can personalise their grocery bag to create a bag after their preferences (Gastrofy, 2015).

4.1.2.1 Gastrofy's Role on the Market

The founders of Gastrofy started the company when they noticed a growing interest for recipes and the increasing usage of recipe websites. They had all bought PPGBs with planned meals and wanted to integrate the business model with a traditional online food store where the customer could choose products after recognising a product need. Gastrofy aims to create a more flexible and personalised solution for the customers, while still providing PPGBs, where products can be added or switched after personal preferences. By using the already developed distribution channel from Coop, Gastrofy is able to offer products usually not included in the PPGBs and through this differentiate themselves. The aim is to create a social experience in the grocery purchasing experience and personalisation in encouraged.

"Idag använder vi oss av Coop nationellt som en leveranspartner för livsmedel. De tar hand om packningen och distributionen till oss, vi är därav egentligen en fullsortimentshandel, men vårt koncept är mer som en matkasse. Det är i det närmaste en hybrid."

(F. Bengtsson, personal communication, 2016-03-16).

Translation:

"Currently we are using Coop nationally as a delivery partner for groceries. They are responsible for packaging and the distribution for us, hence we are actually a retailer with a wide product assortment although our concept is more like a pre-packed grocery bag. It is close to a hybrid."

According to Felix Bengtsson, when purchasing a standardised PPGB the customers do not save time because the customers still needs to make other purchases, because the bag only contains a certain number of meals. Gastrofy question the standardised model's time-saving aspects. Gastrofy identify flexibility as one of the key drivers for the e-grocery market and the lack of flexibility makes customers unsubscribe. Customers still want recipes and inspiration for their grocery purchase and this opens up the market for a hybrid solution.

4.1.2.2   Customers and Customer Relationships

To manage communication between customers and the company, social media is primarily used. Additionally, social media is used in order for attracting new customers. Gastrofy recognise Facebook as the channel attracting the highest amount of new customers, although affiliate marketing through Google has been proven to be successful, as well. There is no active usage of offline channels except word-of-mouth, which is estimated to attract a fourth of all new customer. The communication through e-mail has a twelve-hour response guarantee, and the quick responses have been appreciated as a valuable benefit to the customer relationship management. Communication towards customers occurs on a daily basis through e-mail with content that encourages purchases. If a customer would decide to discontinue their subscription, Gastrofy send out personalised e-mails to attain feedback on why customers have unsubscribed, which have been proven to be a successful strategy in retaining customers and develop their product and service offerings based on this feedback.

To manage customer relationships Gastrofy has chosen to personalise their products and services in order to attain a higher customer involvement. 80 percent of their customers use this function and modifies their product for a greater individual fit. The market for PPGBs is decreasing as there is now a 50 percent churn (drop-out) rate. Gastrofy claims that the reason for this is due to the fact that there is no standardised model for a PPGBs that will fit all customers.

"Det finns så mycket olika kunder och det är bevisligen så att tittar du på marknaden för matkassar så stannar bara 50 procent och är kund hos Linas till exempel. 50 procent ploppar ut, men då frågar man sig varför droppar de ut. När du frågar varför vill de kunder som droppar ut från Linas matkasse så kommer de säga såhär: det är för standardiserat, jag vill ändra, jag vill inte ha de produkterna, jag vill lägga till varor, jag måste ändå gå till affärer".
(F. Bengtsson, personal communication, 2016-03-16).

Translation:
"There are so many different types of customer and it is proven that on the market only 50 percent stays as customers at Linas for example. 50 percent leaves and then you ask yourself, why are they dropping out. When you ask the customers who dropped out from Linas pre-packed grocery bag they will tell you this: it is to standardised, I want to be able to make changes, I do not want these products, I want to be able to add groceries, I still have to go to grocery stores."

This is why modification from customers is appreciated, the customers want to personalise their products. Trends are noticeable in the market such as; Scandinavian food, ecological food, and locally produced foods. The customer experience is the main focus and Gastrofy develop user-friendly and accessible platforms to simplify the purchasing process for the customer.

