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UNDERSTANDING CUSTOMER-CENTRIC BUSINESS STRATEGY

Case study and practical guide

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ABSTRACT

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<p>This research-based master's thesis focused on customer-centricity. The goal was to create a practical information package for Finnish small-scale business owners, who want to learn how to build a customer-centric business strategy and understand more about the customer value topic. An additional goal was to create a practical guidebook based on the main themes of the thesis, which small-scale business owners can easily use in their daily strategy work.</p> <p>The theory framework in this thesis was based on previous research, publications, and literature, in addition to the Elements of Value model. The thesis was built in two separate parts where part one focused on customer-centric business strategy, and part two researched the most important value elements for two purchase methods of cosmetics, online and physical stores, among Finnish consumers.</p> <p>The outcome and results of this thesis indicated that customer-centric business strategy brings many benefits to business owners. Furthermore, the conducted case study was able to identify the most important value elements for both purchase methods of cosmetics and detect some generational differences among the survey respondents. The case study also indicated that both purchase methods are used by Finnish consumers to buy cosmetics and that the purchase methods do not exclude each other. Additionally, the case study revealed that both good and bad customer experiences are often related to situations where customers are interacting with the salespeople.</p> <p>Based on the outcome of the thesis, customer-centricity and customer value are highly important topics for today's business owners. Building a customer-centric business strategy involves five main steps with many tools to use, which were successfully summarized into the practical guidebook. The guidebook, with many print-ready templates, is a useful document for business owners who are interested in building a customer-centric business strategy.</p>		
Key words Customer-centric business strategy, customer experience, customer needs, customer value		

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1 INTRODUCTION

We all know that customers are the lifeblood of any business. Businesses have always been required to take care of their customers and serve their needs, but in the past few years these have become even more important topics due to digitalization. Today's customers have more alternatives to choose from, and more power, as they can easily share customer experiences with their peers using social media. Not only does this create opportunities and threats, but also makes customer experience an extremely important topic for today's business owners.

Building a successful business and providing good customer experiences starts from understanding the customers. If the businesses do not know what their customers require and desire, they might not be focusing on the right things, which can have a direct impact on the success of the company. Because customers are important for all businesses, it is beneficial especially for new business owners to take a customer-centric approach into their strategy from day one.

In a company where customers are a big part of business strategy, customers are in the centre of all decision-making processes and actions – from building the company culture, to hiring staff, deciding a webpage design to launching new innovative products and services. The focus and goal are that every action or touchpoint brings value to customers.

New small-scale business owners should, however, note that even if they are putting the customers always first and they build a strategy which supports this, it does not completely prevent negative customer experiences - it can be nearly impossible to meet every individual customer's needs. Therefore, building a customer-centric business plan is more like an investment towards creating positive customer experiences, coincidentally decreasing the probability of negative customer experiences. What matters the most, after all, are the customers.

The inspiration for the thesis topic arose from my personal negative customer experiences in Finland during 2021-2022. There were many occasions where I was left without service, visiting shops whose staff had an attitude of not wanting to help me, solve my problem or even sell me the items I came to look for. I also had inconsistent service experiences in different places and channels even if they were all managed and owned by the same company. This made me wonder whether they were truly focusing on the customer experience, or their organizational processes were not optimized.

During the two year's period I kept noticing situations that could have been turned into positive customer experiences with very small efforts. I started to think that maybe the business owners did not see what was happening, maybe they did not fully understand the importance of this topic, or maybe there was not enough information available. I wanted to deepen my understanding around this topic, and I also wanted to document the gathered knowledge and information, so that new business owners could avoid making the same mistakes in the future. Another reason that inspired me to this thesis topic was my dream to have my own small business someday. Customer experience is a topic that is close to my heart, and I wanted to gain a better understanding about it and document important information related to it into a master's thesis.

Because information about customer-centric business strategy was often difficult to find, I also wanted to create an easy-to-use document that I could also utilize myself someday when starting my own small business. That is how the idea of summarizing the main themes of the thesis into a more practical guidebook was created so that business-owners would have easy access to the most important information when they are developing their companies and strategies.

The thesis is targeted for small-scale business owners who are going to be selling their goods or services to consumers online or in physical shops in Finland, and who are interested in learning more about customer-centric business strategy and bringing value to their customers. The small-scale business owners are here defined entrepreneurs who have 0-10 employees and who are just starting their businesses or have been in business for maximum of two years.

The first part of the thesis, chapter two, introduces important theories, topics and tools to the small-scale business owners and goes through the steps of building a customer-centric business strategy. The second part of the thesis, chapters three to five, is about a case study, that focuses more on customer value, which is an important part of building a customer-centric business strategy. A certain industry and topic were chosen for the case study based on personal interests, which in this case were Finnish consumers who purchase cosmetic products. The main themes from both parts are summarized into a practical guidebook that the small-scale business owners can easily take into use. The guidebook is available in the appendices of this thesis.

The theory framework of this thesis is built around previous research, publications and literature related to customer-centric business strategy, customer experience and customer needs. In addition to

this, Maslow's hierarchy of needs theory and the Elements of Value model will be used as the base for the case study.

The case study aims to identify the most important value elements for two purchase methods of cosmetics, online or physical store, and purchasing skincare and makeup products. Additionally, the case study aims to identify what consumers value most in the shopping experience with both physical and online stores. The case study also collects good and bad customer experience stories.

The research questions of this thesis are:

- What are the steps to build a customer-centric business strategy?
- What are the most important value elements for consumers choosing online store as a purchase method for cosmetics?
- What are the most important value elements for consumers choosing physical store as a purchase method for cosmetics?
- What are the most important value elements for consumers who purchase skincare and makeup products? Why do they purchase skincare and makeup products?
- How do the value elements differ among different generations?

CUSTOMER-CENTRIC BUSINESS STRATEGY

This section will introduce strategy and its importance when providing value to customer. The section will dive into customer-centric business strategy, steps involved when building it, and the benefits it can provide to business owners.

1.1 Understanding the basics – business model and strategy

To compete in the market against competitors, business owners must choose the right type of a strategy and business model for their company (Johnson, Whittington, Scholes, Angwin, Regnér & Evans 2017, 320). Strategy and business model gives the business owner, company's employees, and other stakeholders a clearer image of what the business wants and is planning to achieve and describe the plan how it is going to reach these goals.

Business model is the basis for a strategy, as it is a tool to build and evaluate the company to gain profit and provide value to its customers (Spencer 2013, 8). It includes all key information about the company such as the production processes, resources, the brand they choose, and different internal and external policies (Spencer 2013, 93). Having just a business model might be enough in the beginning for new business owners, as it covers the most important things to get the business running (Spencer 2013, 6). The most known tool for describing the company's business model is The Business Model Canvas (Strategyzer 2023).

Because business models are easy to copy and competitors might use similar models, it is important to understand the significance of building also a strategy. Strategy is a company's long-term plan to achieve its goals and targets (Johnson et al. 2017, 42), and it describes how the company is going to compete against competitors or differentiate itself (Spencer 2013, 6). Strategy is for ongoing problem solving as new challenges and opportunities arise (Rumelt 2022, 5, 7).

Companies need strategies to compete in two types of market environments which are called red ocean and blue ocean. All industries that exist today belong to the red ocean. Competition is intense, and companies having red ocean strategies are fighting against each other to gain market share and competitive advantage by providing slightly better or for example cheaper products and services than

their rivals. Blue ocean, instead, refers to creating a completely new market that does not exist yet. The idea behind blue ocean strategy is to provide unique value that leads to situation where competition is irrelevant (Kim & Mauborgne 2004-2023). Example of a company taking the blue ocean strategy approach is for example Uber, which changed the transportation industry.

The purpose of a strategy can be described with mission, vision, values, and objectives statements. A mission statement clarifies for example to employees why the company is existing. A vision statement is the company's view of the future they want to build. Value statement guides the ways to operate the business, therefore it is like the foundation for the strategy work. Objectives are the goals that the company is trying to achieve, such as how much sales or market share the company is trying to get. (Johnson et al. 2017, 46-48.)

It is said that each business owner should have the ability to summarize the purpose and direction of the company with a strategy statement. A good strategy statement should include the goals that the company is looking for, the scope of the activities, and how the company is going to achieve these goals. (Johnston et al. 2017, 48-50.) The following example of a strategy statement is from a global electronics company Apple: "Apple strives to bring the best personal computing experience to students, educators, creative professionals, and consumers around the world through its innovative hardware, software, and internet offerings" (Apple Inc. 2023).

1.2 Value adding strategies

As mentioned earlier in this thesis, having just a business model is enough to get the company going, but to compete in the market, a strategy that brings value is needed. A known economist, Michael Porter, introduced strategies that companies can focus on to gain competitive advantage and bring value to their customers, depending on the goods or services they sell. These value adding strategies are called cost-leadership, differentiation, focus, and hybrid strategies (Johnson et al. 2017, 323).

Cost-leadership strategy focuses on becoming the lowest-cost within the market. Cost-leadership can be gained through careful planning on internal and external resources and processes, such as design of the products or services, using cheaper materials and focusing on operating in countries with lower costs. For the companies to gain competitive advantage over the cost-leadership strategy, it is

important that their cost structure really is lower than any of their competitors', and that their products or services still meet the minimum standards and can be sold. (Johnson et al. 2017, 323-325.)

Differentiation strategy highlights the company's competitive advantage through something unique that the customers value and what other companies do not have. The unique things could be for example offering premium and high-quality products or service, special location, design or style, technical features, or unique customer experiences. (Johnson et al. 2017, 327-328.)

A focus strategy is emphasizing either the cost or differentiation for a certain segment instead of the whole market. This strategy can be used to target the certain customers to fulfil their needs for example based on their location, culture, or values (Johnson et al. 2017, 329). A hybrid strategy instead, is a mix of the other strategies, and it is usually used by bigger organizations when they need to balance their strategy according to changes in market, competition (Johnson et al. 2017, 332).

This thesis focuses on building a customer-centric business strategy, which includes some elements from focus and differentiation strategies. Customer-centric business strategy belongs to the already existing Red Ocean market environment, as it focuses on differentiating and gaining competitive advantage over competitors by providing value through customer experience.

1.3 Customer-centric organization and business strategy

Customer-centric organizations consist of management, managers, personnel, organization structure and supportive technologies, tools, and processes, which all are based on the company culture (Aarnikoivu). Sarkar (2019, 29) says that customer-centric business strategy means that customers are at the core of business plans and decisions, and Heffernan and LaValle (2017, 48) describe the characteristics of a customer-centric company as having customer strategies as part of the company's goals, reason for existence and culture.

According to Treacy and Wiersema (1993), customer-centric companies understand the difference between profit or loss in one sales interaction compared to the lifetime profit or loss with one customer. Treacy and Wiersema (1993) also mention that employees of customer-centric organizations will do their best so that the customer gets the end results they want, and they do not focus on the sales that comes in, but how the customer gets a solution to their problem. It is also mentioned that successful customer-centric organizations have supportive work environment and management in

addition to open communication culture that helps employees to support the customers in the best way (Camp, Fanderl, Jain, Sternfels & Von Difloe 2020). A customer-centric company should not have separate operating model, company culture or work processes, instead, they all should be aligned to achieve the common goals (Papke 2010, 13).

