



A380A5000 Bachelor's Thesis

International Business

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**E-commerce's impacts on Esprit's business in Sweden, Denmark and
Finland**

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1. INTRODUCTION

1.1. Background of study

Since a few years ago, online stores have been a rapidly growing sales channel in the clothing industry. Consumers are buying more online, enticed by simplicity, pricing and more variation. The nature of business has changed from “nine to five” to 24 hours a day. The number of people connected to the internet continues to grow, as well as the number of people making online purchases. Experts predict the electronic market to dramatically impact business in the twenty first century (Limayem, M. Khalifa, M. & Frini, A. 2000). Companies are launching new online stores frequently, taking market share within the clothing industry. The introductions of e-commerce related books invariably begin by describing the growth trend of the internet both within B2B and B2C.

The aggressive development of e-commerce has made some question the relevance of physical stores. Silicon Valley entrepreneur and venture capitalist Marc Andreessen predicted in 2013 that retail will dry out altogether when e-commerce becomes the channel everyone buys their clothes from (Bof Team, 2015). The poor performance of some big players in the industry, such as Finnish Stockmann or Danish Magasin, has bluntly been accused to be a cause of aggressive online business without reference to the topic (Kokko, O. 2014).

Whilst retailers are struggling to generate sales online stores continue to grow rapidly (Griffis, S., Shashank R., Thomas J. & Tarikere T. 2012). Online presence offers prestige for a company, by improved brand visibility and increased confidence of potential consumers. Studies show consumers find it rather negative if a company does not have an online store, and are more reluctant to purchase. (Apăvăloaiea, E. 2014) Consumers are moving purchases online mainly because of simplicity, lower pricing, convenience and value added service, all of these factors being hard for retailers to compensate.

Companies have moved resources to respond to an increasing demand in e-commerce. The trend is so massive, that some online stores are struggling to cope with the surges in traffic, and facing problems coping with the over-success of big promotions, such as Black Friday or seasonal sales (Shields, R. 2012). E-commerce’s advanced tools make it possible to deep dive into analyze of products and customers, to react and to be more dynamic. All in all, B2C e-

commerce has been estimated to reach as high as 498.73 billion US dollars in year 2017 (Statista, 2015).

The topical subject motivated the researcher to look deeper into the causes and consequences of the development of online stores.

1.2. Research problem and purpose of study

In addition to the subject's topicality, the researcher chose to study e-commerce in the clothing industry because of her personal background and job. While working at Esprit in the e-commerce department she has had the possibility to notice the causal relationship on e-commerce' affects. The researcher has seen the possibilities that e-commerce holds and its advantages to business. She has worked closely with e-commerce tools, such as e-marketing, and realized their importance. She has also been striving for the development of both wholesale e-commerce and wholesale franchise stores and therefore noticed the difficulty of growing both online and offline channels evenly. The consumer nowadays is more aware and demanding, which is why both channels have to work in synchronization to assure consistency throughout the company.

The study's main research problem is:

“How has the growth of e-commerce affected Esprit's business in Sweden, Denmark and Finland?”

The aim of the study is to find out how the growth of e-commerce has affected Esprit's business. The study will also strive to find out if there's a connection between the increase of e-commerce business and the performance of retail stores. The purpose is to discover if the impact is positive or negative, and to analyze the reasons behind possible influence. The researcher believes the impact of e-commerce to retailers is mainly positive, enhancing brand awareness and brand image. The study will also investigate if actions must be taken in order for e-commerce to not cannibalize retail business. The study is made from a B2B point of view analyzing the topic from a company perspective, but it also reflects consumer sales, which the development of B2B e-commerce influences indirectly. More importantly, the study concentrates on impacts in sales rather than back-office functions and processes.

The research is divided to and analyzed from four different perspectives, which are the four sub-questions of the thesis:

1. *The role of e-commerce in Esprit's turnover and profitability*
2. *The role of e-commerce in Esprit's marketing*
3. *The role of e-commerce in Esprit's customers' requirements and demands*
4. *The role of e-commerce in Esprit's branding and corporate image*

The theory will be supported by examining a case company, Esprit, and by analyzing how the strong presence of retail e-commerce as well as a big variety of wholesale e-commerce companies have affected the company's business and the sales in retail, wholesale and franchise stores. Esprit is an interesting company to investigate because of its different channels; the company is working in retail in both physical stores and online, as well as has wholesale and franchise operations.

1.3. Delimitations

To deepen the analysis the study is limited to only concern the clothing industry. All other online business is left out of analysis. This also supports the use of the case company, Esprit, working their main product being clothes. However, the theory is not limited to only one industry and its conclusions may be valid to other industries equally. The study is also limited to research Denmark, Finland and Sweden because of their similar profiles. No other countries are analyzed, though the research may be proficient for other countries as well. The biggest share of Esprit's online business is in these three countries, which makes the research accurate.

The paper draws a line between e-commerce and e-business, front-office and back-office, and concentrates on the impacts to front-office functions, more specifically sales. The study also leaves out the consumer perspective. Though the consumer requirements in e-commerce are discussed, the objective is to find out how the changed requirements have evolved business. The impacts of social media are discussed indirectly through electronic marketing channels, but the focus of the paper remains on the online stores.

1.4. Methodology

The study is executed as a qualitative research. The empirical data is gathered by carrying out interviews of Esprit's employees working with wholesale e-commerce, sales, finance and marketing in the Nordics (Attachment 1). The employees have cross-section information, enabling them to see both the development of e-commerce and the comparable development

of the physical stores. The idea of the interview is to pinpoint the effects the growth of e-commerce business has had on the company.

This will be investigated from a four different perspectives: e-commerce's role in creating turnover and profitability (Is e-commerce seen a threat to retailers? Has e-commerce affected on Esprit's sales?), its role in marketing (What marketing tools are there for e-commerce? How does e-commerce influence marketing?), its role in consumer behavior and requirements (How have the changed consumer demands affected business? What does the consumer expect from a shopping experience?), and its role in on branding and creating a corporate image (How does the online channel develop the brand image? Does e-commerce challenge the creation and maintenance of brand image?).

The four aspects will be mirrored with qualitative data from the interviews. Four employees from Esprit are interviewed. A fixed set of questions is used, but modified according to the interviewee in question to match their knowledge and expertise. The interviewees are:

Lina Selin, E-commerce Area Manager Nordics. Selin has been working with Esprit for over five years and has 15 years of experience in the clothing industry. Previously Selin has worked as a Sales Manager at Ricco Vero and as a Store Manager at Indumenti. Selin has extensive knowledge about the clothing industry and e-commerce, and she's now managing Esprit Nordics' biggest online customer accounts.

Christina Sundkvist, PR & Marketing Coordinator Nordics & Baltics. Sundqkvist has been working with Esprit for almost 3 years and has solid experience in marketing. She has studied e-business, digital communication and design, cofounded a company focusing on modern marketing (WebYourWay) and worked as a freelancer and consultant in the field of online business.

Line Nielsen, Business Controller. Nielsen is a graduate from Copenhagen Business School, majoring in Finance. She has been working with Esprit for three years and has advanced knowledge on company investments and financial calculations. As the Nordic controller she is responsible for providing and analyzing data from all sales channels.

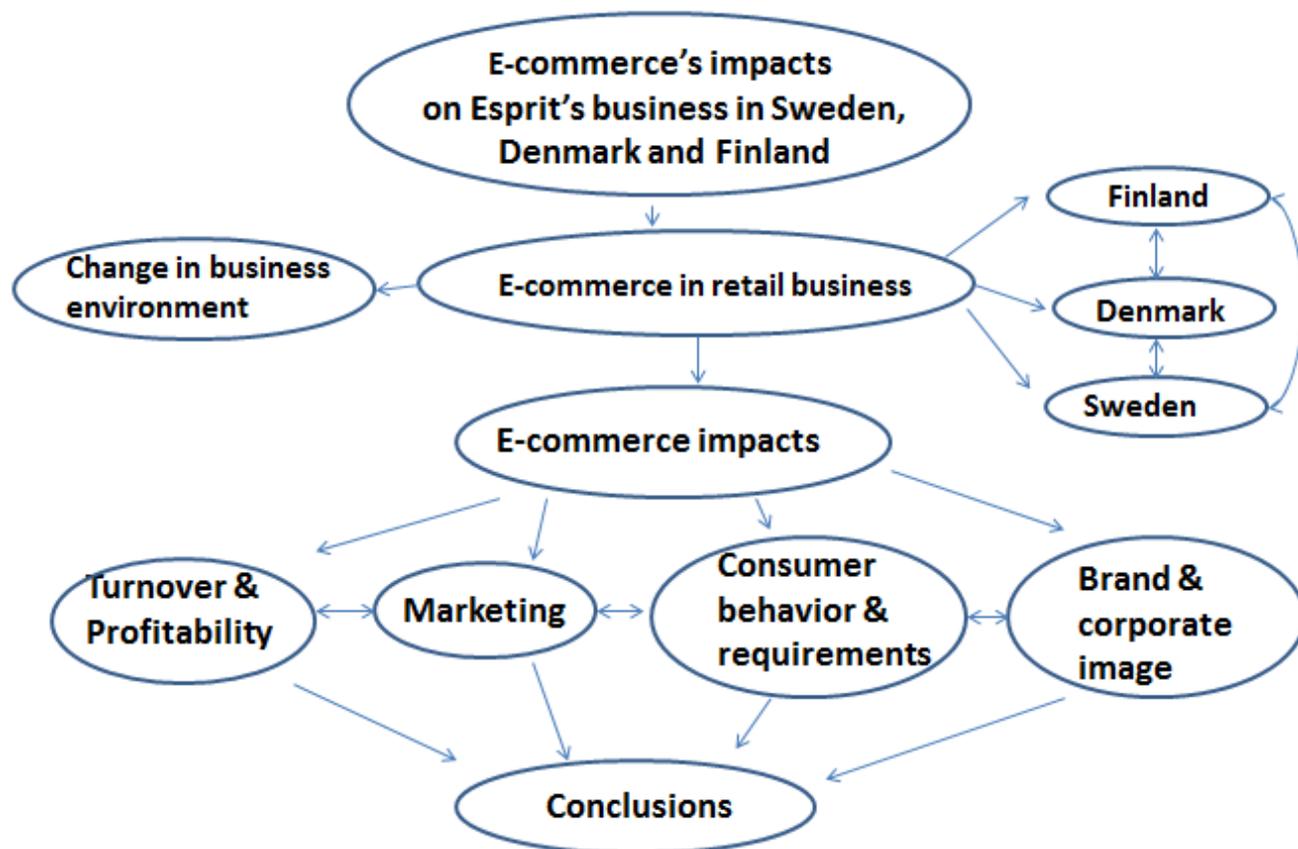
Marie Widmark Dyhr, Marketing and PR Manager. Widmark Dyhr has been working with Esprit from 2012. After working in the field for 16 years he has extensive experience on marketing. Previously Marie has worked with Levi Strauss & Co as a Trade and Retail Marketing Manager.