4.2 Interviews with Consumers

4.2.1 Customers Who Have Bought Pre-Packed Grocery Bags

4.2.1.1 Freedom of Choice, Variety, and Product Quality

Product quality is perceived to have a high importance. Most important is the quality of perishable goods such as fruits, vegetables and meat. The customers have had positive experiences of receiving good product quality in the PPGB, and have always received a selection of products that met their standard. Some customers perceived that the goods received were making them eat healthier than before. It was mentioned by one customer that the food received the PPGB should be produced in Sweden and should be ecological. The food received in PPGBs was varied during the time they chose to use the service. The main reason for customers who paused their subscription was because they missed their own cooking. It was mentioned that they sometimes felt slightly bound to follow the pre-set menu. A proposed solution to this issue by one interviewee was to decide on their menu for the day and save the PPGB meal for another day. Furthermore, the quality of the additional service is an important factor mentioned when purchasing PPGBs. It is not only the products in the PPGB that needs to met the customers' quality standards, but also the services, like delivery system and recipes. One opinion expressed from one of the interviewees was that differences in the amount of food delivered in the PPGB depended on what company the customer purchased from.

Most customers have experienced that the PPGBs are not compatible with preferences, diets, and allergies. The concept is described to be predetermined and inadaptable, and many customers would like to have more freedom of choice, especially when determining the recipes. It was suggested from one interviewee that the customer they would like to select dinners from a list of recipes, where they could look at the ingredients and complexity of the dinner beforehand in order to determine if it was suitable for their preferences, diet and allergies. Furthermore, it was important for customers when purchasing in a physical store to have a wide product assortment to select from.

4.2.1.2 Time-Saving

To save time is one of the main reasons behind the decision the customers initially started with the PPGB. When purchasing the PPGBs the stress of planning was eliminated and grocery shopping beyond the PPGBs is less complex and less time consuming. However, some customers mentioned that the recipes were too complex, involved too many steps and ingredients, which resulted in a perception that no time had been saved.

4.2.1.3 Convenience and Simplicity

Purchasing groceries online is as previously mentioned, a stress-eliminating process. This is perceived to be both convenient and simple. Delivery is adapted to where the customers live and the customers do not have to make an effort to be creative and imaginative when planning the meals. The recipes are perceived to be simple to cook, so that people with different levels of experience in cooking can use the service, which increases the suitability for users. One response mentioned the decision for which PPGB-retailer to purchase from was influenced by positive word-of-mouth.

4.2.1.4   Inspiration

There is a lack of inspiration for cooking and/or planning of what to cook among the interviewed customers. This makes regular grocery purchases and dinners less enjoyable. The lack of inspiration is an underlying factor to why the customers decided upon beginning with PPGBs. Thus, the PPGB works as a source of inspiration that makes grocery shopping and the cooking a more enjoyable process, both when following the recipes in the PPGB and when they cook independently of the PPGB. It is also considered as a way of learning to use new ingredients and styles of cooking, as the PPGB introduces new methods the interviewees otherwise would not know how to use on their own.

4.2.1.5   Price

Price is an important determinant among customers of PPGBs, both when purchasing the PPGBs, but also when purchasing food in a physical store. What can be identified among the customers is that there is a willingness to pay a higher price for the additional services of receiving new recipes and delivery of the products to their home. The most important factor regarding price is that the value of the service exceeds the price paid. Customers state that while PPGBs might be expensive, there is less impulse purchases, as there are fewer trips to the store, which makes additional grocery shopping, seem less expensive. Customers appreciate that they have a holistic overview over what and how much they buy. This is experienced to provide an increased awareness over the actual spending and the personal household budget. One customer recognised the PPGB as a premium product and was willing to pay a higher price for the service, and suggested that the service might not be possible for everyone's budget.