Figure 1 describes customer-centric organization visually according to Aarnikoivu's definition. Customer-centric culture is the foundation of a customer-centric organization and that is why it is in the background. Other important parts the customer-centric organization consists of are management, managers, all personnel, and organizational structure, which are the lighter boxes in figure 1.

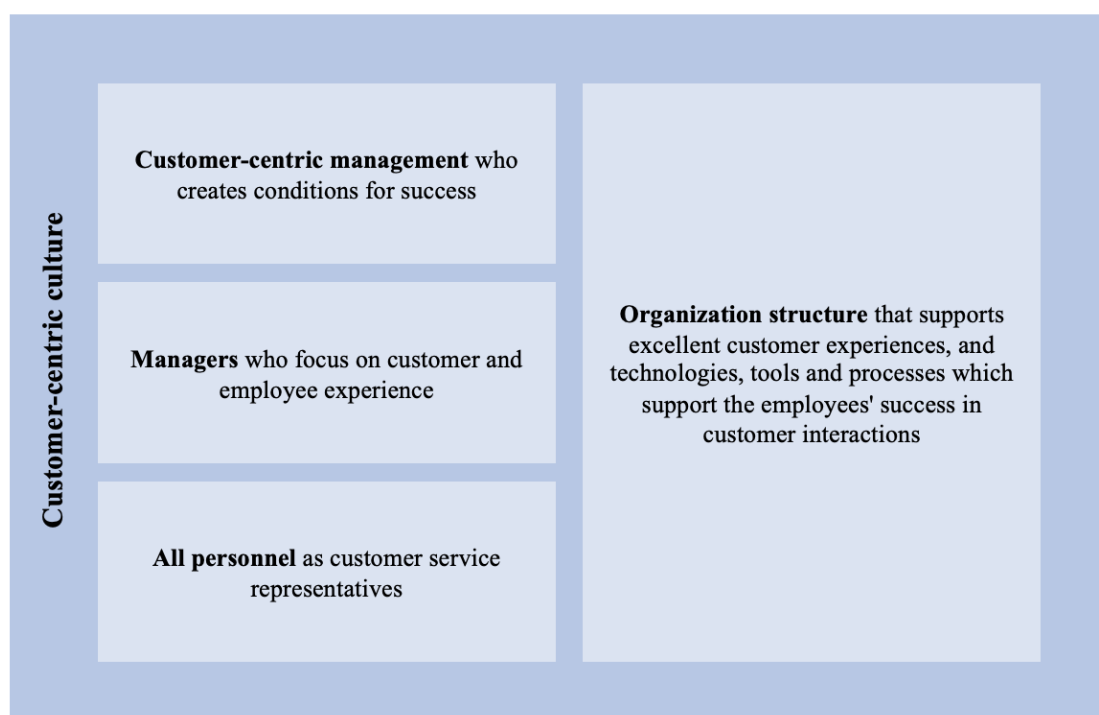


FIGURE 1. Customer-centric organization (adapted from Aarnikoivu, n.d.)

Smaller companies are naturally interested in customers as their success is depends on it, but as the companies grow bigger, they tend to steer their focus on other matters such as stock prices, and customer satisfaction is rarely linked to the leaders' remuneration (Sarkar 2019, 28). Rapid technological innovations, better acquainted customers, and growing disruptive competition are trends that are increasing the importance and need for businesses having a more customer-centric strategy, and research conducted by Ripsam and Bouquet (2016, 3) found out that even though companies are

focusing on customer acquisition and loyalty, many are not building a well-structured strategy around the customers.

1.4 Building a customer-centric business strategy

Building a customer-centric business strategy involves multiple different steps. This section will go through each of the steps, what is included in them, and what tools can be used during each step.

Figure 2 is a visual summary of all the steps that will be covered next.



FIGURE 2. Visualization and summary of the steps for building a customer-centric strategy.

1.4.1 Step one: Knowing the market, customers and their needs

If customer segments and customer needs are not known and met, businesses cannot provide for them, which makes the customers turn towards competitors (Newbury & Farnham 2013, 6). When building a customer-centric strategy it is vital to commit to the customers and understand their different needs. Identifying both the customer needs and pain points are an important part of this stage, and it can be

done by analysing data, information and insights related to different customer segments. (Ripsam & Bouquet 2016, 8.)

When customers purchase something, what they are seeking is a solution to their problem. When customers buy something, they hire the product or service to help them to do some type of job (Christensen, Hall, Dillon & Duncan 2016). If a customer purchases for example mittens, they may be purchasing them to keep their hands warm and possibly to look stylish. If a customer buys a gym membership, they may be purchasing it to get healthy and stay fit. This concept is commonly called Jobs-to-be-done, which means that companies are not just selling their products, they are helping their customers to get the jobs done (Strategyn 2022). Therefore, companies must know their customers to offer the right products or services: what do our customers want, what do they struggle with and what features or things are they looking for (Treacy & Wiersema 1993, 2).

For understanding different customer segments more in-depth, a tool called the Value Proposition Canvas tool can be used. The tool consists of two parts, Customer Profile and Value Map (Osterwalder, Pigneur, Bernarda & Smith 2014, 8). During the first step of building a customer-centric business strategy, the Customer Profile tool may be used.

Customer Profile is used to describe customer jobs, pains, and gains. Customer jobs are problems customers are trying to solve or tasks they are trying to do. Pains are things that annoy or prevent the customer in the problem-solving process, and gains describe what the outcome and benefits for the customers are after solving the problem. (Osterwalder et al. 2014, 12-17.)

Additionally, a market research technique called Voice of Customer, VoC, may be used to engage the potential customers and understand their needs better. In the first step of building a customer-centric business strategy, business owners may utilize multiple VoC methods such as focus groups, open-ended customer visit interviews, ethnographical research, and lead-user analysis. It is recommended that at least interviews and ethnographical research will be used, especially for businesses with limited budgets as these methods will provide the most information about the customers. (Coppenhaver 2018, 66.)

Other tools that can also be used to get a good understanding the market better are SWOT analysis, in addition to segmenting customers by geography, demography, psychography and behaviour. Business owners may also benefit from PEST analysis to conduct market research. (Coppenhaver 2018, 47-57.)

SWOT analysis is a strategic tool that helps to understand more of the company's strengths, weaknesses, opportunities, and threats. It can be used to analyse both internal and external factors (Queensland Government 2022). The name PEST stands for Political, Economic, Social and Technological factors. PEST analysis helps to identify and understand different matters that have an influence on the market such as taxation, economic growth, demographics, and the rate of technological growth. (Coppenhaver 2018, 48.)

1.4.2 Step two: Defining value proposition and designing customer experience

After learning more about the customer segments, it is time to define the value for the customers, build a product road map, and design customer experience (Ripsam & Bouquet 2016, 8).

There is no relationship between the customer and the business without value (Newbery & Farnham 2013, 103). Having a strong value proposition helps to differentiate the company from competitors and serve and attract different customer segments (Ripsam & Bouquet 2016, 13). The value for customers is simply what benefits they get from buying goods or services. For the company, the value is the benefits they get from selling goods or services to customers.

In customer-centric organizations, customer experience is the key differentiator that brings value (Aarnikoivu). It is, however, important to note that customers often value opposed things when it comes to their experience.

Business owners may utilize different strategies to meet the needs and bring value to each customer segment. These strategies are called service, personalization, speed, quality, and reinvention, according to Sarkar (2019, 38-39). Each business owner must choose the ones that are most relevant to them and their customers: one customer segment might value more service, whereas another one might value personalized products (Sarkar 2019, 139). Thus, new small-scale business owners should carefully do research and understand what their customers value.

A useful tool for working with value proposition is the Value Proposition Canvas (Osterwalder et al. 2014, 8). As previously mentioned, the tool consists of two parts: Customer Profile and Value Map. During this stage of building a customer-centric business strategy the Value Map is to be used.

As the Customer Profile tool describes the customer jobs, pains and gains, the Value Map describes how a company is reacting to these matters: what products or services are they offering for problem solving and getting the jobs done, how is the company relieving the customer pain points, and how are they helping to create more gains (Osterwalder et al. 2014, 29-33). The Value Map tool is useful for designing and creating a strong value proposition and understanding how the company is matching their customer's needs (Osterwalder et al. 2014, 34).

Other useful tools are Brand Value Pillars Framework, Needs and Value Framework, Value Proposition and Use Context Tool, which help to visualize and understand the value added (Newbery & Farnham 2013, 94-111). Additionally, interviews, ethnography, lead user analysis, customer advisory board and conjoint analysis methods may be used when testing which functions or features of the products or services are must haves and nice to haves for customers to spend money on them (Coppenhaver 2018, 67).

Customer-centric business strategy aims to create positive customer experiences. According to Bolton (2016, 5) customer experience is "the sensory, cognitive, emotional, social, and behavioural dimensions of all activities that connect the customer and the organization over time, including all touch points and channels". A useful concept to be used for designing customer experience is service design (Bolton 2016, 136). Service design helps businesses to react to the evolving economic, social, and technical trends: provide more value, meet the customer's increasing expectations, and digital revolution, and most important, to make sure the customers are in the centre of all levels and activities of the organization (Reason, Løvlie & Brand 2015, 12).

Another useful tool for customer experience is the Customer Journey Framework, which helps to analyse each step of the customer purchase process: awareness, consideration, purchase, first use, and ongoing use (Newbery & Farnham 2013, 142).

Customer needs and technologies are constantly changing. Therefore, it is important to understand that also services and products develop - what grocery stores, cd players or cars once were, is not the same today. Product road mapping allows business owners to strategically plan their products and services to meet the changing needs, situations, or contexts. The Solution Curve is a product road mapping tool that helps to visualise and document this development. (Newbery & Farnham 2013, 114-115.)

1.4.3 Step three: Planning marketing and communications

The third step of building a customer strategy is planning marketing and communications for the customers. This stage involves identifying how and where to reach the customers, utilizing partner networks and how to enter the markets (Ripsam & Bouquet 2016, 8).

Touchpoints are situations or places where customers interact with the company, such as the website, online or physical shop, customer service, and social media channels. It is important to identify what value each customer touchpoint – advertising, product, price, and distribution – is supposed to provide, and make sure each point is contributing towards a positive customer experience (Baidya, Maity & Goswami 2023, 2158-2160).

The touchpoints are also commonly known as the “Four Ps of Marketing”; product, price, place, and promotion, which is a useful tool for new business owners when creating a marketing plan and defining the right communication methods and messages to the different customer segments (Coppenhaver 2018, 18). Even though the traditional framework includes only four P’s, it is suggested that business owners add a fifth P, the problem, which is focusing on highlighting what customer problem the business is trying to solve with its products or services (Coppenhaver 2018, 19). Different customer segments might have distinct experiences with the touchpoints, and they might be looking for dissimilar value propositions (Baidya et al. 2023, 2160).

It is important that companies select the right channels to do marketing and communications and offer a similar experience across different touchpoints. Customers tend to recommend companies that utilize digital tools, offer a consistent experience on both online and offline, and where moving from one touchpoint to another is a smooth experience. (Breuer, Fanderl, Hedwig & Meuer 2020, 2.) Channels should be selected based on customer expectations, brand positioning, customer value, and cost-to-serve – companies should do an analysis of the costs and benefits with each channel on a regular basis (Ripsam & Bouquet, 2016, 19).