1.5. Theoretical framework

The research question, “How has the growth of e-commerce affected Esprit’s business in Sweden, Denmark and Finland?” intends to find out the impacts consumers shifting to online shopping has had on Esprit. The study also concentrates on discussing reasons behind such shift. The topic encompasses a variety of perspectives and angles possible for analyze, but the researcher has narrowed the study to include the four core aspects; turnover & profitability, marketing, consumer behavior & requirements and branding & corporate image. Though four very different perspectives, all the aspects influence and complement each other, making this a natural divide. These four sub questions results the paper to give the reader a coherent, comprehensive review on the topic. The paper focuses on the sales side of the business and does not count in effects on background processes. In other words, the study concentrates on the direct effects of e-commerce and leaves indirect effects out of discussion.

Closely related to the four sub questions the researcher will present the changes taken place in business environment. In this context the development phases of e-commerce are presented as well as the direction business is heading to. The theory and the empirical sections support each other; though discussed on a bigger scale, the change in business, introduction the target market and introduction of the case company, give a solid base to validate the empirical section and qualitative data.

The thesis has been made from a business point of view, B2B, leaving out the aspects of B2C e-commerce. However, the interviewees work on wholesale side, and in wholesale B2B and B2C are closely linked together. In addition, Esprit’s business is partly wholesale and partly retail, and the company strives to grow both channels without cannibalizing the other. This is why the B2C perspective should also be kept in mind.



1.6. Literature review

The rise of e-commerce and e-commerce strategies have been discussed in great extent in the 1990's when e-commerce was a new phenomenon. Though, there is relatively little new theoretical material written about e-commerce in the clothing industry and even fewer conclusions have been made. The researcher concludes this to be because the subject and moreover the latest e-commerce related revolutions are so topical. The growth of e-commerce is so recent, that only vague conclusions may be done since trends cannot be spotted yet. However the subject is discussed in a variety of articles and visible in figures, and so the development of online business cannot be left unnoticed.

Writings concerning e-commerce and its impacts on retailing tend to fall into two different categories. Some think e-commerce has a negative impact, and that retailers are slowly drying out when they fail to react and meet customers' changing demands. While the clothing industry is not experiencing any growth within Sweden, Denmark nor Finland, the rapid growth of e-commerce has resulting in a decline in physical stores' sales (Nielsen, 2015).

Online stores have the possibility to offer a much larger variety of goods than retail stores. Because of the cost structure in e-business online stores are able to offer the same products with a cheaper price (Adams, F. 2004). Online stores are seen to be a threat to physical stores with their value-added services, simplicity and discount pricing. The value added services provided by online store is hard to compensate in a physical trade environment. Publications discuss a wide variety of reasons for causes behind the growth of online business and the advantage it has compared to retailing.

E-commerce can also be thought as an additional sales channel and a way to gain extra turnover. Online business can be used to expand business to new markets or as a way to attract a younger consumer or launch new markets (Reuters, 2014). Collecting specific data enables e-commerce to become a way for a company to strengthen its customer relationships and to gain new customers (Malmirae, P. 2015). If presented decently, a brand may gain double visibility by participating in online business. Platform models are introduced, and companies are using e-commerce as a product gallery for the merchandise in store. Companies working in both channels use their online store as a sales driver for their retail store. E-commerce gives companies the possibility to reach existing and potential customers more efficiently by either replacing their retail stores by online business or creating an online store as an additional channel (Limayem, M. Khalifa, M. & Frini, A. 2000). Internet can help retailers serve their customer base better and to attain new customers. (Grewal, D. Lindsey-Mullikin J. & Munger J. 2003). Electronic word of mouth (eWOM) can present huge sales potential if handled correctly.

However, the two main theories agree on one thing – e-commerce will continue to grow rapidly. Forrester (2010) predicts that B2C e-commerce will grow 10% yearly over the next five years. From 2012 to 2015 Esprit's biggest e-commerce customer has grown 78% in order intake, while brick and mortar stores have been struggling, decreasing 46% within the same time period (Esprit internal data). Since the growing e-commerce channel performs better than the physical stores, the supplier is of bigger value to online customers, and money is constantly moved from brick and mortar to online.

The question is, if this growth is achieved together with retail, or at its expense. The study will focus on how Esprit has had to, and will continue to have to, change their business to meet the tightening competition and demanding customers' needs. The study concentrates on

discussing these two points of views and analyses them by mirroring the theories to Esprit's experiences.

1.7. Key Concepts

E-commerce/ Electronic commerce, E-business

Adams (2004) defines e-business as commercial transactions' automation done by using computers and networked communication technologies. He states that whilst the most know e-business from ordering goods online, the majority of e-business is actually done between companies, B2B, before the goods find consumers. E-business is said to be a competitive and dynamic environment where the possibilities for monopolies and market dominant organizations are very strong. In other words, e-business can be seen as the front- and back-office processes whereas e-commerce is transactional, buying and selling (Kalakota, R. & Robinson, M. 2004). The study will focus on e-commerce and the online business from a buying and selling perspective.

Retailing

Retailing excludes all franchise and wholesale functions. In Esprit retail consists of the company's own directly managed stores. However, in the study retail trade is defined as trade happening in physical points of sales. These include department stores, franchise stores, flagship stores, retail stores and all other physical points of sales.

Wholesale

In wholesale business companies buy merchandise from a supplier company, and earn profit by selling the goods to consumers for a higher price. In Esprit wholesale consists of all the B2B customers who sell Esprit under their own brand, which can be either online or offline. To simplify, in the thesis wholesale is defined as business-to-business, more specifically B2B trade in offline channels. To simplify, wholesale business taking place offline is in the thesis included into retailing.

Multi-Channel & Omni-Channel

Multi-channel is defined as sales taking place in more than one channel, for example online and offline. The term multi-channel does not include synchronization or controlling between the different channels.

Omni-channel is creating a seamless consumer journey through your channels, where you can make sure the consumer gets certain benefits from moving across channels. Omni channel is an evolution of multi-channel; from where there are not only multiple channels where different things are going on, to connecting these channels. The basic principle of omni-channel is that consumers buying in both channels buys more in both channels and are more loyal to the brand. (Widmark Dyhr, 2015)

E-marketing

E-marketing is defined as using the internet to facilitate promotions and distributions of products. It speeds up and streamlines customer acquisition, and more importantly, provides a way of being updated about their real requirements and market needs. (Cunningham, M. 2001) Chaffey (2007) defines e-marketing as “achieving marketing objectives through use of electronic communications technology”. In the study e-marketing will be defined as the new ways of marketing created and enabled by the internet and digitalization.

E-CRM

E-CRM stands for Electronic customer relationship management. E-CRM aims to maximize sales to existing customers and encourage customers to continuously visit the site by using digital communication technologies. It targets customers more cost-effectively and increases the depth of customer relationships. (Chaffey, D. 2007)

1.8. Research Structure

The study will proceed in the following way. First the researcher will analyze the written literature of the topic by highlighting the change in business environment, strongly linked to the development of ecommerce. Target markets, Sweden, Denmark and Finland, will be introduced. This will be done by using official, external data sources in addition to Esprit's internally produced information. The market situations will be paralleled to Esprit's current situation and trends. The researcher finds this important since the market situations between countries differ widely on a country level as well as within Esprit's business. However, the markets are very integrated and have similar trends, which is why they have a great impact on each other.

The study will continue to discuss the impacts of e-commerce from four different perspectives: turnover & profitability, marketing, customer behavior and requirements, and

brand and corporate image. Though this divide has been made, the different subtopics are closely linked together and overlapping. The reader will notice the same topics introduced in different chapters but from different points of views. Therefore the different angles and perspectives influence each other and cannot be analyzed without context. The researcher will carry out interviews for each topic, and analyze collected data. Since the study is made from a B2B point of view, all areas are analyzed by how they affect the company business. However, since consumer sales determine the performance of B2C and the total performance of a company, the consumer requirements and purchase experience will be an important part of the study. As mentioned, the study will focus on the sales side excluding e-commerce's impacts on internal, back-office functions and processes.

Throughout the study there will be a red thread from the change in business environment to the four subcategories investigated. The paper will conclude to find out if and how e-commerce has impacted Esprit's business. The paper targets to find out the consequences that the growth of online business has had on retail trade in Sweden, Denmark and Finland within Esprit. The paper will also analyze the actions to be taken for the best benefits of both e-commerce and retail.