4.2.2   Customers Who Have Never Bought Pre-Packed Grocery Bags

4.2.2.1   Freedom of Choice, Variety, and Product Quality

A contributing variable for not purchasing PPGBs is the freedom of choice. Concerns regarding less freedom of choice exist and this can create a feeling of being compelled to cook and eat a certain way with no room for changes. One non-customers mentioned the fact that individuals in their family were not open for changes and new flavours, which would have caused an issue enjoying the meals, if the meals in the PPGB contained ingredients that the individuals did not like. Furthermore, it is important to be able to reject certain products due to personal preferences, food allergies, or special diets. The adaptability of choice is perceived to be low which causes reluctance to purchase the PPGBs. The standardised grocery bags decrease the feeling of variety. The standardised concept might not work at all times for the non-customers.

Among non-customers it is desired to be able to see the product, feel the product, smell the product upon purchase, they want to use to their senses, in order for determining the quality of the product. This especially applies when purchasing perishable goods, as the sensory contribution helps the non-customer to find high quality products suited to personal preferences, which is perceived as one of the most important aspects when purchasing food in general.

It is important for some non-customers that their groceries are produced in Sweden to as much extent as possible. Non-customers prefer their food to be locally as well as ecologically produced.

4.2.2.2 Time-Saving

The aspect of saving time is important and non-customers believe that purchasing PPGBs might be less time-consuming. There are however concerns that the additional shopping needed will decrease the actual time saved, which makes it questionable if the PPGBs actually saves time for the ones purchasing the PPGB. However, the time-saving could also be sprung from the lessened planning time which is perceived as very time-consuming by non-customers.

4.2.2.3 Convenience and Simplicity

Non-customers perceive PPGBs as convenient and comfortable. Not having to carry groceries home requires less physical activity, which would be appreciated even though only the planned meals would be delivered, and additional shopping would be required. It is believed that it would be convenient to not have to think of what to cook for dinner to eliminate the process of thinking of what dishes to cook. There are however concerns regarding the complexity of making online purchases if problems with the purchase would arise. One respondent implied concerns that the social experience of going to a physical grocery store would be eliminated if the grocery markets were to move online. Several non-customers had been exposed to positive word-of-mouth, which had influenced their perceptions of the PPGBs.

4.2.2.4 Inspiration

There is a contradiction in responses regarding how inspiration acts as a deciding factor for purchasing PPGBs. For some non-customers it would be a reason for deciding to start a subscription to add more creativity to the cooking. For others the inspiration would not make an impact on the purchase, as there is a reluctance to change the eating and shopping habits.

4.2.2.5 Price

The main perception is that purchasing PPGBs online will have a higher price compared to purchasing the equivalent products in a physical grocery store among the non-customers. Price is a contributing factor for not conducting online purchases of groceries. One non-customer suggested that depending on life situation price is more or less a crucial factor of purchase.

5   Analysis

This chapter will analyse the results from the interviews using background knowledge and theories presented in previous chapters.

5.1   Identification of Customers

Peppers and Rogers (2011) state that the gathering of data on consumer behaviour and customer information has become significantly easier as a result from the technological development. This means that the process of identifying patterns of current consumer behaviour and potential consumer behaviour is less complicated. This process is recognised and implemented by both companies interviewed in this thesis. The customers often contribute with information by providing it themselves, through registration processes and/or giving feedback. Pontus Andersson mentioned that it is easy to perceive information, such as attitudes and opinions, as a cost or a burden for the company. However, he suggests that this should be viewed as an investment that could yield a positive contribution for the company in the long-run. For companies with a more specified customer selection, or younger entrepreneurial companies the identification process becomes more central (Cespedes et. al, 2013). For a fairly new company like Gastrofy, this means that customer's feedback, expressed opinions, and attitudes will be valuable for the company as a source of information to develop the customer base from.