Additionally, companies should not only focus on digital but also traditional tools and channels, such as telephone, text messages, regular mail, and physical store visits, as they still have their charm. Customers, after all, like to use multiple channels and touchpoints during their customer journey. By making sure each customer touchpoint is aiming at providing the best customer experience, at least

companies selling services can gain many benefits, for example increase customer satisfaction and boost growth (Breuer et al. 2020, 2-4).

1.4.4 Step four: Planning the organization model and defining the details

New business owners can take a fresh organizational perspective from day one. The fourth stage includes planning the organization operating model which includes culture, talent, processes, technologies, and systems, which are needed to deliver the promise to the customers. Common issues that bigger companies often have are with their organizational model in addition to attracting and keeping talent. Smaller companies struggle mostly with financial resources and finding and keeping the skilled staff. (Ripsam & Bouquet 2016, 7-8.)

Culture is the foundation and soul of a company. Companies often focus on providing their employees free food, fun games, parties, or gyms at the office to make their culture to stand out from the competitors. These things, however, might bring sparkle to workdays, but they are not actually driving the company culture towards customer-centricity. In a truly customer-centric culture, the whole organization understands the topic's importance and focuses on customers. Additionally, the mission of the company is clear to everyone, customers are in the centre of everything, and employees are encouraged to serve the customers in the best possible way. Continuous improvement and thinking outside of the box to exceed customer expectations are also highly encouraged. (Sarkar 2019, 151-153).

If employees are not feeling good, it is likely they are not able to provide the best possible service experience for the customers. This is why it is very important for business owners to take care of their employees. Sarkar mentions that to build a truly customer-centric company, business owners should focus on hiring customer-oriented employees and making sure their onboarding and training are done carefully so that they learn the customer-centric approach from the beginning. It is also important to invest in the employee wellbeing and development. Business owners should also make sure incentives for compensation are linked directly to customer satisfaction, and it is recommended that teams are created around customer segments instead of traditional functions. (Sarkar 2019, 149-153.)

Clear processes help and support the daily work of all stakeholders by providing better understanding of expectations, and guiding how different situations are expected to be handled. Clear processes are

not important only for employees, but also for customers for instance knowing how to return a product or ask for a refund.

Another important matter for business owners is to ensure that used technologies and systems are in place. Different kinds of technologies and systems are used internally and externally to support the daily operations, for example from communication tools to cash register systems. Companies can collect various kinds of information with the technologies and systems they have in use, such as data of customer feedback, employee performance or other insights (Lowenstein 2014, 69). Just as Sarkar (2019, 20) suggests choosing the right technologies and systems that truly meet and serve the customer needs, also Lowenstein (2014, 69) highlights the importance of focusing on the right and high-quality customer-related data. The use of right technologies and systems helps everyone to execute the processes, and eventually supports the creation of positive customer experiences.

1.4.5 Step five: Executing and developing the strategy

Strategy is something that does not stop after the plan has been completed. It should be monitored and developed as the customer needs, markets and technologies are constantly changing. Therefore, the last step of building a customer-centric business strategy is the execution stage, where analysis takes place: how well is the company performing, and how the company delivers its promise and experiences to its customers – in other words, how the strategy is working (Ripsam & Bouquet 2016, 8).

Like building any other strategy, customer-centric business strategy is a long-term investment. Peppers (2016) mentions that both positive and negative customer experiences have an instant impact on the company's value, even though the impact cannot be seen in the financial reports immediately.

According to Peppers (2016, 358-359), one metric that should be used in customer-centric organizations is customer lifetime value, LTV, which helps to measure the increased or decreased value and see the long-term benefit. Another important and useful metric that helps to understand and evaluate customer satisfaction and loyalty is the net promoter score, NPS (Questback 2023).

1.5 Benefits of customer-centric business strategy

Building a customer-centric business strategy can bring multiple different benefits. Customer-centric business strategy is a long-term approach: not only does it focus on serving the current customer needs, but also investigates and takes future needs into account. It helps companies to understand where the actual customer needs are arising from (Sarkar 2019, 10), and helps them to be prepared. It can also help the business owners to react quickly if the customer needs and expectations change, as they have tools and processes already in place.

Customer-centric business strategy can increase sales and revenue, reduce costs, and increase customer and employee satisfaction (Battaglia n.d.). Ripsam and Bouquet (2016, 4) also mention that the biggest impact of having a customer strategy is increases in sales and customer loyalty. Furthermore, Sarkar (2019, 28) mentions that smaller companies can gain competitive advantage over their bigger competitors if they are focusing on the changing customer needs, and Baidya, Maity and Goswami (2023, 2158) add that having a customer strategy may also help managers to achieve their strategic goals better. Satisfied customers also tend to spread their good experiences to their friends and family, which might attract other potential customers. In the end, all this could potentially lower customer acquisition costs and reduce also other costs.

2 VALUE OF BUYING COSMETICS

The first part of this thesis, chapter two, has covered the main themes, steps, and useful tools for building a customer-centric business strategy. This chapter starts the second part of the thesis, which will work as the foundation for the case study. This chapter provides more in-depth information about customer needs and value through Maslow's hierarchy of needs and the Elements of Value models, insights about Finnish cosmetics market, and consumers shopping cosmetic products online and in physical stores.

2.1 Customer needs and value elements

Maslow's hierarchy of needs is a famous theory that aims to explain human motivation and needs (American Psychological Association 2018). The needs are presented as a pyramid in figure 3 in the following order, starting from the lowest one: physiological needs which means hunger and thirst, safety needs such as health and safety, belongingness needs like feeling loved and family, esteem needs which includes both self-esteem and respect from others, and self-actualization needs that refers to success, and personal growth (Taormina & Gao 2013, 156-161). The general perception of Maslow's theory is that the lower-level needs, such as physiological, must be fulfilled before the individual is able to fulfil the needs in the higher-levels.

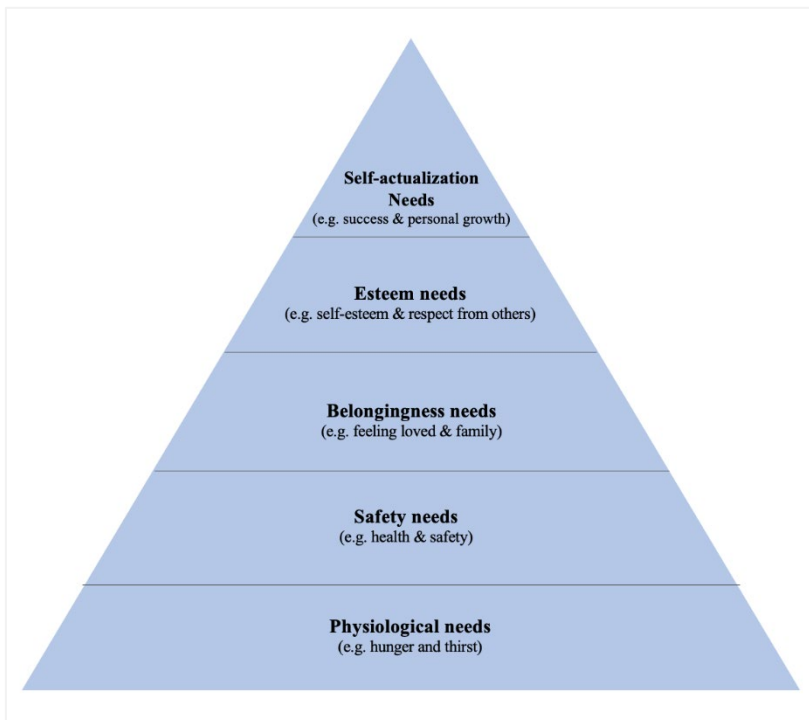


FIGURE 3. Maslow's hierarchy of needs visualized (adapted from Taormina & Gao 2013).

When it comes to customer needs, business owners are required to develop and find solutions to them (Coppenhaver 2018, 20), and as discussed earlier in this paper, they need to provide value and fulfil their customer's needs. Maslow's hierarchy of needs theory has also been applied to customers and one relatively famous model is the Elements of Value, created by Eric Almquist, John Senior, and Nicolas Bloch (2016). This model focuses specifically on what kinds of value different products and services can bring to consumers and describes customer behaviour.

The Elements of Value model is visualized as a pyramid in figure 4 in a similar way as Maslow's hierarchy of needs, but the needs are separated into four different levels or categories – functional, emotional, life-changing, and social impact, and in total there are 30 different value elements. The higher you go in the pyramid, the more value there is. (Almquist et al. 2016.) The description of each value elements is provided in appendix 1.

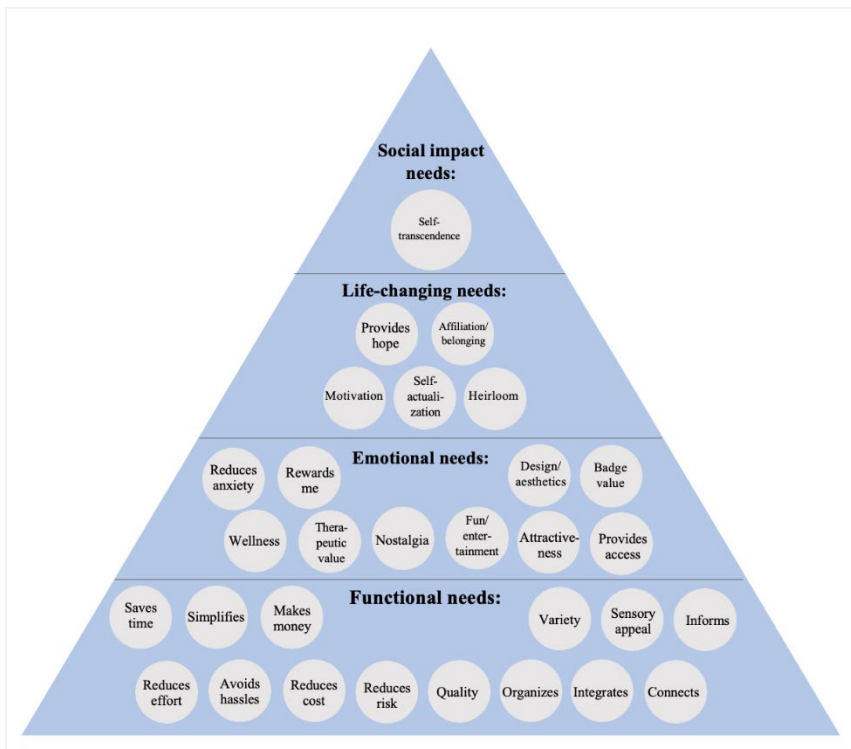


FIGURE 4. The elements of value pyramid (adapted from Almquist et al. 2016).

Just like in Maslow's model that is usually perceived in a way that the physiological needs should be met first before the higher ones can be fulfilled, the Elements of Value model follows similar logic. According to Almquist, Senior and Bloch (2016), to reach the highest level of value elements, the product or service should also provide some kind of functional or basic value. It is important to note that every individual perceives value differently, and the value elements can differ depending on the market, industry, target audience, product, or service. (Almquist et al. 2016).

The Elements of Value is a useful concept when designing products and services and building strategies to meet the customer needs. According to Almquist, Senior and Bloch's research (2016), companies that scored high with four or more value elements, had higher NPS and revenue growth. Generally, the more higher scoring value elements the better. They also mention that companies that scored high on emotional value elements also enjoyed higher NPS, and that it is good to have both digital and physical channels, since human interaction still seems to have its charm when it comes to customer satisfaction. (Almquist et al. 2016.)