2. E-COMMERCE IN RETAIL BUSINESS

The electronic market brings together companies and consumers, buyers and sellers, but not necessarily at the same time or in the same place (Gunasekaran, A. Marri, H. McGaughey, R. & Nebhwani M. 2002) Consumers are more digitalized, and shopping is rapidly moving to online channels. Going online is not a choice for companies to make; it is an imperative in order to stay in the increasing competition. It is a must for companies to synchronize their online and offline channels, since this is the only way to grow. In addition to customer service and front-office changes, companies have also had to rethink their business processes. The impacts e-commerce has had on retailing cannot be belittled.

The study will continue to discuss the changes in business environment. The target market is introduced, as well as the case company, Esprit.

2.1. Change in Business Environment

Few concepts have revolutionized doing business more profoundly than electronic commerce. Companies are forced to re-evaluate the definitions of value, competition and service. (Kalakota, R. & Robinson, M. 2004) It is evident that e-commerce has fundamentally changed the way companies do business and has the ability to continuously change and develop it. Already back in the time of Taylorism it was discovered how mechanical activity evolves business and straight forwards processes. E-commerce and information technology have enabled business process redesigning in a higher extent and created a new type of engineering. Information technology has not only changed the way business is practiced but also the skills necessary to practice it. Not only has e-commerce affected the company indirectly through customers and sales, but it has also transformed background processes such as supplier cooperation and product development, cutting costs and reducing time. (Davenport T. & Short J. 2003)

According to Kalakota and Robinson, the development of e-commerce can be divided into three phases. In the first phase companies strove for online presence and to have a website. Being online was important, though reasons behind were unknown to many. In the second phase e-commerce became transactional, buying and selling online. The companies focused on increasing revenue and order flow. Companies were broadening their buyer and seller networks, transferring paper purchases to the internet. The third phase, starting from the 21st

century and still ongoing, is all about e-commerce's impacts on profitability. The term e-business has been introduced, including all processes and applications enabling companies to perform business transactions. E-business also includes the back-office applications, whereas e-commerce focuses on transactions on the web, so called front-office. Kalakota and Robinson encourage to not dividing business based on the receiver: "forget B2B or B2C, e-business is about P2P – path to profitability". (Kalakota R. & Robinson M. 2004)

Before business process re-engineering was about core competencies, processes to support these competences and filling customer needs. Nowadays the focus is on e-commerce, and how to excel the customers' experience digitally. The companies struggle to make internal operations and processes as digital as possible, as well as the supply chain and all other factors of business. Going digital is not a choice to make, it has become a necessity. However, most companies' business processes were created before digitalization, and have not been radically changed since. This prevents the companies from receiving the full benefits e-commerce. Current business models and designs are far too conservative to meet the challenges of the e-business era (Kalakota, R. & Robinson, M. 2004).

As Esprit's Marketing and PR Manager Marie Widmark Dyhr later explains, background processes must be well set before e-commerce drives the company's interest fully (Widmark Dyhr, 2015). The first step in going digital is to analyse the changing environment to discover e-business patterns and models – these will determine the success of the company. (Kalakota, R. & Robinson, M. 2004) Wu and Hisa present the core components of background processes to be business model; technological infrastructure; content; and services (Hisa, T. & Wu, J. 2004). These four dimensions have to be ready for the implementation of e-commerce in the business.

The development of e-commerce has given the possibility to analyse data on a very specific level – therefore business activities ought to be viewed as a collection of individual tasks, broken down to processes to gain maximum effectiveness. (Davenport T. & Short J. 2003) Electronic Data Interchange (EDI) has enabled sharing data from computer to computer without human intervention. EDI has given companies benefits in improved service, higher inventory turnovers and reduced transaction times. Gunasekaran et al. (2002) introduce a variety of impacts e-commerce has had and will continue to have on companies. These impacts include shortened procurement cycles both B2B and B2C; taking advantage of

alternative sales channels and tapping new markets; access to global markets with a fraction of traditional costs; ensuring that product and marketing information are up to date; and reducing costs of direct communication and promoting closer relationships with consumers as well as business partners. (Gunasekaran, A. et al. 2002)

E-commerce has changed business from one channel to multi-channel, where the customer has the opportunity to shop regardless of the time and place. According to Poloian (2009) the majority of retailers are still not selling through multiple channels and the full benefits are yet to be seen. The transformation has made business more complex and dynamic, and the trend is ongoing. The impacts of multi-channel retailing are evident; companies selling through multiple channels are performing better than ones selling through one. These companies are able to reach customers at a time and a place convenient for the customer, and more often than not does the customer spend more money than one buying in only one channel. (Poloian, L. 2009) The development of technology as such empowers performance metrics and fulfilment processes making retailing, and e-tailing, more precise, transparent and competitive. Alongside the development of technology consumer behaviour and requirements have changed whilst people move to digital communication.

Wu and Hisa introduce the words m-commerce (mobile commerce) and u-commerce (ubiquitous commerce) to describe the evolvments of the fast changing e-commerce business. According to them, digitalization drives m-commerce to grow, and connectivity will drive frontier of u-commerce forward, where physical and digital transactions are integrated together seamlessly. The characteristics of u-commerce are proactivity, highly personalized, transparency and convenience. (Hisa, T. & Wu, J. 2004). Studies show that u-commerce is the latest revolution of e-commerce business, integrating the virtual and physical market into one universal market, independent of place or time.

Today the business environment is very much tighter in terms of competition. E-commerce is not an option, but a must for companies to stay in business. E-commerce brings huge advantages both for the company as well as for the consumers. Through digitalisation consumers are more influenced by the media, they demand more and expect service. E-commerce tools contribute to marketing allocation, dynamic sales and added brand visibility. In the business environment companies are now facing the only option is to take use of the rapid growing e-commerce channel.

2.1. The Nordic Market: Sweden, Denmark and Finland

The study will continue to give insight on e-commerce and the clothing industry per country, and analyze the trends and future of online business within these markets. However, the countries seem to have a very similar market situation and trends and therefore influence each other. All in all the Nordics have had a growth trend in e-commerce, and the increased online business is strongly visible in the target markets. However, the clothing industry has faced challenges since 2008 and remains unstable; very little if any growth can be spotted in the clothing industry in Sweden, Denmark and Finland. Therefore it may seem as online business has grown on retailing's expense. It is yet to see if e-commerce will manage to continue its steep growth in the years to come.

The Finnish economy has faced challenges since the financial crisis of 2008, and the economic growth remained flat in 2014. According to a survey made by the Finnish Trade Union (Kurjenoja, J. 2014) Finnish consumers are unsecure about their financial situations and see their personal economy declining during the following year (Attachment 2). The result of this is that consumers are less likely to make purchases, which is shown as a fall in the clothing industry. In Denmark the economy is starting to revivve the economic growth being 0,9% in 2014. In Sweden the growth was 2,1%, making it the fastest growing economy. (Sorthe, L. 2015).

Finland has been struggling with clothing trade during the past few years. The value has a declining trend; in 2013 the clothing trade decreased 5,2% and the gap continues to grow. The clothing industry generated a total of 3,7 billion euros during 2013. (Kankaanpää, V. 2014) In Denmark retail trade of clothing counted for 8.2% of the country's total retail trade in 2013, being 4,1 billion euros. (Statistics Denmark, 2012, Sorthe, L. 2015). In Sweden the clothing industry counted for 5% of the total retail trade within the same time period and was 3,5 billion euros. (Sorthe, L. 2015). Hence, relative to population, Danes use the most money on shoes and clothing.

About 10% of the target markets' clothing business is generated online. In Finland the total value of online trade was 7 billion euros in year 2013. During the first quarter 2014 the volume of online clothing purchases was 359 million euros, 5,1% of the total online trade. E-commerce in the clothing industry has grown 40% since 2010. (Wikström, V. et al. 2014) In Sweden e-commerce counts for 6% of the country's total retail sales, and in 2013 products were bought for 4,17 billion euros via internet. (Sorthe, L. 2015) Online clothing trade added

up to 7,5 billion Swedish crowns (around 804 million euros). (Angelin, K. 2015). In Denmark 20% of the total retail trade is generated online, counting for about 9,8 billion euros. Clothing counts for 1,6 billion euros, adding up to over 16% of the country's online trade. This makes Denmark the most advanced Nordic country in online clothing business based on turnover. However, over half of the online business comes from foreign online stores. (Hansen, S. 2015)

In Sweden e-business has experienced a steady but steep growth during the past years. In 2013 25% of the Swedish population purchased clothing online. (Statista, 2015) E-commerce is a rapidly growing sales channel; in 2014 e-commerce grew 16% compared to the previous year. In Denmark 54% of Danes purchased clothing online in 2013, growing 10% from the previous year. Finland has experienced a massive growth in online clothing business: Within the last 10 years online stores' consumer amounts have tripled in Finland. In 2004 18% of the population had made an online purchase whilst in 2013 online purchases have been made by about 53% of Finns. In 2004 about 9% of the population had made an online purchase within the last three months, whilst in 2013 the number was 35%. After 2008 the growth has stabilized since the majority of people have become online store customers. (Tilastokeskus, 2013)

Out of the three target markets Sweden has the biggest company base for online clothing business. In clothing, internationally known online stores such as Boozt, Nelly, Ellos and Bubbleroom are Swedish owned. Therefore online business counts for a major part of the clothing industry; as an example Nelly, the biggest online clothing player in Sweden, had a turnover of over a hundred million euros in 2014 (Hansson, P. 2015). In Denmark the biggest e-commerce site in the clothing industry is Stylepit.dk, having a turnover of 62 million euros in 2014. The company has doubled its business in less than four years. (Annual Report 13/14, Stylepit) Finnish B2C e-commerce is relatively undeveloped compared to other Nordic countries, and therefore most of the business is generated from foreign online stores. Most of the turnover generated from Finnish online stores is from department store chains' websites.

According to Statista (2015) the growth rate of B2C e-commerce in the Nordics remains high though has a slowing trend. The company predicts the growth percentage to reach 10,3% in 2015, decrease to 9% in 2016 and a further decrease to 8,4% in 2016. According to HUI research (2015), online sales grew 16% in 2014 and are predicted to grow 15% in 2015.