5.2   Recognition of Needs

The literature states that it is necessary for firms to identify customer needs, wants, and preferences in order to build customer relationships (Peppers & Rogers, 2011). The needs, wants, or preferences are identified in the initial phase of the customer-decision process model and it drives the search for a solution to the recognised need or opportunity (Rosenbaum-Elliott et al., 2015). Information gathered from the qualitative interviews with both the company representatives and consumers have resulted in a correlation of recognised needs and wants among the consumers. The main want recognised from both consumers were the desire for more inspiration. Most consumers interviewed stated that they wanted more inspiration for cooking and knowing what to cook. The consumers experienced that the food they cooked had become too ordinary and that they had recognised a need for new recipe ideas. Several customers stated that this was the deciding factor for deciding to purchase a pre-packed grocery bag (PPGB), as it provided the customers with new recipes that they had not tried before. Among the non-customers the want for more inspiration was the main reason behind what made them consider purchasing a PPGB. The want for more inspiration drove the recognition of other needs, wants, and preferences. In addition to acquiring new recipes, the consumers eliminated the process of having to plan what to cook, which is experienced as a dreadful and stressful task. Eliminating the process of planning is what all customers refer to when mentioning the time they have saved from buying a PPGB. However, it should be noted that customers mentioned that time was saved by not having to purchase as many groceries, as well. The non-customers interviewed have the same perception, that eliminating the process of planning will be less time-consuming, but they have the impression that the additional grocery shopping needed will make no difference for the aspect of saving time.

By implementing the grocery market online, barriers that existed in a physical environment is eliminated but new limitations are introduced. The proximity to the distributor will through e-

grocery no longer have a significant inflict on the consumer's choice and other factors are more likely to have greater impact on their choices (Blackwell et al., 2006).

5.3   Food Trends and the Quality of Goods

According to Pontus Andersson, customers in the 21st century have more knowledge regarding products, food processes and the origin of groceries on the market than before. This is mainly due to the Internet advancements in the Internet usage, regarding information search and information transparency. An individual can find almost any information they want online (Kotler et. al, 2008). According to Pontus Andersson, it is important for grocery retailers to be honest and have information transparency in all of the aspects wherever transparency is possible, to be able to be considered trustworthy. City Gross exemplifies, that in the future, some consumers might demand knowledge on the supply chain of the products because they have been exposed to positive word-of mouth about a particular farm. Thus, it will be important for consumers to be able to trace the origin of groceries to satisfy the consumers. This applies to ecological, and locally produced food, which has been suggested in the interviews conducted, preferred by several Swedish consumers.

During consumer interviews product quality has been a recurrent theme. Product quality is considered to be an important factor for consumers purchase decision. Good quality products, preferably ecologically and/or locally produced in Sweden, are requested from the consumers interviewed. Good quality has a different meaning to all individuals thus it may be difficult to determine what it means for each individual customer to the firm (Peppers & Rogers, 2011). To not being able to see, smell and touch products before buying them is considered to be a limitation of e-grocery among non-customers. When purchasing perishable goods, the sensory contributions helps the non-customers find products that meet their quality standards. Although, no customer that have bought a PPGB had experienced poor quality goods, indicating that PPGB companies are able to select groceries of good quality.

5.4   Evaluation of Product Benefits

Swedish consumers want to purchase a PPGB that inspires them and gives them dishes that are innovative and unique in comparison to their own recipes. The process of not having to plan the meals is experienced as a method saving the consumers' time and effort. Previously this was mentioned as a want that was recognised in the first stage of the consumer decision process-model. Every product or service offers a bundle of attributes, and it is these attributes that the customers will evaluate when they are considering to buy a product or services, in relation to how well the attributes can satisfy their needs, wants, or solve their problems (Rosenbaum et al., 2015; Blackwell et al., 2006; Brassington & Pettitt, 2013). The consumers evaluate the PPGB alternatives on similar basis. One product benefit accompanied with the purchase of a PPGB mentioned by both consumer groups were the opportunity to save time, through not having to plan themselves. Connected with the elimination of not having to plan, is the simplicity of buying and usage of the product. The customers need to cook the food, but the accompanied task of having to plan and go grocery shopping tasks are eliminated, which is seen as a positive product benefit of the PPGB. Furthermore, almost all customers stated that the recipes were easy and simple to execute. However, one customer contradicted this statement by saying that the recipes had too many steps and where too complex, resulting in a perception that no time had been saved. The complexity level of the recipes is another factor evaluated by customers when they are trying to decide which alternative to choose from. Finally, a product benefit

relating to the level of comfort and convenience was identified among the interviewed customers. The product and the service was delivered to their own home and they did not have to make as much of an effort as in the case of purchasing food from a physical store. This aspect was likewise mentioned by some of the non-customers interviewed, that stated that they did not have to make as much of a physical effort of carrying the groceries home.