What are then the value elements that business owners should focus on? Almquist, Senior and Bloch (2016) mention that quality had the biggest impact on customer advocacy, and other important value elements depend on the industry. In for example grocery industry, variety, sensory appeal, reduces cost

and rewards me were most rated value elements in addition to quality. In tv service provider industry, the elements, including quality, were variety, reduces cost, design, and aesthetics in addition to fun and entertainment. (Almquist et al. 2016.)

2.2 Cosmetics market and consumers in Finland

“Deep products” are items that need more likely extensive inspection before a customer can make a purchase decision (Zhang & Neslin 2021), such as cosmetic products. Cosmetics can be broken down into five different categories such as skincare, haircare, makeup, perfumes, and hygiene products (Statista 2023).

There are 1370 registered cosmetic and hygiene product retailers in Finland, which includes both active and inactive companies and entrepreneurs (Kauppalehti, 2024). Finland’s beauty and personal care market is expected to grow by 1.72% annually, and online sales are forecast to be 19.9% of the total market revenue (Statista 2024).

At the end of year 2022, the population of Finland was 5.5 million from which 2.753 million were male and 2.810 million females. When it comes to age distribution, 61.6% of the population were aged between 15-64 years, 20.4% between 65-84 years, 15.1% were between 0-14 years, and 2.9% were 85 years or older. (Tilastokeskus 2023.)

Price is normally the most important purchasing criteria when it comes to Finnish consumers, but not for consumers buying cosmetic products. Important aspects for cosmetics consumers in Finland are suitability for skin type, quality, and habit. Another important aspect is that Finnish consumers tend to buy more other than premium or luxury cosmetic products. (Kurjenoja 2021, 17-19.) Additionally, there is a demand for natural and environmentally friendly products (Statista 2024).

Digital information search about the cosmetic products is on the lower side among Finnish consumers who also still prefer buying cosmetic products in physical stores instead of online, but this might change in the upcoming years. In 2021, the percentage of buying cosmetic products online was 21,7%, and it is predicted to increase to 35,8% by 2025. (Kurjenoja 2021, 15-21.)

2.3 Value elements for online and in physical store purchase methods

As previously stated in this paper, customer needs vary for example by industry. As the most important value elements for cosmetics market consumers were not mentioned in the paper by Almquist, Senior and Bloch (2016), other previous publications are used to identify features that can be potentially matched with similar or corresponding value elements from the Elements of Value model.

Buying products online and in physical stores differ from each other. Studies reveal that consumers generally shop online due to routines, convenience, efficiency, and financial savings (Venkatesh, Speier-Pero & Schultz 2022, 1592), and important matters for good online shopping experience are visual appearance, quality content related to the products sold on the platform, customer service, and convenience (Cornelisse & Wessner 2023). These can be matched with value elements such as reduces effort, reduces cost, quality, design/aesthetics, informs, and saves time (FIGURE 4).

Based on the information gathered above, the following hypotheses are proposed for the most important value elements for Finnish consumers buying cosmetic products online:

- H1: Consumers buying cosmetic products online value reduces effort.
- H2: Consumers buying cosmetic products online value reduces cost.
- H3: Consumers buying cosmetic products online value quality.
- H4: Consumers buying cosmetic products online value design/aesthetics.
- H5: Consumers buying cosmetic products online value information.
- H6: Consumers buying cosmetic products online value saving time.

Even though online shopping gives consumers easy and convenient access to products, physical stores are also still important as it is a more comprehensive experience than online. In fact, multichannel customers are more profitable for companies than single-channel customers (Zhang & Neslin 2021). When shopping in physical stores, customers can touch and test the products, socialize, interact, and get advice from the staff members, which helps in the creation of positive emotions (Bustamante & Rubio 2017, 903). This means that multi-sensory buying experience, quality salespeople and physical engagement are seen valuable (Zhang & Neslin 2021). These physical store matters can be matched with value elements such as quality, sensory appeal, informs, design/aesthetics and attractiveness (FIGURE 4).

Based on the information gathered above, the following hypotheses are proposed for the most important value elements for Finnish consumers buying cosmetic products in physical stores:

- H7: Consumers buying cosmetic products in physical store value quality.
- H8: Consumers buying cosmetic products in physical store value sensory appeal.
- H9: Consumers buying cosmetic products in physical store value information.
- H10: Consumers buying cosmetic products in physical store value design/aesthetics.

The hypotheses will be investigated further in the case study, which aims to identify the most important value elements for Finnish consumers who purchase cosmetics using online and physical store purchase methods.

3 RESEARCH METHODOLOGY AND PROCESS

This chapter will introduce case study's research methodology and process that aims to answer to the research questions and identify the most important value elements for Finnish consumers, who buy cosmetic products using online and physical store purchase methods.

3.1 Research method

Quantitative research is a statistical research method that aims to answer questions such as what, where, how much, and how often, and it describes phenomena based on numerical information (Heikkilä 2014, 15). When using quantitative research method, conclusions are made based on the statistical analysis (Veal 2006, 98). As quantitative research method can be used to investigate the correlation between different matters (Heikkilä 2014, 15), it was the chosen method for this research.

Researcher who uses quantitative research method can collect information and data in various ways, such as through interviews or surveys but the collection method depends on the nature of the topic, goals, schedule, and budget of the research (Heikkilä 2014, 15). Good quantitative research has a useful topic, is conducted with a proper timeline, and measures and investigates what it was originally designed to. Good quantitative research is also reliable, objective, effective, cost-efficient, transparent, and it looks after the data protection and confidentiality. (Heikkilä 2014, 27-30.)

3.2 Data collection and timeline

The data was collected through an online survey because it was seen the most viable to find out the most important value elements of Finnish consumers who buy cosmetic products using online and physical store purchase methods. The survey was conducted through Webropol as it is one of the most used tools for quantitative research (Heikkilä 2014, 67).

The survey followed similar style as feature prioritization survey, which is a method used to find out what attributes' consumers prefer or value in products or services (Qualtrics 2024). Respondents were first asked basic questions such about how much money they spend approximately per month for

cosmetics and whether they usually purchase cosmetics through online, physical store or both. After this the respondents were asked what type of cosmetic products they usually purchase and from what type of stores. Finally, they were asked to rate the importance of statements that were built based on the Elements of Value model.

As the Elements of Value model has a total of 30 value elements, it was clear that not all of them are necessarily relevant for the research topic, therefore, irrelevant value elements were excluded. The survey included only hypothetical and potential value elements as per their relation to the purchase method, research problems, previous studies, and researcher's own discretion. Additionally, original value element names or descriptions (Bain & Company 2018) were not directly used in the survey due to their complexity. The original descriptions were instead edited into more simplified statements that were more likely to be understood by survey respondents. Original descriptions are available in appendix 1.

The simplified value statements were divided into different questions based on two categories. Even though the identified value elements for online and physical store were mostly different from each other, similar type of question structure was used for both. All selected value elements, their levels, and the survey statements linked to them, are explained in table 1.

TABLE 1. Summary of the researched value elements for online and physical store purchase methods and the corresponding statements in survey.

Selected value element (Almquist et al. 2016).	Level in the Elements of Value model	Simplified statement in survey question	Purchase method
Avoids hassles	Functional	<i>“Purchasing cosmetics online helps me to avoid or reduce hassles.”</i>	Online
Informs	Functional	<i>“Purchasing cosmetics online provides reliable information”</i>	Online
Quality	Functional	<i>“Purchasing cosmetics online provides access to quality products”</i>	Online
Reduces cost	Functional	<i>“Purchasing cosmetics online helps me to save money”</i>	Online
Reduces effort	Functional	<i>“Purchasing cosmetics online helps me to do purchases with less effort”</i>	Online
Saves time	Functional	<i>“Purchasing cosmetics online helps me to save time”</i>	Online
Variety	Functional	<i>“Purchasing cosmetics online gives me an access to a variety of products to choose from”</i>	Online
Design/aesthetics	Emotional	<i>“Design/aesthetics are important to me when purchasing cosmetics online”</i>	Online
Provides access to	Emotional	<i>“Purchasing cosmetics online gives me an access to different products and information”</i>	Online
Rewards me	Emotional	<i>“Purchasing cosmetics online provides benefits for being a loyal customer”</i>	Online
Connects	Functional	<i>“Purchasing cosmetics in physical store helps me to connect with people”</i>	Physical store
Informs	Functional	<i>“Purchasing cosmetics in physical store provides reliable information”</i>	Physical store
Quality	Functional	<i>“Purchasing cosmetics in physical store provides access to quality products”</i>	Physical store
Sensory appeal	Functional	<i>“Purchasing cosmetics in physical store lets me use my senses (smell, hear, touch)”</i>	Physical store
Variety	Functional	<i>“Purchasing cosmetics in physical stores gives access to a variety of products to choose from”</i>	Physical store
Design/aesthetics	Emotional	<i>“Design/aesthetics are important to me when purchasing cosmetics in physical stores”</i>	Physical store
Fun/entertainment	Emotional	<i>“Purchasing cosmetics in physical stores offers fun and entertainment”</i>	Physical store
Provides access to	Emotional	<i>“Purchasing cosmetics in physical store gives me an access to different products and information”</i>	Physical store
Rewards me	Emotional	<i>“Purchasing cosmetics in physical store provides benefits for being a loyal customer”</i>	Physical store
Therapeutic value	Emotional	<i>“Purchasing cosmetics in physical store has positive affects to my well-being”</i>	Physical store
Reduces anxiety	Emotional	<i>“Purchasing cosmetics in physical store helps to reduce anxiety”</i>	Physical store

In addition to the value elements of the purchase methods, a question related to why consumers buy cosmetics was also asked. As the investigated value elements for purchase methods were mainly from the functional and emotional level (TABLE 1), the idea was also to investigate whether there were any value elements from higher levels involved with the reason why consumers purchase cosmetic products. This question was asked from survey respondents who selected they purchase skincare or makeup products. The reason why all cosmetic product groups were not included was simply based on the researcher's personal interest. The researched value elements and the survey statements linked to why consumers purchase skincare and makeup products are explained further in table 2.

TABLE 2. Summary of the researched value elements for why consumers purchase skincare and makeup products and the corresponding statements.

Selected value element (Almquist et al. 2016).	Level in the Elements of Value model	Simplified statements for survey question “Why do you purchase skincare and makeup products?”
Attractiveness	Emotional	<i>“To feel more attractive”</i>
Badge value	Emotional	<i>“To maintain a certain status or aspiration”</i>
Design/aesthetics	Emotional	<i>“To get access to appealing designs”</i>
Fun/entertainment	Emotional	<i>“For fun and entertainment”</i>
Nostalgia	Emotional	<i>“To feel nostalgic”</i>
Reduces anxiety	Emotional	<i>“To reduce anxiety”</i>
Therapeutic value	Emotional	<i>“To improve my wellbeing”</i>
Wellness	Emotional	<i>“To improve my physical/mental state”</i>
Affiliation and belonging	Life changing	<i>“To belong to a group”</i>
Motivation	Life changing	<i>“To achieve my goals”</i>
Self-actualization	Life changing	<i>“To get a feeling that I’ve accomplished something”</i>

The last parts of the survey gave the respondents a possibility to share good and bad customer experience stories from any industry or situation. Sharing customer stories was a voluntary section of the survey, and respondents were able to share their experience stories freely if they wanted. This section was included in the survey because real-life customer experience stories were seen valuable for the small-scale business owners who could reflect on and learn from them.