In 2014 Esprit had a market share of 1,5% in Finland (Sorthe, L. 2015) Within Esprit the Finnish market has decreased turnover from 2012. From 2013 the market's total order intake has decreased by 42%. This decline is resulted from all channels, e-commerce excluded, but the deviation in Department stores has hit the most, with a decrease of 59%. In Denmark Esprit had a market share of 0,5% in 2014 (Sorthe, L. 2015). Within Esprit Denmark has decreased turnover by 41% from 2012. The only growing sales channel has been e-commerce, with an increase of 34%. The franchise business is struggling, and has decreased by 27%. The multi label business has decreased by 50%. In 2014 Esprit had a market share of 2,3% in Sweden (Sorthe, L. 2015). Within Esprit the turnover has decreased 50% from 2012. The biggest hit has been taken by the franchise stores, decreasing 54%. E-commerce has also declined massively, a total deviation of 47% from 2012. The Swedish market still remains the biggest one for Esprit wholesale e-commerce, resulting for over 90% of the channel's turnover.

2.2. Esprit

Esprit is an international fashion brand founded in 1968. The brand's values are authenticity, easy-going living and offering effortless style. The company's motto is to deliver outstanding value for money. Esprit offers clothes for women, men and children. Esprit is presented in over 40 countries with more than 9 000 retail stores and 8 100 wholesale points of sales (POS). (About Us, 2014)

In fiscal year 13/14 the company's turnover was 24 227 million Hong Kong dollars. This is a 9,9% decline from the previous year. Wholesale business counted for 36,5% of the group's turnover. The Nordic region counts for 3,8% of the group's total turnover, the market's turnover decreasing by 17,8% from previous year. The company has concentrated on cost-cutting and stabilizing gross profit margin. The company has striven to implement a vertically integrated business model for wholesale accounts, where the focus is on faster and more cost efficient product development and supply chain processes. In year 14/15 Esprit will focus on integrating different channels and having more consistency and synchronization between channels. (Annual report 13/14)

Esprit finds the online channels and its e-commerce accounts as very potential & strategic points of sales. In total around 35% of the whole company's turnover is generated online. 22% of Esprit's turnover is generated by the online store, Esprit.com, launched in 1999. Therefore the company was a pioneer in online business, being among the few first clothing

companies to open an online store. On the wholesale side Esprit is cooperating with the biggest European online stores such as Asos, Amazon and Zalando. Esprit has a number of big online customers in Finland, Sweden and Denmark, such as Boozt (Sweden), Ellos (Sweden) and Stylepit (Denmark). The company is aware of the rapid growth trend of e-commerce, and is striving to synchronize all sales channels in order for them to support each other. It is launching an omni-channel concept, already introduced within the industry, to drive sales in both online and offline channels evenly.

3. E-COMMERCE IMPACTS IN SWEDEN, DENMARK AND FINLAND

As concluded, e-commerce is a growing channel within the target markets. The study continues to discuss why e-commerce is so strong and how it has impacted business the way we know it. The research problem is analyzed from four different perspectives. Firstly the study is discussing e-commerce's impact on company turnover. As previously mentioned, e-commerce has thought to be a threat to retailers, and many fear that retail business will dry out. Secondly the topic is analyzed from a marketing perspective - challenges & development in marketing caused by increasing e-commerce. E-commerce requires more marketing tools and enables the ability to react quickly. The researcher intends to find out how these tools have changed business. The third subject to discuss is how consumers find e-commerce, and how e-commerce has changed their needs and requirements of a shopping experience and further, how this change has affected business. The fourth point to analyze is how the rapid growth of e-commerce has affected Esprit's brand, and what challenges e-commerce brings to branding and creating a corporate image.

3.1. Turnover and Profitability

The development of e-commerce enables companies to create significant cost reductions, to increase productivity and potential. Companies can gain considerable competitive advantage by enhancing their e-commerce based capabilities. (Haley, G. 2002) The e-business revolution is resulted by, among other reasons, reduced transaction costs, outsourcing, globalization, declining costs and the dynamics of e-commerce (Adams, F. 2004) In "the new economy", as Adams (2004) calls it, rapid economic progress and productivity growth are widely seen as the defining events.

Online stores are rapidly adding online shopping tools to straightforward purchasing. Offers and promotions, such as aggressively discounted products, are initiated for shoppers. (Internet & E-Business Strategies, 1999). Online companies have a lower cost-base than retailers, allowing them to offer consumers lower priced products and good deals – this is a key motivator for consumers purchasing online (Chaffey, D. 2007). The online channel is also a way for companies to achieve higher profitability; since online stores have lower operating expenses than brick and mortar stores, it is possible for companies to save money by driving customers online (Poloian, L. 2009). As Kalakota's and Robinson's (2004) theory highlights, e-commerce is now focusing on maximizing profitability in companies' business.

Wu and Hisa point out how the increasing use of e-commerce and u-commerce has influenced the physical retail environment by having dynamic pricing models (Hisa, T. & Wu, J. 2004). “The physical stores have such a different cost structure. For them it’s important to have periods with full price merchandise, and to not have too much mark downs since they can’t afford it. That’s one of the benefits of e-commerce; they are very dynamic and fast. They can track down data every day and act fast”, says PR & Marketing Coordinator Christina Sundkvist, strengthening research results.

However, big online players in the clothing market, such as Zalando and Amazon, have concentrated on growing sales rather than profitability. This means that the company sells with aggressive discounts but is lossmaking. Amazon, for instance, used to lose 30 cents on each dollar of sales (Adams, F. 2004). Some argue that the discount policies of online players have an impact on the sales in retail stores. When asked if e-commerce is a threat to the physical stores E-Commerce Area Manager Lina Selin replies: “If I say no it’s probably the wrong answer because e-commerce is so dynamic, and you can change from one hour to another. Then again Esprit’s franchise stores have a lot to learn from the online business as well. The physical stores go with the more fixed, corporate discount & campaign suggestions. One of our biggest online customers has extremely good tools which enable them to look into every style’s performance daily.” Controller Line Nielsen partly disagrees: “Clothing industry in the Sweden, Denmark and Finland is not growing at the moment. Since there’s a fixed amount of consumers and a fixed amount of money within the industry, the growth of e-commerce is away from physical stores.”

Widmark Dyhr believes the e-commerce channel has a positive influence on retailers and on companies. “I choose to see retailing from a consumer perspective. And from a consumer perspective the e-commerce channel is a good thing, because it offers the consumer an availability that both stores alone have limitations to. I know that from a trade perspective many would say that a lot of closures of physical stores specifically in the fashion business can be related to retail not having adapted to new consumer behaviour fast enough. And obviously that is a challenge because it takes a lot of investments from the retail side”, she says.” Nielsen concludes there to be two sides on the impacts of e-commerce: “Yes, e-commerce does benefit Esprit as a company and we earn money on our online business. Then again, e-commerce also impacts physical stores, who have faced a decline in the amount of visitors in store. I see this as partly because of the dynamism e-commerce can offer.”

According to Piers Fawkes, founder and editor-in-chief of PSFK, an American media company, a successful retailer will manage to integrate their online and offline business and understand how the two channels can drive sales supporting one another (Bof Team, 2015). Thus, he believes that – if executed well, e-commerce is not a threat to physical stores, but an additional channel to drive the whole company's sales. Noticed this, market leaders have already started to integrate these two channels by extending in-store interactions with links to the online channel. Grewal, D. et al. (2003) define the integration of the internet in brick and mortar stores as a brick issue. Taking advantage of the Internet within physical stores helps them serve their customers better. Fawkes also emphasizes how retailers should concentrate on bringing added value in ways that differentiates them from online stores. This added value consists of personal interaction, making the store a marketplace for not only products but for relationships.

It has been proven that companies working in multiple channels have several advantages. These companies generate more revenue and profits compared to ones working in only one channel, reaching customers more effectively and gaining market share. (Poloian, L. 2009) Multi-channel retailing also enhances customer convenience, by offering them service regardless of place or time. Nowadays most of companies' customer bases buy in both channels, and the ones buying in both channels also buy more – this is why serving multi-channel customers become a priority for the company.

Sundkvist believes that the growth of e-commerce is a very positive thing to the physical stores. “Most of our customers are buying multi-channel, both online and offline.” The multi-channel customers have been proven to be the most valuable to the company: “The movement of customers to e-commerce is not away from the physical stores, the opposite: the customers who are buying in both channels are buying more in both channels. They're increasing both their loyalty and the value they put into a brand. A consumer who buys only in one channel, either online or in physical stores, spends less and has lower loyalty. So in fact it gives more to both channels to connect, and to make sure the customer can move from one channel to another seamlessly.” says Widmark Dyhr, aligning with Poloian.

Esprit is going one step further from multi-channel. The company is working on synchronizing its physical stores and online store by an omni-channel concept. The company strives to give consumers the same brand and shopping experience across channels. “Our

franchise partners do not profit from our online sales at all – this is our main issue. Customers come into the store, try on the clothes, go home and buy online”, says Sundkvist.

To prevent the phenomena from growing, Esprit will introduce the omni-channel to the company’s franchise customers, where Esprit pays the customer a 5% commission for every item sold from the online store. In practice, if the store does not have the right color, size or item, the staff can scan the product’s bar code and order it from online. “If you can get the traffic, if you get the customers in the store wanting to buy something, it’s important that they buy it in the end, even if they don’t buy it from the store. They will gain profit for this, because right now that is the problem; they don’t profit anything from online sales”, Sundkvist continues. “Going from multi-channel, where we used to have different things going on in different channels, to omni-channel, those channels connect. For it to work, all enablers need to be aligned: There cannot be different pricing on different promotions going on in different channels. We have done this in the past - the risk is that you cannibalize. Moving into an omni-channel means connecting sourcing, logistics and pricing as well”, says Widmark Dyhr.