For customers interviewed, the results showed that price might not be the deciding factor in the purchasing decision. One customer stated that the price is not the deciding factor, but there is limit to how much the customer is willing to pay. However, among the non-customers the results show that the price has more influence on the customers' purchasing choice of a PPGB. As Kotler et al. (2008) suggests the actual need for food might be triggered by internal stimuli but the specific need for a PPGB is more likely driven by external stimuli. It was mentioned by one customer that the PPGB was perceived to be a premium priced product, as the service might add benefits to the customer's life, but it is not necessary for their survival. As a result of the PPGB containing both the actual groceries and prepared meal plan it entails both products and services. The customers explained that the reason for paying a higher price for the groceries are motivated as long as the value of the service exceeds the price. The non-customers interviewed did however explicitly express that the price for a PPGB was too high and that the PPGB were not adaptable to all consumer demographics.

5.5   Customisation

In the development of customer relationships, it is important for firms to offer a product and/or service that the customer wants and to be able to deliver it when they want it. Through the customer data collected, a firm should be able to provide customers with a personalised product and/or service offering (Peppers & Rogers, 2011; Salvador et al., 2009). Peppers and Rogers (2011) identified four approaches to customisation, in reality it is difficult to exactly categorise the PPGB market. One may suggest that the current state of the PPGB market is a combination of adaptive and cosmetic customisation, where finished dinner solutions are categorised into two product categories. Firstly, the product offering that makes customers choose from a variety of pre-selected and themed bags existing in the Swedish market, i.e. *The Children Bag*, *The Inspiration Bag* or *The Classical Bag*. Secondly, the product offering that offers a selection of recipes from an existing recipe-collection whereby the customer themselves adapt the content of the bag to their own preferences.

Findings from the company interviews indicated, as previously mentioned, that there are indeed different levels of involvement when purchasing groceries. Suggesting that this is the reason for the decreasing purchases of the PPGB, although statistics suggest that Swedish consumers who have tried purchasing groceries online are willing to continue using the service (Svensk Digital Handel, 2015). Gastrofy thus claimed that adaptability is crucial for e-grocery retailers and suggest that companies should meet the needs by bundling PPGBs with groceries of the consumers' choice to meet specific wants for the consumers. Bundling theory has proven that the ability to adapt offerings to the individual need or needs will result in the highest possible profit (Geng et al., 2005). Geng et al. (2005) suggest that information about the consumer, will simplify the adaptability on specific wants. This is strengthened by Pontus Andersson's claim about how e-grocery opens up new information streams on consumers, which might make the e-grocery industry compatible with bundling PPGBs and additional groceries, purchased online.

Therefore, one may claim that bundling theory will be used in order to customise product offerings to meet consumer wants in the future.

Too much information and alternatives often leads to poor purchasing decisions, resulting in a feeling of being uninspired to purchase and the decision to purchase will most likely be the easiest solution or no purchase decision at all (Blackwell et al., 2006; Salvador et al., 2009). This is referred to, in existing literature, as the paradox of choice (Salvador et al., 2009). This may lead to diminishing customer value because the evaluation of alternatives might exceed the actual benefit of having multiple choices (Salvador et al., 2009). Salvador et al. (2009) mention that consumers perceive it to be difficult to make purchases from a store if they are given too many options. To prevent customer confusion, assortment matching through software configuration defines customer wants from previous customer choice.

Gastrofy noticed the increasing traffic to recipe web-pages through which Swedish customers were looking for inspiration and created their collection of recipes as a response. By gathering recipes and groceries on the same place, Gastrofy eliminated the stress regarding information search and made a purchase decision easier for the consumers.