The last part of the survey also collected some demographical information such as gender and year of birth. There were six options for the birth year that respondents could choose from, and the options were grouped by generations. The first option for the birth year was 1928-1945, which is referring to Silent Generation (Pew Research Center 2019). The second option was 1945-1964, which refers to

baby boomers (Russell 2015, 405). The third birth year option was 1965-1976, which is often referred as Generation X (The New Strategist Editors 2015, 314). The next option was 1977-1994 that refers to millennials, who are also called as Generation Y (The New Strategist Editors 2015, 528; Benckendorff, Moscardo & Pendergast 2009).

The last two birth year options were 1995-2010 and after 2010. The first of these refers to Generation Z (Sarkar 2019, 18), and the other one refers to individuals who are born after 2010. Even though the uncertainty around the official name for individuals born after mid-2000 is still lingering, one common term was identified, which is Generation Alpha. This group of individuals are the children of millennials and Generation X (Nguyen 2021; Carter 2016; Cottrell 2023.)

The link to the survey was shared on April 7th, 2024, through my personal LinkedIn profile due to cost-efficiency and convenience. Additionally, I was already connected to over 400 people that reside in Finland, and there was a good possibility to reach even more potential survey respondents through the existing connections as social media channels like LinkedIn are a good way to reach large amounts of people. The respondents were able to answer the survey in English or Finnish. Two reminder posts about the survey were created on LinkedIn to remind people to respond by April 19th, 2024.

4 FINDINGS AND ANALYSIS

The survey was open April 7-19, 2024. This section will go through the main findings and analysis of the conducted research.

4.1 Demographics and basic information

The survey received 48 responses with a response rate of 90% according to Webropol analytics. 89,6% of the respondents identified themselves as female, while 10,4% identified themselves as male (TABLE 3). Majority of the survey respondents were born in 1977-1994, which makes millennials the biggest generational group in the survey, followed by Generation Z and Generation X (TABLE 4).

TABLE 3. Gender distribution of the survey respondents (n= 48).

	n	Percent
Female	43	89,6%
Male	5	10,4%
Other	0	0,0%

TABLE 4. Age distribution as per birth year and generation of survey respondents (n= 48).

	n	Percent
Silent Generation (born in 1928-1945)	0	0,0 %
Baby Boomers (born in 1946-1964)	4	8,3 %
Generation X (born in 1965-1976)	5	10,4 %
Millennials/Generation Y (born in 1977-1994)	33	68,8 %
Generation Z (born in 1995-2010)	6	12,5 %
Generation Alpha (Born after 2010)	0	0,00 %

4.2 Purchase habits of cosmetics

68,7% of the respondents said they purchase cosmetics such as skincare, haircare, perfume, or hygiene products monthly (TABLE 5). The approximate amount of money that was spent towards cosmetic

products every month varied (TABLE 6). The most common purchase method for cosmetics was a combination of shopping both online and in physical stores, and only one respondent said they shop cosmetics using only online purchase method (TABLE 7).

TABLE 5. Purchasing habits of cosmetics (n=48).

	n	Percent
Daily	0	0,0%
Weekly	6	12,5%
Monthly	33	68,7%
Few times a year	8	16,7%
Rarely, only when there is a specific need	1	2,1%

TABLE 6. Approximate amount of money used towards cosmetics per month (n=48).

	n	Percent
Less than 10€	5	10,4%
11-20€	8	16,7%
21-30€	10	20,8%
31-50€	11	22,9%
51-75€	9	18,7%
76-100€	3	6,3%
More than 100€	1	2,1%
I don't know	1	2,1%

TABLE 7. Purchase methods of cosmetics (n= 48).

	n	Percent
Only online	1	2,1%
Only in physical stores	17	35,4%
Both online and in physical stores	30	62,5%

4.3 Online store as a purchase method for cosmetics

Total of 31 respondents answered to the questions related to using online store as a purchase method for cosmetics. The most common type of online store for shopping cosmetics from were stores

specializing in cosmetic products, which 65% of survey respondents selected (FIGURE 5). The second most common answer was “Other online stores”, which included online pharmacies, the brands' own online stores, and online stores specializing in natural cosmetics. The most common cosmetics products purchased through online stores were skincare, makeup, and haircare products (FIGURE 6).

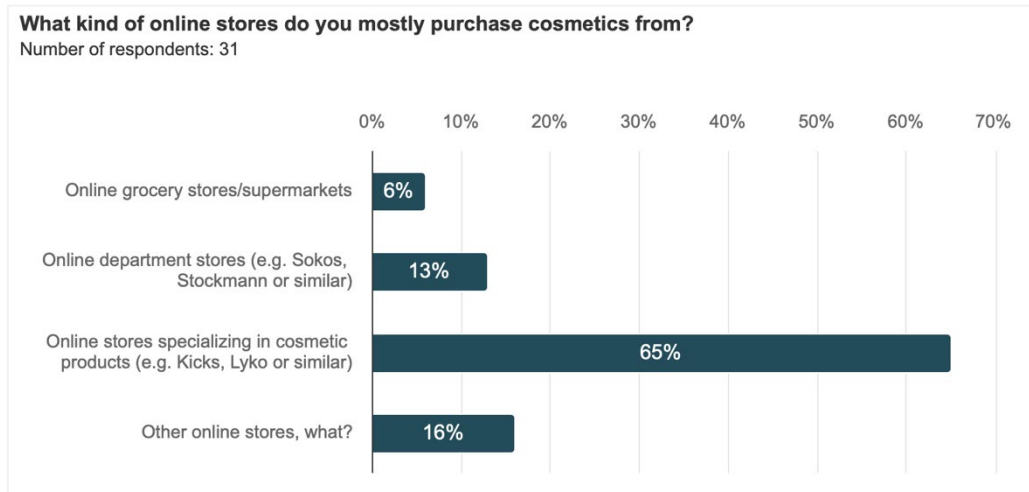


FIGURE 5. Types of online stores cosmetics are mostly purchased from (n= 31).

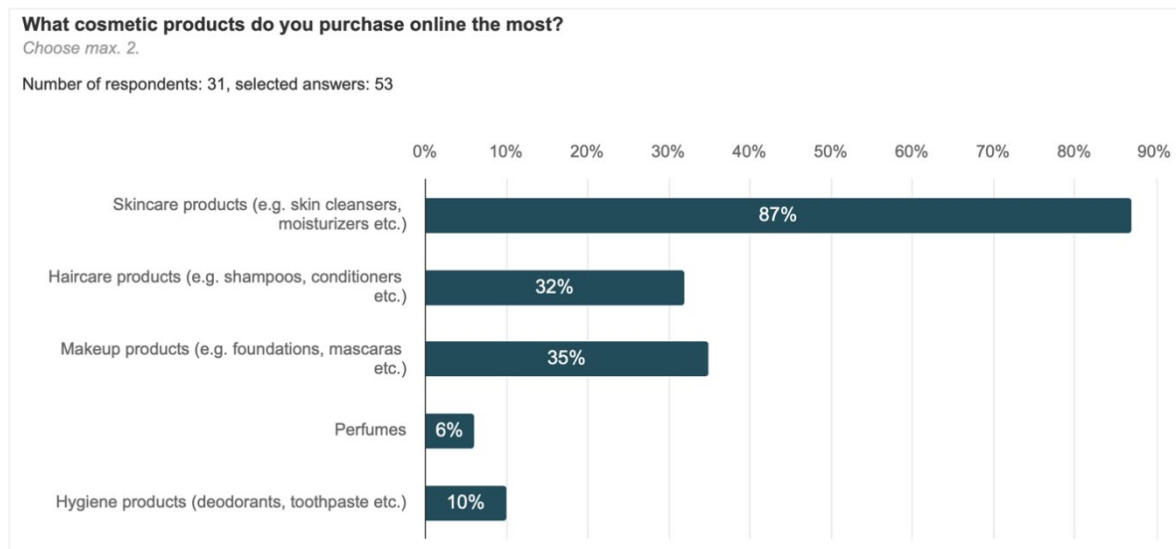


FIGURE 6. Types of cosmetic products purchased most from online stores (n= 31).

4.3.1 Most important value elements

As only selected and potential value elements were chosen to be investigated in the case study, the hypothesis was that all the selected ones would be seen important when choosing online store as a purchase method for cosmetics. Some functional and emotional value elements, however, stood out based on their importance in the research.

According to the research results, the most important functional value elements for choosing online store as a purchase method for cosmetics were *variety*, *reduces effort*, *saves time*, which all were rated important. Other almost as important value elements were *reduces cost*, and *avoids hassles*, leaving the *informs* value element the least important. (TABLE 8.)

TABLE 8. Functional value elements for online purchase method in descending order by average importance scoring (n= 31).

	n	Average	Confidence interval of the mean	Median	Standard deviation
"Purchasing cosmetics online gives me an <u>access to a variety of products to choose from</u> "	31	4,45	4,11 – 4,79	5	0,96
"Purchasing cosmetics online helps me to <u>do purchases with less effort</u> "	31	4,39	4,02 – 4,76	5	1,05
"Purchasing cosmetics online helps me to <u>save time</u> "	31	4,32	3,94 – 4,7	5	1,08
"Purchasing cosmetics online helps me to <u>save money</u> "	31	3,94	3,5 – 4,37	4	1,24
"Purchasing cosmetics online helps me to <u>avoid or reduce hassles</u> "	31	3,61	3,17 – 4,06	4	1,26
"Purchasing cosmetics online provides reliable <u>information</u> "	31	3,45	3,1 – 3,8	3	0,99

1=not important at all, 5=extremely important

The research also identified some differences with the emotional value elements. *Provides access to* was clearly the most important emotional value element when choosing online as a purchase method for cosmetics. Providing benefits for being a loyal customer, which refers to value element *rewards me*, and *design/aesthetics* were not seen that important. (TABLE 9.)

TABLE 9. Emotional value elements for online purchase method in descending order by average importance scoring (n= 31).

	n	Average	Confidence interval of the mean	Median	Standard deviation
"Purchasing cosmetics online gives me an <u>access to different products and information</u> "	31	4,10	3,73 – 4,46	4	1,04
"Purchasing cosmetics online <u>provides benefits for being a loyal customer</u> "	31	3,03	2,5 – 3,57	3	1,52
" <u>Design/aesthetics</u> are important to me when purchasing cosmetics online"	31	2,74	2,25 – 3,23	3	1,39
1=not important at all, 5=extremely important					

4.3.2 Generational differences

The case study was also interested in examining possible generational differences in the perceived functional value elements when using online as a purchase method for cosmetics. When looking at the case study results and arranging functional value elements in descending order by their standard deviation, *reduces hassles*, *reduces cost*, *saves time*, and *reduces effort* were scored higher compared to the other value elements (TABLE 10).