Both Widmark Dyhr and Sundkvist believe that moving into an omni channel is a necessity in a multi-channel environment. The primary thought behind it is to serve the customer better. “So instead of creating different assortments for retail, franchise and e-com, we are now creating one big assortment for retail, and online is the extension of that assortment. It’s having one assortment instead of having different assortments for different channels. The end consumer will have the benefit of more services and bigger availability no matter where they are. Though a physical store may have only 40% of the whole assortment available, for a consumer the availability should be 100% when online and offline are connected, so that anything that is not in store can be delivered to store”, Widmark Dyhr explains. Esprit’s evolvement to omni-channel supports Hisa’s and Wu’s theory on ubiquitous commerce, where digital and physical transactions integrate together seamlessly to create a shopping experience with both physical and digital elements. The development strives to serve the customers better.

Related to the omni-channel concept, Esprit will also introduce a Click and Collect – service. This is a service in the online store where you can reserve an item in a physical store and collect it from there. The item is purchased after collecting it, so the physical store gets the profit. All in all Esprit carries out a lot of activities to drive the synchronization between

channels. (Sundqvist, C. 2015) The goal is to provide the customer with convenience where they don't have to differentiate the two channels. The purpose of integrating online and offline channels is firstly to give customers better service, and by this increase loyal customer base which contribute to Esprit's turnover and profitability. As Poloian (2009) and Widmark Dyhr (2015) explained, customers buying in multiple channels buy more.

"I think that e-commerce and physical stores can grow together, definitely. Of course the retailers cannot grow as fast as e-commerce business though. It's another competition today than it was 7-8 years ago. It's all about having the right product and the right people to drive the business", comments Selin. Her comments tangent Nielsen's statement: for physical stores and e-commerce to grow together the industry must grow, because otherwise the increased turnover in e-commerce is away from retailing. Nielsen predicts e-commerce to not grow definitely: "The growth [of e-commerce] cannot continue to be higher than the industry's. There's a limit to how much money people spend on clothes. The growth being bigger than the industry's is only temporary, at some point the difference will balance out and retail will recover", she arguments.

The cost structure, and further the pricing policy, of online stores challenge the physical stores. E-commerce has enabled online companies to use advanced tools for dynamism and superior performance. While clothing business in Finland, Denmark and Sweden is not growing, the growth of the e-commerce channel is away from the physical stores. To strengthen both channels and for a more even growth companies are working to synchronize channels - it has been proven that companies doing business in multiple channels gain better results. Noticed this, Esprit has launched an omni-channel concept, where offline and online channels are integrated to create a seamless shopping experience for the consumer. This is predicted to increase turnover by increased loyal customer base.

3.2. Marketing

The internet has changed marketing communication radically. Online business has shifted the way of marketing to a more customer oriented, dynamic and interactive manner to create personalized stimulus (Trainor, K. 2011). Online marketing plays an important role as the consumers' internet usage continues to grow (Cheng et al. 2009). As such, the internet represents major potential in advertising and promotions. Customers are nowadays receiving a lot more information and a broader variation of choices – promotions are everywhere, and online purchases have been made simpler than ever. The internet has enticed the competition

between companies, forcing them to be dynamic, and set a challenge for companies to maintain consistency between their marketing channels. Further, online marketing – or e-marketing – has enabled the use of complex measurement tools to make marketing activities targeted and efficient.

Block and Sergev suggest that e-commerce impacts on marketing by new sales channels, product promotion, direct savings, reduced cycle times and customer service (Block, M. Sergev, A. 1996). New sales channels enable seamless information flow, and products can be presented with detailed information. Moving to digital marketing companies have major cost savings and are able to act much more dynamically when using digital material instead of print adverts. E-commerce has also enabled a much more thorough and interactive customer service, where companies may retrieve specific data from their customer base and succeed better in meeting their needs.

While the online channel is growing in clothing industry, companies must pay attention to ad coordination. The inconsistency in promotions and advertising may, in the worst case, drive customers to leave the site altogether. Companies must align their promotions length; offer and nature cross channel in order to give a coherent message and to gain trust (Computer Economics, 2000). This is a matter the omni-channel concept strives to diminish; as a tool for better customer service omni-channel also integrates marketing activities to create consistency.

The shift towards digital marketing has been rapid and massive. “When my manager started working in the marketing department it was very much about traditional marketing: print advertising, banners, posters, etc. Right now we spend almost all our [marketing] money on digital marketing.” Sundkvist says. Today campaigns are driven in all different platforms and channels. “When you drive a campaign you drive it also in the online store, you drive it on Facebook, Instagram, and other social platforms”, she continues. “All marketing used to be printed, and the lead times were really long. That indicates how competitive you are and how precise you can be. The consumer is digital, and they want things happen from one day to another. For our physical stores there are a lot more digital opportunities than we are exploiting at the moment, so it’s more about moving away from the traditional ways of doing marketing and letting it to become a little more digital.” Widmark Dyhr says, strengthening Block’s and Sergev’s theory.

E-marketing is an important tool for online companies. It is defined as the company's ability to use the internet and other information technologies to handle customer interactions. With e-marketing the customer receives information regarding the company whilst the company also receives information regarding the customer, which makes marketing interactive. (Trainor, K. 2011) This way marketing activities can be customized and actively measured. The internet enables companies to track number of visitors, frequent access by specific visitors' time on the site, and other advanced data (Grewal, D. et al. 2003). Therefore the company is able to use this data as a tool in targeting its marketing. Successful e-marketing consists of many aspects and builds an "electronic experience" for the internet customers and reinforces brand recognition. Succeeding in e-marketing results in increased sales, improved customer retention, better communication with customers and increase in traffic both online and offline. (Cunningham, M. 2001)

Validating previous research Widmark Dyhr explains: "E-marketing has made it possible to have more interactive, consumer oriented & personalized marketing. We can be a lot more flexible to what the specific consumer has as preferences. This benefits all channels – the consumer is not only an online consumer or an offline consumer, we go to the different channels for different reasons. Customers still browse a lot but end up going to a physical store to get the touch and feel, or to get the personal service every now and then."

According to Grewal et al. (2003) it is important to focus marketing to the right kind of customers, who are loyal and bring the most value. The company must have a holistic view on of the customer and to understand their desires to succeed. The ability to access and process customer content has become the key factor of CRM systems today. (Kalakota, R. & Robinson, M. 2004) With e-CRM (Electronic Customer Relationship Management) it is possible to personalize, mass customize and implement e-marketing to the right customer segment (Chaffey, D. 2007). "With our e-CRM program we can track down our Friends members [Esprit membership program for loyal customers]. We can segment them, we know their shopping behavior: when they buy, what they buy and how much money they spend", says Sundkvist. In addition, e-marketing has made it easier for Esprit to measure the impacts of marketing activities. "It is really hard to measure how much turnover was generated by a big poster at Rådhuspladsen [Main Square in Copenhagen]. It's easier when you post a video on Facebook, where you can track how many people are sharing it, liking it, clicking the link, and so on."

Widmark Dyhr states how e-commerce has made marketing a lot more consumer-oriented: “The marketing landscape has moved away from the push model, where you tell the consumer to come and buy this, to a pull model, where we work a lot with our CRM system to have an ongoing one-to-one dialogue with our consumer. Instead of deciding what the consumer should buy and at what price, we are working a lot more content based on their profile, data and interests which we have loads of in our data base, in order to understand our consumers and to get to know them better and better”, she explains. Therefore promotions and activities are planned based on the customers’ needs and desires. This strengthens Kalakota’s and Robinson’s theory of e-commerce’s impacts on the Acquisition process (Attachment 3). According to them the primary step after identifying the customer is to identify his or her needs. Only afterwards the product is brought to the market, with the price and terms the consumer is willing to have (Kalakota, R. & Robinson, M. 2004).

Nielsen brings up a point of e-commerce’s possibilities to fast to market promotions. “By just sending an email online stores can reach out to a lot of consumers very fast. Physical stores have fixed windows, and only consumers passing get inspired.” Selin argues that online promotions do benefit both channels. “Our biggest e-commerce customers are the most professional customers we have in all channels in Esprit. We should learn far more from them than we do now. The newsletters and info from online stores consumers get almost daily, of course have an influence. This is an advantage for the company. The PSS [partnership stores] get a lot of visibility *through* e-commerce. I’m positive that with the promotions online stores do the physical stores get a bit of that cake as well”, Selin says.

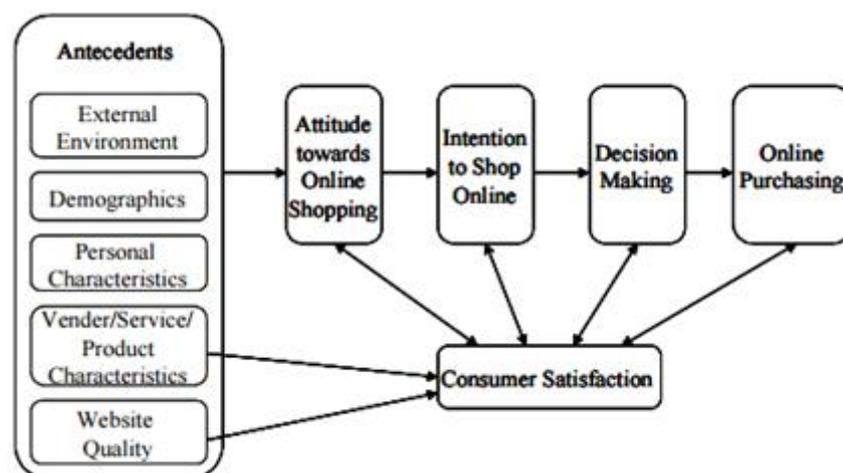
According to the interviewees E-commerce has affected marketing in a very positive way. It has become more interactive, personalized, customer oriented and dynamic. Marketing has shifted from a push-model to a pull-model, which prioritizes the consumers’ demands. Through e-commerce companies retrieve more information on their customer base, which enables them to allocate activities and to gain maximum profits. The impacts of marketing activities are more easily measurable. However, it is debatable which channels the involvement of marketing benefits the most. To maximize the benefits of marketing companies must ensure coordination between channels – the omni-channel concept contributes to this target.