5.6 Properties of Variation and Customers

Two different types of customer groups can be distinguished from the gathered results, from both consumer and company interviews. One customer group wants to eliminate the planning process completely and continue with the PPGB, as it provides them with innovative and inspiring food. The second customer group feels that they do not have enough freedom of choice in the selection of what food to cook. These customers states that they would want to make the choice of which recipes to attain, rather than a themed PPGB, in order to adapt the content of the bag to household preferences. The second group of customers have driven the development of new concepts within the PPGB industry, a concept that Gastrofy have based and built their business plan around, and a concept that City Gross is looking to implement in their product and service assortment. This is in accordance with the identification of the meaning behind the word variation, where two types of meanings were identified.

All interviewees mentioned the word variation in connection to PPGB. However, the meaning behind the word variation is not the same for all individuals interviewed. The authors have identified two types of the meanings of the word *variation*. The first identification of meaning behind the word *variety* refers to the variety of choice of the content of the PPGB. It involves a higher level of involvement in the purchasing decision process, where the consumer decides on ingredients and recipes from a collection of recipes, in comparison to a normal PPGB where the customer receives pre-selected ingredients and pre-selected recipes. A few consumers perceive the PPGB as a premium priced product and as price is higher, the risk is perceived to be greater thus the consumer will want to be more involved in the decision making process (Rosenbaum-Elliott et al., 2013). The variety of product and food purchases was identified as the second meaning behind the word variation. Consumers interviewed perceived that their own food purchases and cooking had become too dull and the customers bought the PPGB as means to gain more inspiration and variation of recipes. It was mentioned by several consumers that the food they purchased and cooked tended to be the same week after week, year after year. By purchasing the PPGB they received more inspiration, and the food they consumed had more variety in terms of ingredients and recipes.

5.7　　　　　Referrals

The influence of referrals appears to have a crucial influence on the acquisition of new customers in the industry. According to Svensk Digital Handel (2005) 77 percent of the Swedish customers who had purchased PPGBs previously were willing to refer it to others, implying a willingness to share the PPGB purchase as a positive experience. Several customer interview participants said their purchase decision was influenced by positive word-of-mouth (WOM) from previous customers to the PPGB, which is in accordance with the value chain of referrals demonstrated by Wagenheim and Bayón (2007), who suggested how referrals can affect customer relationships. Non-customers claimed to be interested in purchasing the PPGB as a result of referrals. Few consumer interviews displayed dissatisfaction suggesting that positive WOM is more re-occurring within the PPGB industry, supporting the claim of Sweeny et al. (2014). The interviewees from the companies suggested that the acquisition gained from WOM and referrals were becoming increasingly more important to acknowledge, as a significant portion of the new customers said this had influenced their decision of purchase. Both of the interviewed companies were engaged in social media activities to create a channel for feedback for post-purchase evaluation, and to solve problems that might have arisen for the customers. Mangold & Faulds (2009) expresses how accessibility for customers will generate more positive WOM, supported by the responses from the company interviews that experienced a positive attitude to providing customers with quick replies and acknowledging their feedback. Felix Bengtsson stated the aim for Gastrofy's customer communication was to create a social experience for the customers who purchase their groceries, which would integrate aspects of social media into the market. This would in turn simplify the customisation process towards individual preferences by gathering information through monitoring social media (Ryan, 2015). To integrate social media in e-grocery said to be desired by consumers in the conducted interviews that could eliminate worries about moving grocery purchases to an online channel.

6   Conclusion

This section will summarise the analysis and provide an answer for the research questions.

The conclusion that is based upon the empirical findings and the pre-existing literature, which shows that in order for firms to be profitable and build successful customer relationships, the customers' needs and wants have to be satisfied. To reach this result extensive information research needs to be attained about consumer preferences and individual wants. A firm can no longer satisfy all customers with one standardised strategy. The product and service offerings need to be adaptable to the various consumers' wants, this is a mass customisation process.