TABLE 10. Functional value elements for online purchase method organized in descending order by standard deviation (n= 31).

	n	Average	Confidence interval of the mean	Median	Standard deviation
"Purchasing cosmetics online helps me to <u>avoid or reduce hassles</u> "	31	3,61	3,17 – 4,06	4	1,26
"Purchasing cosmetics online helps me to <u>save money</u> "	31	3,94	3,5 – 4,37	4	1,24
"Purchasing cosmetics online helps me to <u>save time</u> "	31	4,32	3,94 – 4,7	5	1,08
"Purchasing cosmetics online helps me to <u>do purchases with less effort</u> "	31	4,39	4,02 – 4,76	5	1,05
"Purchasing cosmetics online provides <u>reliable information</u> "	31	3,45	3,1 – 3,8	3	0,99
"Purchasing cosmetics online gives me an <u>access to a variety of products to choose from</u> "	31	4,45	4,11 – 4,79	5	0,96
1=not important at all, 5=extremely important					

When looking at the more detailed responses of the functional value elements with slightly elevated standard deviation more closely, some generational differences can be detected. With value element *avoids hassles*, baby boomers gave lower importance score than other generations (FIGURE 7). The results also indicate that *reduces cost* is most important to Generation Z and Generation X, while baby boomers found this value element the least important (FIGURE 8).

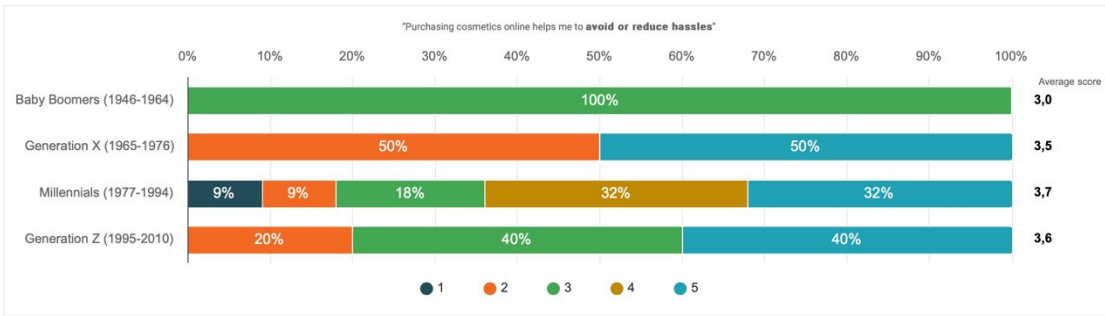


FIGURE 7. Importance of functional value item ‘avoids hassle’ by generations (n= 31).



FIGURE 8. Importance of functional value item ‘reduces cost’ by generations (n= 31).

Saves time was considered the most important by baby boomers and millennials, whereas for Generation X and Z it was not seen that important (FIGURE 9). Value element *reduces effort* seemed was seen important by all generations (FIGURE 10).

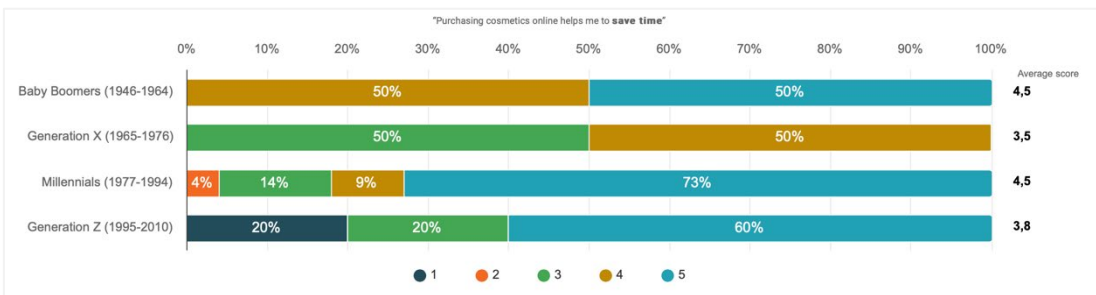


FIGURE 9. Importance of functional value item ‘saves time’ by generations (n= 31).



FIGURE 10. Importance of functional value item ‘reduces effort’ by generations (n= 31).

Emotional value elements such as *rewards me*, *design/aesthetics*, *provides access to*, all had standard deviation higher than 1 and this also indicates variability within the responses (TABLE 11).

TABLE 11. Emotional value elements for online purchase method organized in descending order by standard deviation (n= 31).

	n	Average	Confidence interval of the mean	Median	Standard deviation
“Purchasing cosmetics online provides <u>benefits for being a loyal customer</u> ”	31	3,03	2,5 – 3,57	3	1,52
“ <u>Design/aesthetics</u> are important to me when purchasing cosmetics online”	31	2,74	2,25 – 3,23	3	1,39
“Purchasing cosmetics online gives me an <u>access to different products and information</u> ”	31	4,10	3,73 – 4,46	4	1,04

1=not important at all, 5=extremely important

On the contrary, more generational differences were detected with the emotional value elements when choosing online as a purchase method for cosmetics. Generational differences were detected mostly with *rewards me* (FIGURE 11) and *design/aesthetic* value items (FIGURE 12). *Provides access to* value item had some variation (FIGURE 13).

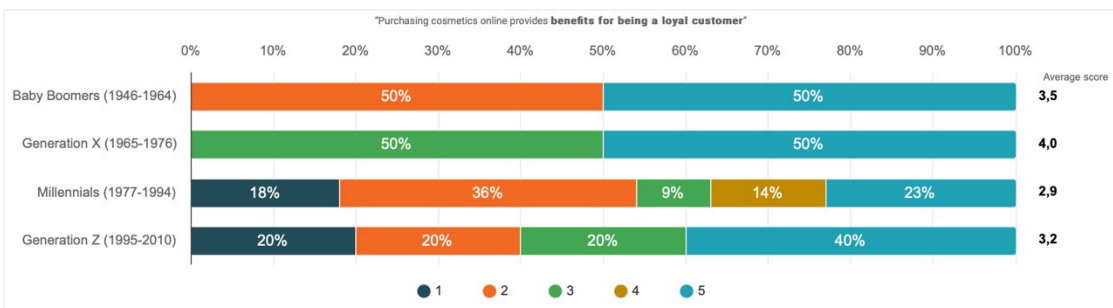


FIGURE 11. Importance of emotional value item ‘rewards me’ by generations (n= 31).

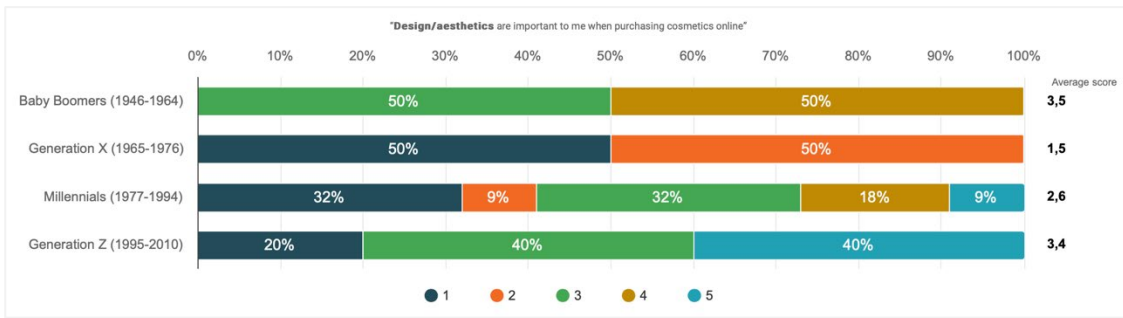


FIGURE 12. Importance of emotional value item 'design/aesthetics' by generations ($n = 31$).

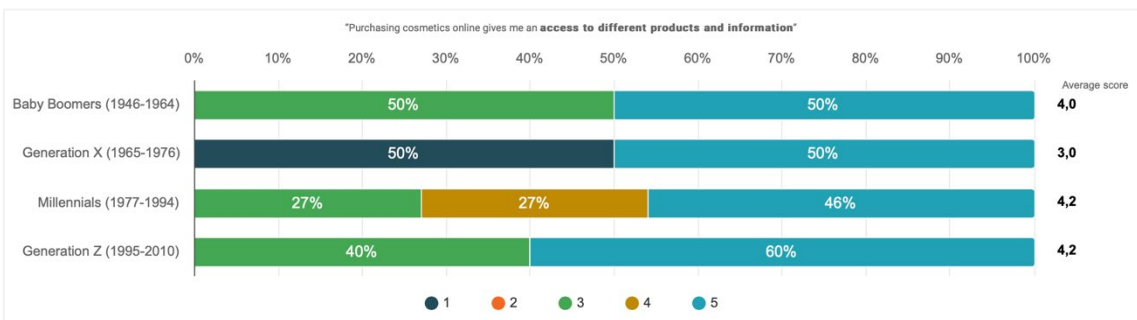


FIGURE 13. Importance of emotional value item 'provides access to' by generations ($n = 31$).

Thus, when it comes to online purchase method of cosmetics, results indicate that some generational differences have been detected with functional and emotional value elements.

4.3.3 Important matters about the shopping experience

The research results also provided insights about the online purchase experience for cosmetics. Survey respondents were asked to evaluate the importance of certain common matters when it comes to online stores selling cosmetic products. According to the research results, the most important matters about the shopping experience online were *price*, *safety of the product*, and *free delivery*. Matters that were seen quite important were *fast delivery*, *product reviews*, *environment and sustainability*, and *product images*. (TABLE 12.)

Chats are a common feature on many online stores and the research results revealed that when it comes to purchasing cosmetics through online stores, *possibility to chat with customer service* was not seen very important as part of the experience. *Free samples/testers, personalized product recommendations* or *product videos* were also not seen that important. (TABLE 12.)

TABLE 12. Importance of different matters in online shopping experience in descending order by average importance scoring (n= 31).

	n	Average	Confidence interval of the mean	Median	Standard deviation
Price	31	4,42	4,18 – 4,66	5	0,67
Safety of the product	31	4,39	4,09 – 4,68	5	0,84
Free delivery	31	4,00	3,58 – 4,42	4	1,18
Fast delivery	31	3,97	3,62 – 4,31	4	0,98
Product reviews	31	3,90	3,51 – 4,29	4	1,11
Environment and sustainability	31	3,52	3,11 – 3,92	4	1,15
Product images	31	3,45	3,01 – 3,9	4	1,26
Multiple payment methods	31	2,94	2,47 – 3,4	3	1,31
Finnish origin	31	2,65	2,22 – 3,07	3	1,20
Discount code for the next order	31	2,52	2 – 3,04	2	1,48
Product videos	31	2,42	1,94 – 2,9	2	1,36
Personalized product recommendations	31	2,19	1,75 – 2,63	2	1,25
Free samples/testers	31	2,00	1,54 – 2,46	1	1,32
Possibility to chat with customer service	31	1,65	1,32 – 1,97	1	0,91

1=not important at all, 5=extremely important

The survey respondents also had a possibility to share other things that are important to them when they purchase cosmetics online. Three people submitted their open comments. One of these comments highlighted the importance of having a wide selection of products in online stores because everything is not available in the nearby physical store. Second comment mentioned it is important for the online store to have as ecological products as possible. The third comment mentioned that online store must work fast as nothing else is more irritating than trying to shop in a slow online store.