3.3. Consumer Behavior and Requirements

Online shopping has become the third most popular activity on the internet after e-mailing and web browsing. E-commerce has changed business by influencing in consumer needs and behaviour, and online business has introduced a variety of tools to do so. Traditionally a customer's decision making process starts with an external stimulus, followed by awareness of the problem. The customer searches for information and evaluates alternatives before making a purchase decision (Poloian, L. 2009). E-commerce has shifted this process by making consumers more passive; consumers do not always seek for information actively – at times consumers are passively attracted by information given, creating a need. Today, in the online channel, consumers don't always complete a decision making process but act impulsively. Customers are emotionally driven, which underlines the importance of consistent and clear commercial information (Mihart, C. 2012). Online shopping has broadened the variety of options available for purchase. In addition to changes in consumer behaviour having a much wider variation of products online makes business a lot more competitive. Therefore companies must be a lot more proactive in their digital marketing in order to create consumer needs.

According to Li and Zhang, five antecedents determine how a consumer perceives online shopping: external environment, demographics, personal characteristics, product characteristics, and website quality:

Consumers Online Shopping Attitudes and Behavior



(Li, N. & Zhang, P. 2002)

Studies show that online shoppers are younger, wealthier and more educated than ones shopping traditionally. A consumer buying online is also more convenience-oriented and less experience-oriented; these consumers value shopping convenience the most and do not mind missing the physical content of purchasing. This goes along with previous theory – convenience is proven to be one of the key factors driving consumers to online stores. Website quality is divided into hygiene factors (necessities) such as navigation and information content, and motivators (add value to user satisfaction) such as visual appearance, from which hygiene factors are most important making the website functional and serviceable. These five factors determine customer attitudes towards online shopping, and determine whether a purchase is made. (Li, N. & Zhang, P. 2002) E-commerce has also made it possible for companies to influence the customer's post-purchase behaviour. After the purchase the company tries to influence customer behaviour by follow-upping with e-mails or thank you messages to make the shopping experience as pleasant as possible.

Dellaert, Monsuwe & Ruyter divide customers' intentions to shop online to usefulness, ease of use and enjoyment. They divide online shoppers to "problem solvers" and others looking for "fun, fantasy and enjoyment". Here again "problem solvers" may be concluded to those seeking for convenience. Also in this TAM-based model (Technology Acceptance Model), demographic factors and product characteristics are highlighted as motivators to shop online as well as in Li's and Zhang's theory. These intentions define the consumer attitude towards online shopping and further make the final purchasing decision. (Dellaert , B. Monsuwe, T. & Ruyter, K. 2004)

The internet has changed the customer service landscape. Nowadays customers are more demanding, having higher expectations for quality, service, privacy and communication (Mittal, B. et al. 2003). Customers have become more aware of the relationship between price and value. (Poloian, L. 2009) Due to e-commerce the search for the best price-value has now evolved from the neighbourhood to a global search, where the options available are enormously bigger, leading to tighter competition between companies. E-commerce has identified and evolved user experience to the level of excellence that challenges brick and mortar stores. The emergence of customer choice and the possibility of product & service customization are challenging many industries' physical stores. (Kalakota, R. & Robinson M. 2004). Consequently synchronization between multiple channels is vital for companies to respond to higher consumer requirements.

Esprit's PR & Marketing Coordinator Christina Sundkvist says that having a wider variety of options makes consumers less brand loyal (Sundkvist, C. 2015). To increase loyalty, Widmark Dyhr comments on how the company should strive for a more interactive customer relationship. "The consumers are a lot more personal in what they're looking for. They want more personalized approach from brands. They want us to know what they're asking for maybe before they even know themselves. They don't expect to be a part of big campaigns where they're pulled in once or twice a season to buy something that company has told them to buy. It's a lot more an ongoing dialogue. The consumers want everything to be available all the time when they want it, but also where they want it. When they want to go online the item should be there, when they want to go to physical stores it should be there, too. I think that the consumers are demanding more and more now that the different channels are connected", comments Widmark Dyhr, aligning with Mittal and Poloian.

Further, companies are now focusing on customer retention and value adding services, prioritizing it over revenue or market share targets (Mittal, B. et al. 2003). A fundamental target for companies is to develop and attain loyal customer relationships. The levels of customer loyalty and the company's profitability, or revenue, go hand in hand; research has shown that second-time web site users spend double the amount of money as first-time users do. (Grewal, D. et al. 2003) This strengthens the theory of omni-channel being a way to increase Esprit Friends members (loyal customers) and thereby turnover.

According to Sundkvist e-commerce has changed the consumer landscape a lot. She claims that especially the younger consumers are not very brand loyal. "Before the Esprit consumer was a dog: very loyal, always waiting for you, the customer bought Esprit once or twice and thereafter continued to buy the brand. Now the consumer is more like a cat. She's very individual; she will betray you, buy a lot of different brands and compare the prices. This is definitely due to e-commerce. There are so many other possibilities right now, compared to a few years ago" comments Sundkvist. She agrees with Poloian's (2009) theory about consumers having more knowledge on price-value relationships. Thus, the internet has facilitated relationship building strategies greatly and therefore can widely contribute in building customer loyalty (Grewal, D. et al. 2003).

However, the loyalty is also dependent on the consumers' ages. "The average Friends age in Sweden is 46, which is fairly old. In Finland the number is 38. So the 40+ consumer is not buying that much online and a lot of these customers are loyal and committed and want to

buy from Esprit.” The reason why e-tailers fail to attract especially older consumers is partly seen to be a cause of their complexity. Consumers cannot handle too many choices, and therefore the companies should not overwhelm the consumer by giving too many options, having pop-up ads, or other distractions (Access Intelligence LLC, 2004). Luiz Martinez-Lopez and Fransisco J. Martinez-Lopez claim that one of the downsides of e-commerce is the increased amount of commercial information, leading to confusion and difficulties in decision making. They point out Amazon as an example of online companies who have this as a strategic issue. (Martinez-Lopez L. & Martinez-Lopez F. 2010) From this can be reasoned that providing better customer service with synchronizing channels will result in an increase of elder consumers.

The advantage of retail stores is that they enable consumers to try things on and to see the quality first hand. The customers experience the brand on a deeper and more personal level. According to Griffis et al. (2012), online purchases are a big risk to consumers, since there is no possibility to examine the product pre-purchase. Online stores may also have difficulties in building up a clear online catalogue by displaying the products fully, with enough information, without making the shopping experience complicated (Adams, F. 2004). This leads to high return rates; in average about 40% of purchases are returned by consumers. Therefore online business has made it more difficult for companies to maintain low stock quantities and to succeed in sourcing.

The physical stores have the benefit of personal interaction. Barker and Menguc (2005) highlight how salespeople’s personal selling skills may increase the company’s performance. “In physical stores the consumer is there and then. When you get the consumer in and have them there you can always do something to make that appointment even better than last time, and to achieve bigger sales than last time. There is always the customer who wants the service, and the share of them is far bigger than what we think it is. When customers say they just want to look around, they don’t want to look around - they want to buy something since they went into the shop”, says Selin, agreeing with Barker and Menguc. She underlines the importance of having personal service in stores, and their advantage of having consumers prefer the superior service opposed to mechanically purchasing online. Further one may deduce that according to Selin physical stores can compete in the consumer rivalry of “problem solvers” or convenience driven consumers by having superior service in store.

However, e-commerce enables the consumers to a lot of flexibility. The consumer can filter products to a very high extent; choose a preferable payment method and a time and an address for shipment. 75% of Nordic consumers find it important to be able to decide how the purchase will be shipped, and 29% find it important to have next day delivery. According to PostNord's trade expert Arne Andersson, the companies must be proactive and adapt quickly to the changing consumer demands. (Angelin, K. 2015) Grewal et al. (2003) point out how e-commerce is able to bring post benefit convenience by offering support and money-back guarantees. Store reputation is a major factor in customers' purchase decision process.

According to Statista, most of the consumers in Denmark, Sweden and Finland choose to shop in online stores primarily because it is simpler. 49% of the consumers in the Nordics preferred online shopping to shopping in brick-and-mortar stores because of its simplicity. The second most popular reason is price; the consumers find the prices online to be cheaper than in retail stores. The selection was only third, chosen as a reason by about 15% of consumers. (Attachment 4) During the 3rd quarter of 2014 69% of Nordic consumers made online purchases. (Statista, 2015)

A study made by Limayem et al. show that the main reasons to purchase online are improved customer service, cheaper prices, possibility of saving time and efficiency. (Limayem, M.. et al. 2000) In Esprit one of the main issues is how to attract the consumers to go into the physical store. "To give one good reason why I should buy from a physical store and not from home", says Sundqvist. "The variety of products online is huge and shopping is very convenient – you can just sit at home whilst you buy." The internet has the possibility to display a wider choice of products and is able to do customization with its content for each consumer (Chaffey, D. 2007). "But on the other hand you get the whole shopping experience when you enter a store. You have great service and you can touch and try on the products", Sundkvist continues.