In the pre-packed grocery bag (PPGB) industry the empirical findings implicated that the most important wants that needs to be satisfied is the firm's ability to provide customers with inspiration, which leads to a time-saving aspect expressed among customers. Several consumers' interviews stated that the process of planning and preparing meals had become a task that is time-consuming, habitual and for some stressful. By providing customers with pre-prepared meal plans they are able to eliminate the planning process, which is considered to be the most time consuming task. This contradicts several of the previous research projects studied, that states that time-saving comes from not having to go grocery shopping. The most important influencing factor for satisfying the customers in the PPBG industry is to provide inspiration. Variation is an important aspect, but is referred to as two different concepts among different consumers. One group refers to the word as a means to get more variety in their everyday life. By purchasing the PPGB they do not have to plan, while at the same time receiving new and exciting products. The other group identified a problem with the PPGB, as it may become too standardised and not adaptable enough for their wants. They wish for more variety in the choices available, and wants more involvement in the content of the PPGB. It is advised by the authors that firms should develop product offerings for the two consumer groups, because the market is expected to increase and more consumers will purchase the products and service. Pre-existing research showed that price was an important factor in the determination of purchasing PPGBs. The evidence collected in this thesis; show that although price is important, it is not the key determining factors. Price is a barrier for non-customers, but among the customers it is not seen as a problem because the value of the service exceeds the monetary cost.

It is proposed by the authors that firms within this market should provide customers with components that can be mass customised to fit the customer's need or want. The product and service offering will be in a form of the bundle that can be adapted to the each customer's individual need. The most important needs and wants identified in this thesis are inspiration, and variation in both its forms.

7   Discussion

This chapter will discuss limitations and suggestions for further research based on the author's own thoughts about the process of writing this thesis.

7.1   Limitations

When exploring the consumers' perceptions of the pre-packed grocery bag (PPGB) industry the people who showed interest in participating were all female. This suggests that the results from the consumer interviews might not be evenly distributed in terms of demographics, and might not display the prevailing perception on the market. The authors considered this and thus when asking for participants the authors requested the person who did the majority of the grocery shopping. According to Molén (2012) it is the women in Sweden who performs most of the household work. Although no explicit claim was found stating that women does most of the household grocery shopping in Sweden was found, a study performed by the Private Label Manufacturers Associations (2013) proved that this was the case among women in the United States.

The duration of the interviews was restricted. If the participant in the interview had had more available time to allocate for these interviews more information would have been able to be extracted and strengthened the validity of this thesis. With more available information, the authors would have been able to provide more in-depth research.

During the interviews, the authors discovered that existing theories were applicable to the empirical findings that had not at the time yet been added to Chapter 2, and they were added after the interviews had been conducted. Thus, no questions extracted from these specific models were asked during the interviews. A problem when conducting semi-structured interviews, is that the respondents are not restricted to solely answer the questions asked. Therefore, every semi-structured interview will have unique content and could results in non-compatible empirical findings. As much as this might be a limitation it may as well be strength, as more perspectives to a problem are covered the range explored is greater and may result in a holistic view of the issue.

7.2   Further Research

Based on the primary and secondary data in this thesis the development of the Swedish e-grocery industry will shift towards online grocery stores rather than PPGBs, which avoids the standardisation problem. Therefore, the authors of this thesis suggest that further research should incorporate this arising issue, and possibly discontinue research regarding PPGBs.

Pontus Andersson stated that the Swedish e-grocery market is not as developed as other countries e-grocery markets. This is because Sweden is a small country and investments into new areas are not as profitable as in countries with a larger customer base. However, the market is growing and that is because firms see potential for future profits to be earned. Both company representatives state that they expect the market to increase in size. As the market is still relatively undeveloped, with a market penetration of around 1-2 percent and with a forecasted estimation to 7-10 percent in about ten years' time, one may assume that the market will

develop, and further research should continuously incorporate the development and growth of the market.

The company interviews and prior research suggested that the growth had been restricted because of logistical implications like store management, presentation of products, deliveries and delivery times, and return of goods. A suggestion for further research could be to see how the logistical issues affects the industry and the firm's relationship with customers.