4.4 Physical store as a purchase method for cosmetics

Total of 47 respondents answered to the questions related to using physical store as a purchase method for cosmetics, which was majority of the respondents. The most common type of physical store for shopping cosmetics from were grocery stores followed by department stores and other stores, which included ecological stores, cruise ships, smaller shops selling cosmetics, hair salons, pharmacies, in addition to mentioning one specific store by name. (FIGURE 14.) The most common cosmetics purchased through physical stores were haircare, makeup, and hygiene products (FIGURE 15).

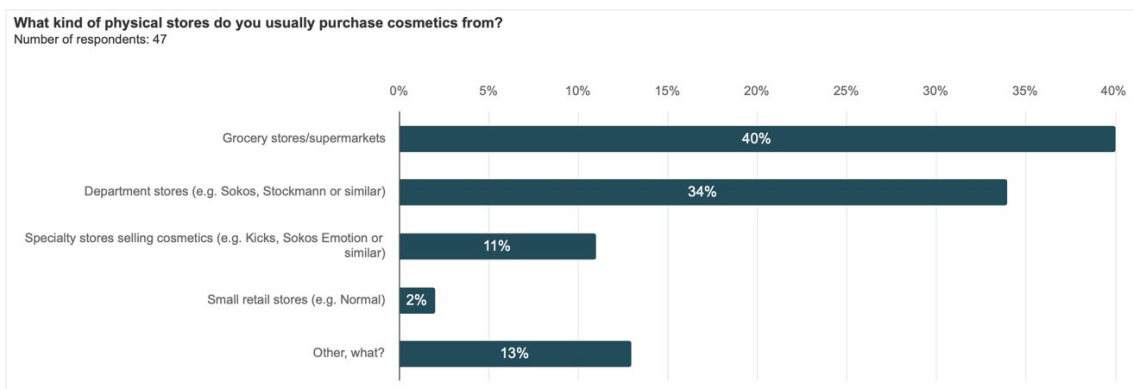


FIGURE 14. Types of online stores cosmetics are mostly purchased from (n= 47).

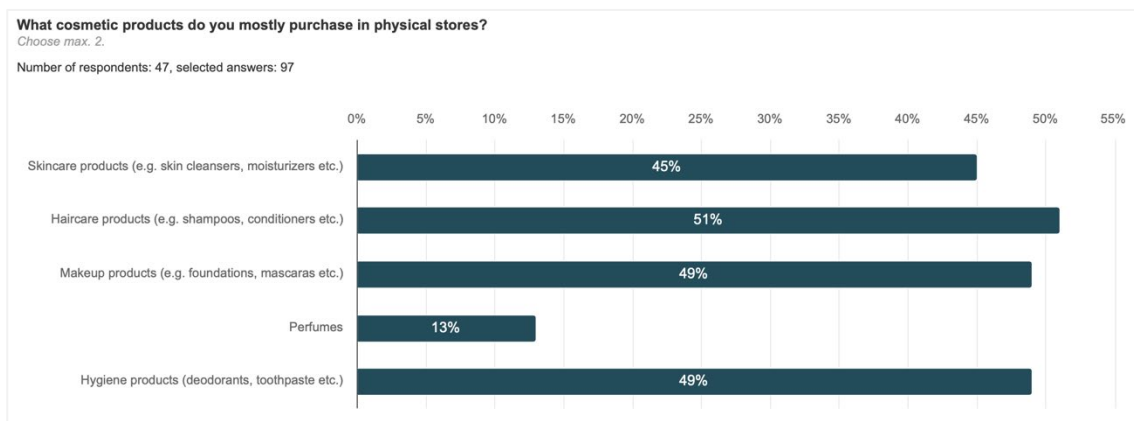


FIGURE 15. Types of cosmetic products that are mostly purchased in physical stores (n= 47).

4.4.1 Most important value elements

Some value elements stood out also with the physical store purchase method but mostly with functional elements. The one value element that stood out more in its importance for the physical store

purchase method for cosmetics was *sensory appeal*. Other important functional value elements were *quality* and *provides access to*. The two least important value elements were *information* and *connects*, were not seen that important with their low scorings. (TABLE 13.)

TABLE 13. Functional value elements for physical purchase method in descending order by average importance scoring (n= 47).

	n	Average	Confidence interval of the mean	Median	Standard deviation
"Purchasing cosmetics in physical store lets me <u>use my senses (smell, hear, touch)</u> "	47	4,26	3,95 – 4,56	5	1,07
"Purchasing cosmetics in physical store <u>provides access to quality products</u> "	47	3,53	3,21 – 3,86	4	1,14
"Purchasing cosmetics in physical stores <u>gives access to a variety of products to choose from</u> "	47	3,49	3,13 – 3,85	4	1,27
"Purchasing cosmetics in physical store provides <u>reliable information</u> "	47	2,89	2,51 – 3,28	3	1,36
"Purchasing cosmetics in physical store <u>helps me to connect with people</u> "	47	1,72	1,45 – 2	1	0,97
1=not important at all, 5=extremely important					

Furthermore, emotional value elements did not have as high scorings with physical store purchase method as the functional ones. Two value elements, *rewards me* and *access* were the only two ones that scored clearly higher than the rest of the emotional value elements. *Design/aesthetics*, *therapeutic value*, *fun/entertainment* and *reduces anxiety* were seen less important. (TABLE 14.)

TABLE 14. Emotional value elements for physical purchase method in descending order by average importance scoring (n= 47).

	n	Average	Confidence interval of the mean	Median	Standard deviation
"Purchasing cosmetics in physical store <u>provides benefits for being a loyal customer</u> "	47	3,55	3,23 – 3,87	4	1,12
"Purchasing cosmetics in physical store gives me <u>access to different products and information</u> "	47	3,26	2,9 – 3,62	3	1,26
" <u>Design/aesthetics</u> are important to me when purchasing cosmetics in physical stores"	47	2,81	2,43 – 3,18	3	1,31
"Purchasing cosmetics in physical store has <u>positive affects to my well-being</u> "	47	2,64	2,28 – 3	3	1,26
"Purchasing cosmetics in physical stores offers <u>fun and entertainment</u> "	47	2,43	2,05 – 2,8	2	1,30
"Purchasing cosmetics in physical store <u>helps to reduce anxiety</u> "	47	1,87	1,55 – 2,2	1	1,13
1=not important at all, 5=extremely important					

Therefore, when it comes to physical store purchase method of cosmetics, the most important value element was sensory appeal, but there were also few other value elements that stood out in their importance.

4.4.2 Generational differences

When looking at the standard deviation value of the functional value elements of physical store purchase method of cosmetics, there seems to be variability among the responses. The most variability seems to be with *information* and *variety*, followed by *quality* and *sensory appeal*. (TABLE 15.)

TABLE 15. Functional value elements for physical store purchase method organized in descending order by standard deviation (n= 47).

	n	Average	Confidence interval of the mean	Median	Standard deviation
"Purchasing cosmetics in physical store provides reliable <i>information</i> "	47	2,89	2,51 – 3,28	3	1,36
"Purchasing cosmetics in physical stores gives access to a variety of products to choose from"	47	3,49	3,13 – 3,85	4	1,27
"Purchasing cosmetics in physical store provides access to quality products"	47	3,53	3,21 – 3,86	4	1,14
"Purchasing cosmetics in physical store lets me use my senses (smell, hear, touch)"	47	4,26	3,95 – 4,56	5	1,07
"Purchasing cosmetics in physical store helps me to connect with people"	47	1,72	1,45 – 2	1	0,97

1=not important at all, 5=extremely important

When looking at the functional value elements with biggest variability more closely, generational differences can be detected more clearly. When looking at value item *information* more closely, baby boomers scored it significantly more important compared to all other generations, especially with Generation X (FIGURE 16). Similar trend was also detectable with value item *variety* (FIGURE 17).

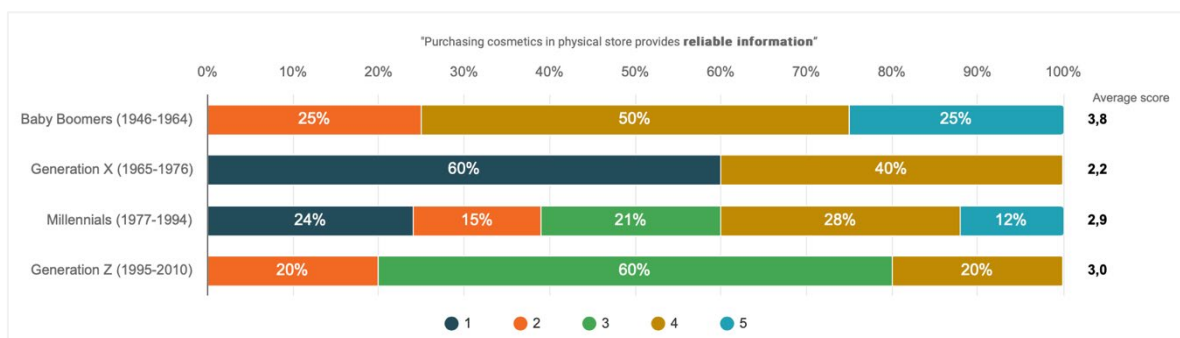


FIGURE 16. Importance of functional value item 'information' by generations (n= 47).

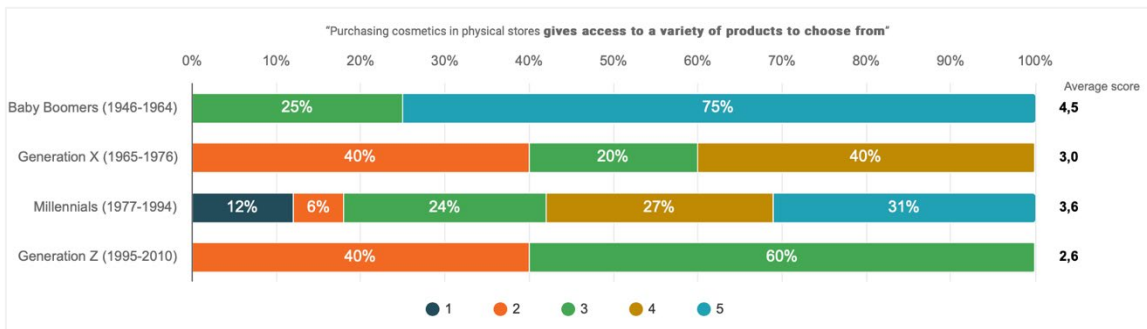


FIGURE 17. Importance of functional value item 'variety' by generations (n= 47).

Additionally, quality was seen the most important by baby boomers (FIGURE 18). Even though value item sensory appeal seemed important by all generational groups represented in the research, baby boomers scored its importance significantly higher than other generations (FIGURE 19).

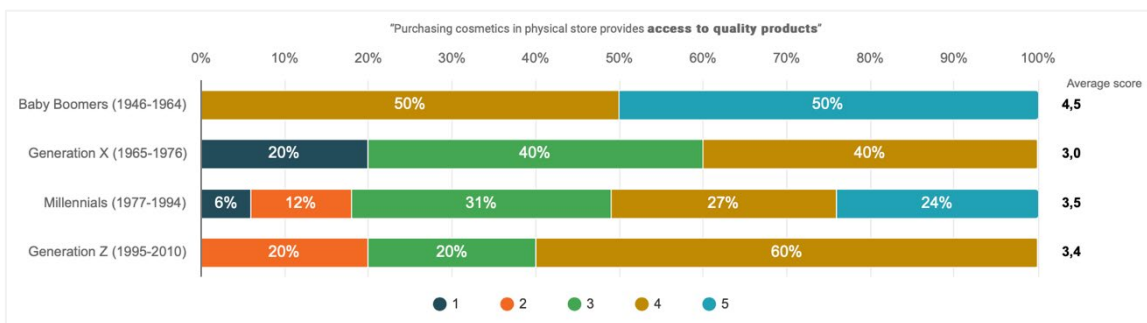


FIGURE 18. Importance of functional value item 'quality' by generations (n= 47).