Grewal D. et al. (2003) accuse that one of the key reasons to buy online is convenience. The time and effort put in by consumers is much smaller in online shopping. They identify a variety of areas where e-commerce is stronger than retailers, such as purchase convenience, access convenience and post-benefit convenience (customer support). These are said to be there key issues where retailers should focus on to enhance convenience and to not lose customers to the growing e-commerce channel. Selin believes it is challenging to offer the consumer as good of a shopping experience offline as online. "If you buy online and you get

the clothes wrapped up, good service, 48 hour delivery time, and delivered to your home, you have to have extraordinary service in the retail stores to be able to compete with that. The demand will be higher, which means we must be able to respond to the demand in the physical stores, and to have better staff”, Selin concludes. Therefore Esprit must invest in excellent service in its retail stores in order to compete with the online channel.

The internet has made consumers more passive, and purchases have become more impulsive. Increased variation of products online has resulted in tighter competition within the industry, to which Esprit must respond primarily with commendable customer service. Today consumers have more knowledge, demand more and expect a more personalized approach. Consumers have become less brand loyal as the opportunities have increased – this has challenged companies to maintain and expand their loyal customer bases. The main drivers to online stores are discounted pricing and convenience, which challenge retail stores. However, physical stores have the advantage of interacting and the possibility to gain additional sales. To succeed, retailers must be able to offer the same service, added value and convenience as online stores.

3.4 Branding and Corporate Image

The aim of branding is to have a favorable response from customers, attempted by marketing and differentiation. Branding is closely linked to brand knowledge, awareness of the brand. The internet enables consumers to control shared information, and also makes information more accessible for the consumer. (Kohli, C. et al., 2015) The internet has presented a “double-edged sword” to brands working multi-channel. Whereas consumers mostly trust a brand they are familiar with, the internet encourages consumers to trial other brands, which may lead to making purchases of brands the consumer has not previously considered. Online consumers are more likely to switch brands compared to consumers buying offline. (Chaffey, D. 2007) This strengthens Sundkvist’s argument regarding Esprit customers’ change in brand loyalty.

The internet has given consumers enormous power; customers are able to compare products and their attributes pre-purchase and read & write reviews. Branding and brand image becomes equal to the customer’s shopping experience. (Groucutt, J. & Griseri, P. 2004) Therefore WOM and eWOM (electronic word of mouth) become extremely important for a company to control. eWOM has been proven to be much more powerful, since it allows people with no relation with one another, to anonymously share opinions (Lee, M. 2009). In

fact 90% of online consumers consult other consumers' experiences pre-purchase, and 70% trust eWOM (Nielsen, 2012). Researchers have concluded that negative WOM has a much bigger sales impact than positive one (Chiou, J. & Cheng C. 2003), which challenges companies to strive for customer satisfaction. eWOM has been proven to have a bigger influence compared to company generated information on the Internet. Whilst companies strive for brand knowledge, eWOM is impossible for companies to control.

Traditional Model & Social Media Model



Kohli, C. et al., 2015

Widmark Dyhr does not see e-commerce or eWOM as a threat to Esprit's brand image, the opposite. She believes eWOM gives companies the possibility to listen to the consumer and hence serve them better. "I see it [e-commerce] as an opportunity that consumers can interact the way they can, that they can be very critical, that they can give open feedback. I think that if companies are more open to listen to their consumers more and more sensitive to that, we can do even more. In terms of brand building I think there's two sides, because brand building is being true to your brand values, and then you need to choose how to make those come to life with your consumers, and the new way of communicating is a very important way to do that", Widmark Dyhr says.

Esprit uses a tool called NPS, Net Promoter Score, to evaluate customer satisfaction. It is an online server that collects ratings. Every time a consumer has received their online purchase they receive a questionnaire regarding the product, the website and their shopping experience. "With the help of this tool we would like to increase the loyalty and increase the turnover sale. The most important thing for Esprit is if the consumer would recommend the website and the brand", says Sundqvist. NPS helps Esprit to maintain a good brand image.

Concluded, customer loyalty, brand image and eWOM strongly influence one another, and have a great impact to turnover.

“Good online visibility is when for example we [Esprit] have our spring campaign, and up-running videos and the customers show our new pictures. That gives good brand visibility. From a brand point of view that’s what we like”, says Sundkvist. She says the marketing department is working hard to push Esprit’s marketing calendar to synchronize activities across channels. This way e-commerce has a positive impact on the brand image. It is also important for the brand to be presented in the right context, alongside the right competitors. “We don’t want to be promoted with Vero Moda, Vila, or other cheaper brands. We want to be in level with other competitors” says Sundkvist.

“What we don’t like is when they [Esprit’s online customers] are running the discount campaigns. When consumers come to the physical stores, they think “why should I buy this jacket full price when I know an online store is now running a jacket campaign for 20% discount”. This is the problem we have, and we can’t really control our wholesale e-commerce – they are putting the price on the products”, says Sundkvist. According to her the share of discount promotions have been a too big of a share of executed activities. The problem of this is that consumers don’t want to buy Esprit clothes full price. Therefore aggressive online promotions may influence negatively to Esprit’s business. In addition, when e-commerce is driving discount campaigns the consumer of course believes the price is the same in the physical stores. This does not help to create consistency. Selin agrees: “Of course e-commerce promotions should also be about the brand and to tell the company story. But there’s always the customers who gets triggered by promotions, but the business needs more than that. Of course the discount promotions should be a smaller share of activities”, she says.

Widmark Dyhr does not think that e-commerce discounting or misusing Esprit’s visibility is destroying the brand image as such, but chooses to see it more as an internal key account management issue. “I think that wholesale business is about relationships. I don’t think a customer is the reason of destroying or damaging the brand. With a good relationship with your customer the brand will not be damaged. When you have a failure of how the brand is expressed, it is a failure of the relationship, not a failure in branding. So it’s all about key account management.” Sundqvist agrees with Widmark Dyhr: “It is our responsibility to remain a healthy relationship with our wholesale e-commerce partners, and that they don’t

treat the brand in the wrong way.” Cunningham presents that B2B relationships evolve through three main factors: trust, value and performance (Cunningham, M. 2001).

Further, Widmark Dyhr also believes that regardless of the type of visibility, e-commerce is to be seen as a possibility for the consumer to get to know the brand. “E-commerce brings synergies and visibility. It is up to consumer where they want to get to know your brand. Our wholesale e-commerce customers have a wide base of loyal customers, and that is a very important channel for us in order for their consumers to get to know our brand. So no, wholesale e-commerce is not a threat for Esprit’s corporate image, it is actually an opportunity to bring more visibility and more market share and awareness with our brand”, she says.

Companies have spotted a trend of consumers going in stores for fitting, and later purchase the item online for a cheaper price or better terms. This has also been noticed in Esprit’s stores. However, studies show that consumers also tend to behave the opposite way – they go online to decide what to buy, but make the purchase in a brick and mortar store (Cunningham, M. 2001). The number of customers browsing online and buying offline increases yearly. According to research 16 percent of customers who browse products online buy merchandise at a physical store, and 81% research online before buying from other channels (Poloian, L. 2009). The researcher concludes that this behavior brings a lot of visibility and turnover and increases brand knowledge for the company as a whole, and benefits the brick and mortar stores. Further, the researcher concludes that e-commerce brings physical stores a lot of customers they would otherwise not have, and strategically increases the amount of loyal customers which affects revenue in the long run.

E-commerce has resulted in consumers being more interactive with each other. eWOM has been proven to have a great impact on brand image and further the company result. Since eWOM cannot be controlled, it sets challenges in creating and maintaining a favourable brand image. In turn, eWOM may be seen as a way to listen to the consumers and as a tool to meet their needs better. E-commerce also assists in increasing brand awareness through e-commerce companies’ loyal customer bases and since the online channel has no limitations to who has access to it. E-commerce is much more dynamic and price aggressive in sales compared to physical stores, and discount promotions are negative visibility to the brand. However, Widmark Dyhr believes that the customer themselves does not harm the brand, and what comes to promotions, they can be contained by good Key Account management.

4. CONCLUSIONS

The purpose of this study was to find out how e-commerce has affected Esprit's business in Finland, Sweden and Denmark. The study was limited to discuss four different aspects: relation to turnover, marketing, consumer behaviour & requirements and branding & corporate image. This divide was made since the paper concentrated on the sales impacts rather than changes in back-office processes.

The researcher demonstrated the rapid growth of e-commerce with theories and figures both from Esprit and from the target market in general. Hence, companies cannot ignore the shift of business to online channels. E-commerce has without question changed business radically. The focus has moved from having a website to reengineering business to maximize profitability with e-commerce. It has enabled dynamism, the use of a broad set of tools, radical cost cuts and better customer service – all this resulting in a tighter market competition. Multi-channel business is introduced, and customer orientation has through e-commerce become the priority. The newest evolvement, u-commerce, is targeted to integrate online and offline channels for a seamless shopping experience.

The overall results indicate that e-commerce has had a positive impact on Esprit's business. The clothing industry in Sweden, Denmark and Finland is not growing, but the e-commerce channel is covering for losses in retailing. However, the added value online stores offer is hard for retailers to compete with, which make the researcher question the future of brick and mortar. To answer the question of e-commerce being a threat to retailers many opinions were introduced. The majority believe e-commerce can help physical stores to grow if business is set up in the right way. Research shows that consumers buying multi-channel buy more in both channels, which makes e-commerce is a vital part of companies' business. To respond to competition and consumer needs, Esprit is launching an omni-channel concept, where online and offline are integrated. The aim is to serve customers better, to attain loyal customers as well as multi-channel customers, and buy this increase turnover. Consumer loyalty has proved to have a huge impact on profitability. E-commerce has made consumers less brand loyal; therefore the omni-channel concept strives to regain customer loyalty.

The impacts e-commerce has had on Esprit's marketing are diverse: marketing has become more interactive, personalized, customer oriented and dynamic. Esprit uses e-marketing and e-CRM as tools to drive this purpose. Widmark Dyhr explained how marketing has moved

from a push- model to a pull-model, where the customer requirements are prioritized. E-commerce has also given access to more data on their customer base and promotions, which helps Esprit to allocate activities better and to gain better results. Esprit is struggling with coordination between channels, to not cannibalize business by being incoherent online and offline. The omni-channel concept helps this matter.