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Appendices

Appendix 1 Questions prepared for interviews with companies

1. What channels are you using to reach new customers?
2. Why did you choose these specific channels?
3. What are your strategies regarding customer relationships?
4. Why did you choose these strategies?
5. What do you perceive to be the current food trends?
6. How do you adapt to these trends? Adapting the products?
7. What opportunities do you see for the future?
8. What do you think about the customer's role regarding their expectations towards having food delivered, and own participation in the deciding process?
9. How are your relationships with the customers? Do they like you? Do you have recurring customers? Do you get positive and negative feedback?
10. Do you experience that your customer relationships are developing in time with the company?

1. Vilka kanaler använder ni för att nå nya kunder?
2. Varför valde ni dessa specifika kanaler?
3. Vad har ni för strategier när det kommer till kundrelationer?
4. Varför har ni valt dessa strategier?
5. Vad anser ni är dem nuvarande mat trenderna?
6. Hur anpassar ni er till dessa trender? Hur anpassar ni era produkter och utbud?
7. Vilka möjligheter finns det i framtiden?
8. Vad anser ni är kundens roll gällande deras förväntningar på att få det hemlevererat, och deras delaktighet i beslutsprocessen?
9. Hur är era kundrelationer? Gillar era kunder er? Har ni återvändande kunder? Får ni positiv och negativ feedback?
10. Upplever ni att era kundrelationer utvecklas under tiden som företaget utvecklas?

Appendix 2 Questions prepared for customer interviews

1. What is important for you when you buy groceries?
2. What positive experience do you have from buying groceries online?
3. What are your negative experiences from buying groceries online?
4. What do you purchase online? Pre-packed grocery bag or individually selected groceries?
5. Why do you shop groceries online?
6. How is your everyday life affected by shopping groceries online?
7. Would you say online grocery purchase is suitable for your style of living?
8. How did you choose company to shop from online?
9. Have you ever made pauses in you pre-packaged grocery bag subscription? In that case what made you start again?
10. What would make you quit shopping groceries online?
11. How adapted do you perceive the companies offers, assortment, and communication for you needs and wants?
12. Do you still need to purchase groceries in a physical grocery-store?

1. Vad är viktigt när du köper mat?
2. Vad har du för positiva erfarenheter av att köpa mat online?
3. Vad har du för negativa erfarenheter av att köpa mat online?
4. Vad köper du online? Matkassar eller individuellt utplockad mat (som i en butik)?
5. Varför köper du mat online?
6. Hur har din vardag påverkats av att köpa mat via Internet?
7. Skulle du säga passar ditt sätt att leva?
8. Hur valde du företag att köpa mat ifrån på nätet?
9. Har du någonsin pausat din matkasse? Om ja, vad fick dig att börja igen?
10. Om du slutade, vad fick dig att sluta?
11. Hur anpassad anser du att företagens erbjudanden, utbud och kommunikation är för dina behov och preferenser?
12. Behöver du fortfarande köpa varor i en fysisk butik?

Appendix 3 Questions prepared for non-customer interviews

1. What is important for you when you buy groceries?
2. What do think about buying groceries online? Thoughts on assortment, the concept etc.?
3. Would you be willing to purchase a pre-packed grocery bag? Why have you not done this earlier?
4. What is perceived perceive as positive and negative aspects when purchasing pre-packed grocery bags online?
5. Do you think that there is a pre-packed grocery bag that would be appropriate for you? (diets/ allergies etc.)
6. How adapted do you think that the grocery market is for your needs and wants concerning offers, assortment, and communication?
7. How would you like company's offerings, assortment, and communication to be? Larger assortment, more special offers, simpler cooking etc.?

1. Vad är viktigt för dig när du köper mat?
2. Vad har du för tankar om att matvaror online? Utbud, koncept etc.?
3. Skulle du kunna tänka dig att köpa en matkasse? Varför har du inte gjort det?
4. Vad anser du är positiva och negativa aspekter med att köpa matkassar online?
5. Tror du att det finns en matkasse som passar dig? (Dieter, allergier etc.)
6. Hur anpassad är matvaruindustrin för dina behov, gällande erbjudanden, utbud och kommunikation?
7. Hur skulle du vilja att ett matföretags erbjudanden, utbud och kommunikation ska vara? Större utbud, mer erbjudanden, lättare matlagning etc.?