E-commerce has made consumers a lot more passive, demanding and decreased brand loyalty. Through e-commerce business has become more global, where consumers have limitless options available. This has made consumers more aware of the relationship between price and value and made the industry more competitive. Esprit must respond to this tightened competition by customer service, integrated online and offline channels and personalization. Since e-commerce's advantages are its dynamism, discount pricing and convenience, retailers must be able to offer the same added value to maintain in the competition. The interviewees agree that retailers face a challenge to offer the same added value than online companies.

The online channel gives added visibility which benefits both channels: the majority of online store visitors purchase from retail stores, which highlights the importance of omni-channel. The internet enables consumers to be interactive with each other, which challenges the company's brand image. E-WOM has a great influence in consumer purchasing behaviour, and the majority of consumers use and trust e-WOM. However, online consumer interactions increase brand knowledge. E-commerce companies have wide loyal customer bases which contribute to increasing brand awareness. Esprit must excel key account management in order to maintain healthy relationships with e-commerce customer companies and by this influence in the company's corporate image.

The researcher believes that it is the customer base that will drive Esprit to develop its business model more towards online channels. Since the consumers are demanding more, only the companies with integrated online and offline business will be able to serve their customers' needs. Esprit must learn from e-commerce by becoming more dynamic and coordinate between channels. The company is showing pioneering by launching the omni-channel concept as a first step to u-commerce. She estimates that e-commerce will remain to be a significant part of business, but will not threaten retailing in the long run – the growth will eventually slow down which will flatten out the development of different channels.

Through e-commerce consumers are more aware of their options, price-wise, product-wise and service-wise, and companies performing in these core categories, serving their consumers the best, will be the ones to succeed. The retailers must acknowledge the benefits e-commerce is offering, and strive to bring added value in store to respond to competition. In such a competitive environment it will require a lot more from companies to remain profitable, and continuous improvement is essential. Companies must cherish branding to attain loyal customers, who the researcher believes will lead the way to success – in both channels. However, the researcher believes that business will not move online completely. There will always be the consumer for retail stores; when the clothing industry starts to grow, the background processes must be in place ready to serve this consumer offline.

The study was limited to four different perspectives all concentrating on the front-office functions e-commerce has had an impact on. Further research on the topic could be analysing the evolvement of back-office processes and impacts of e-business. An interesting topic would be to see how front- and back-office functions have evolved through e-business and how these functions support each other. For a more credible, in-depth analyse the researcher should have looked into each of the four perspectives more thoroughly – the paper is to be read as a light introduction to the topic.

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ATTACHMENTS

Attachment 1: Interview questions

Christina Sundkvist

- Do you believe the declining results of the company are due to the rapid growth of e-commerce channels?
- How does Esprit take advantage of its online customers?
- How is marketing different in e-commerce compared to retail stores? Is it difficult to be consistent in marketing between sales channels? How does Esprit synchronise activities across sales channels? How could Esprit develop in marketing across channels?
- How has marketing had to adapt to the growth of the e-commerce channel?
- What pros/cons do e-commerce promotions have to our physical stores?
- What impacts do online stores have to the brand? Can they be helpful? Do online stores misuse the brand image? How? How does Esprit take use of e-commerce in branding?
- How does Esprit monitor customer satisfaction?

Lina Selin

- Do you find wholesale e-commerce as a threat to Esprit's PSS? Do you believe the declining results of the company are due to the rapid growth of e-commerce channels? Is there a limit to how much e-commerce can grow?
- How do wholesale e-commerce customers affect Esprit's profitability & turnover?
- Has Esprit had to change its business processes/strategy because of e-commerce? How does Esprit take advantage of its online customers?
- How do Esprit's online customers follow the brand's discount strategy?
- What pros/cons can e-commerce have on physical stores? What can physical stores learn from online stores?
- How has customer purchase behaviour changed with e-commerce? What drives consumers to online stores? Are consumers more demanding due to e-commerce?
- What impacts do online stores have to the brand? Can they be helpful? How does Esprit take use of e-commerce in branding?

Marie Widmark Dyhr

- All in all do you find e-commerce has a positive or a negative impact to physical stores?
- Nowadays branding is much more complex and has to be delivered across many different channels. In addition electronic word of mouth has become vital for companies to handle. How has e-commerce challenged branding? How should companies try to take use of online channels in their branding? How do companies manage consistency between channels and between wholesale and retail?
- Research shows that e-commerce is a fast growing channel in B2C online shopping. Why do you think shopping is moving more and more towards e-commerce? Does this mean that at the same time physical stores are drying out when the customers go online?
- Consumers buy online mainly because of convenience but also because of discount pricing. How has e-commerce changed customer requirements and needs? How does this affect physical stores? Do discounts and promotions online drive away customers from physical POSs?
- How do you define Omni-channel and how is it used to drive business in all channels? How do you think this will change business?
- How has e-commerce changed the marketing landscape (e-marketing)? Can physical stores benefit from online marketing?

Line Nielsen

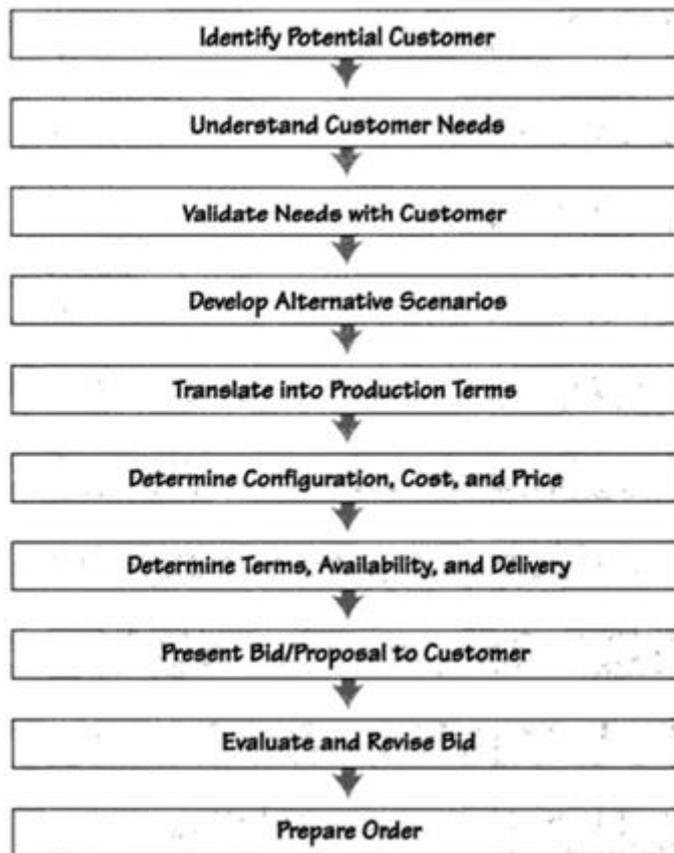
- Has e-commerce impacted the performance of physical stores? How?
- Do you find wholesale e-commerce as a threat to Esprit's wholesale & franchise stores?
- Has Esprit had to change their business model/practices to respond to the growing online channel?
- (How) Do e-commerce customers affect Esprit's profitability?
- Do you believe the declining results of Esprit Nordics are due to the rapid growth of e-commerce channels?

- Is there a limit to how much e-commerce can grow? Does it grow on the expense of physical stores?
- What pros/cons can e-commerce have on physical stores? How can customer companies benefit from e-commerce?

Attachment 2: Consumers' expectations on their private economy within the next year

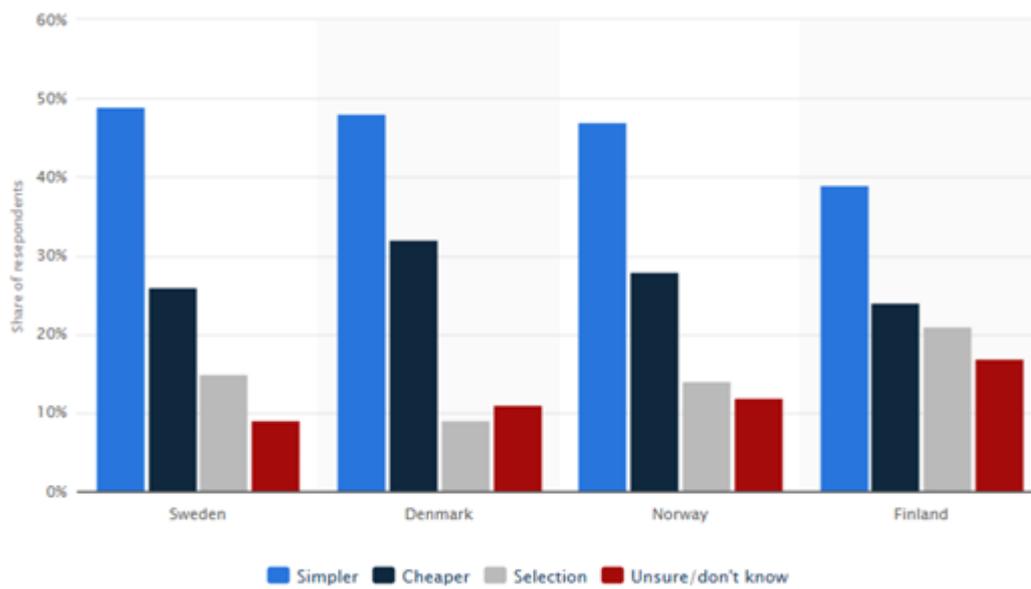


Kurjenoja, J. 2014

Attachment 3: Customer acquisition process

Kalakota, R. & Robinson, M. 2004)

Attachment 4: E-commerce benefits according to online shoppers in Nordic countries as of January 2014



Statista,

2015