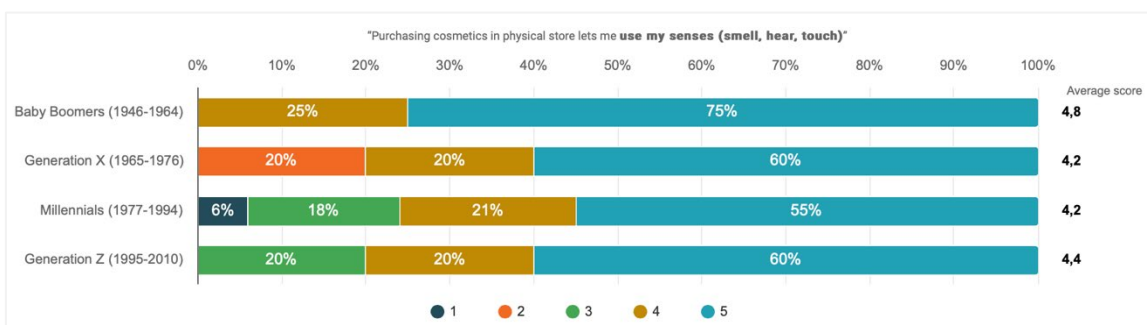


FIGURE 19. Importance of functional value item 'sensory appeal' by generations (n= 47).

Emotional value elements, however, seemed to have even more variability among responses as all the value elements had standard deviation value higher than 1. *Design/aesthetics*, *fun/entertainment*, *information*, and *therapeutic value* were the value items with most variability among responses. (TABLE 16.)

TABLE 16. Emotional value elements for physical store purchase method organized in descending order by standard deviation (n= 47).

	n	Average	Confidence interval of the mean	Median	Standard deviation
" <i>Design/aesthetics</i> are important to me when purchasing cosmetics in physical stores"	47	2,81	2,43 – 3,18	3	1,31
"Purchasing cosmetics in physical stores offers <i>fun and entertainment</i> "	47	2,43	2,05 – 2,8	2	1,30
"Purchasing cosmetics in physical store gives me access to <i>different products and information</i> "	47	3,26	2,9 – 3,62	3	1,26
"Purchasing cosmetics in physical store has <i>positive affects to my well-being</i> "	47	2,64	2,28 – 3	3	1,26
"Purchasing cosmetics in physical store <i>helps to reduce anxiety</i> "	47	1,87	1,55 – 2,2	1	1,13
"Purchasing cosmetics in physical store <i>provides benefits for being a loyal customer</i> "	47	3,55	3,23 – 3,87	4	1,12

1=not important at all, 5=extremely important

Closer observation of the emotional value items with the highest value of standard deviation discloses more information about the generational differences. Value item *design/aesthetics* seems to be the most important to baby boomers and Generation Z (FIGURE 20). *Fun/entertainment*, however, is distinctly the most important to Generation Z (FIGURE 21).

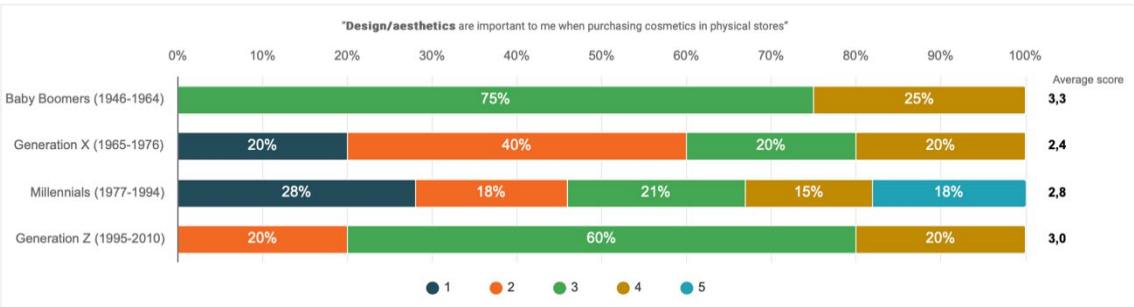


FIGURE 20. Importance of emotional value item 'design/aesthetics' by generations (n= 47).

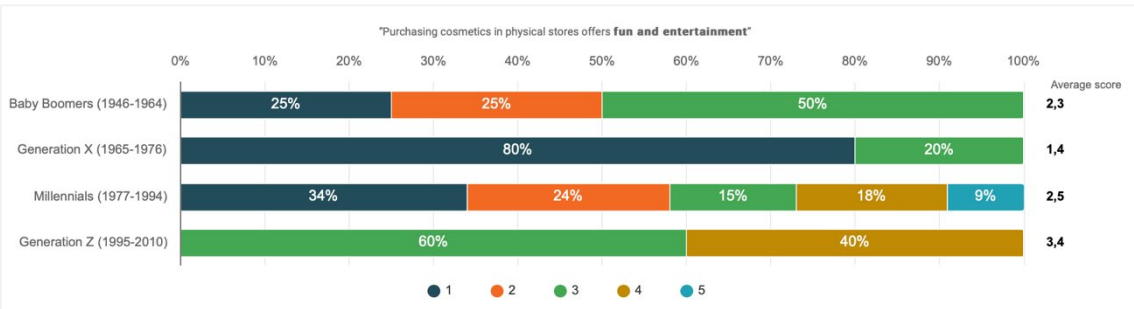


FIGURE 21. Importance of emotional value item 'fun/entertainment' by generations (n= 47).

All generational groups seem to find value in *provides access to* when it comes to choosing physical store as the purchase method for cosmetics, but baby boomers find it the most important (FIGURE 22). In addition, *therapeutic value* was scored highest with its importance for baby boomers (FIGURE 23).

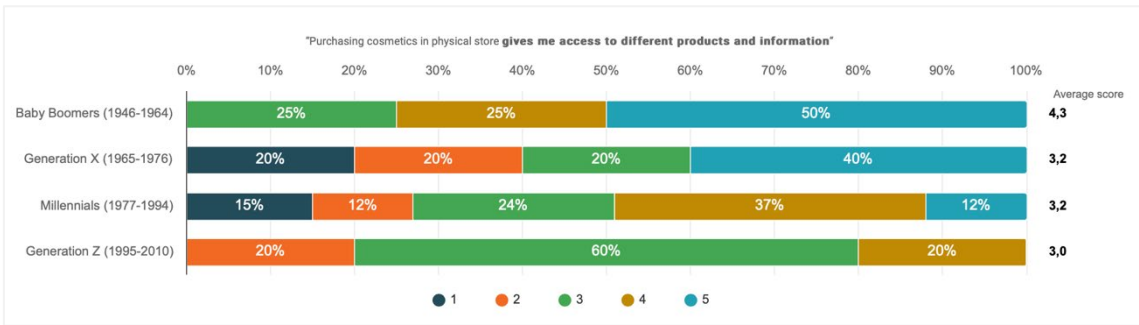


FIGURE 22. Importance of emotional value item 'provides access to' by generations (n= 47).

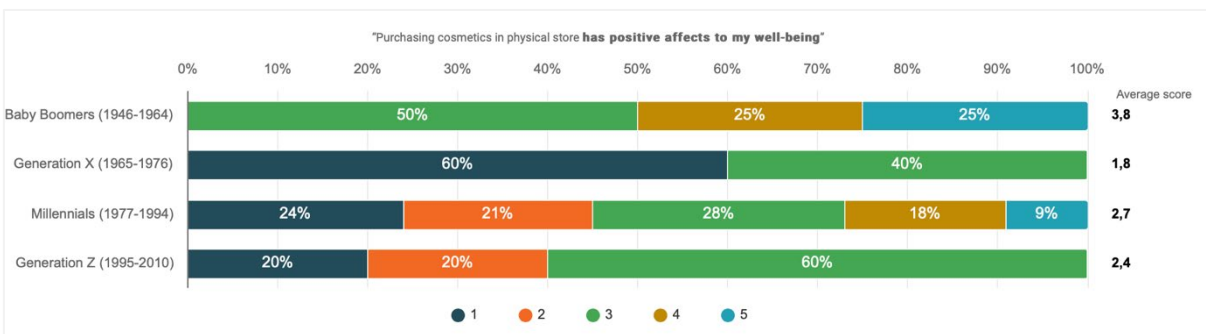


FIGURE 23. Importance of emotional value item 'therapeutic value' by generations (n= 47).

Hence, some generational differences were also detected with the value elements of physical store purchase method of cosmetics.

4.4.3 Important matters about the shopping experience

The research results also provided information about the physical store purchase experience. The survey respondents were asked to evaluate additional matters related to the shopping experience of cosmetics in physical stores. The results revealed that consumers find *clearly marked prices* the most important when shopping cosmetics in physical stores. *Safety of the products* came second, and *convenient location* third, and *clearly marked aisles and shelves* was fourth. *Environment and sustainability*, and *staff help* were also seen quite important. The lowest ranking matter was self-serve checkouts. (TABLE 17.)

TABLE 17. Importance of different matters in physical shopping experience in descending order by average importance scoring (n= 47).

	n	Average	Confidence interval of the mean	Median	Standard deviation
Clearly marked prices	47	4,53	4,34 – 4,72	5	0,65
Safety of the products	47	4,19	3,93 – 4,45	4	0,90
Convenient location	47	4,11	3,83 – 4,38	4	0,96
Clearly marked aisles and shelves	47	4,02	3,73 – 4,31	4	1,01
Environment and sustainability	47	3,62	3,33 – 3,91	4	1,01
Staff help available	47	3,53	3,17 – 3,9	4	1,28
Finnish origin	47	2,98	2,62 – 3,33	3	1,24
Free samples/testers	47	2,51	2,11 – 2,91	3	1,40
Discount for the next purchase	47	2,45	2,05 – 2,85	2	1,40
Personalized product recommendations	47	2,34	1,97 – 2,71	2	1,31
Self-serve checkout	47	2,21	1,85 – 2,58	2	1,28

1=not important at all, 5=extremely important

Survey respondents who mentioned they use physical store as a purchase method for cosmetics had also a possibility to share what else they value when shopping cosmetics in physical stores. Only one respondent submitted an answer, where they mentioned that if a physical store has staff available, it is expected that they really know the products sold in the store.

4.5 Value elements of buying cosmetic products

The research was interested in investigating what people value in purchasing cosmetics, in other words, why do they purchase cosmetics. The research examined only respondents who answered they buy skincare or makeup products. According to the research results, people purchase skincare and makeup products generally to feel more attractive, to improve their wellbeing and physical or mental state, to achieve their goals, in addition to achieve their goals. This means that people who purchase skincare and makeup products saw emotional value items such as *attractiveness*, *therapeutic value*,

and *wellness* important. In addition to this, one life-changing value element scored higher in importance, which was *motivation*. (FIGURE 24.)

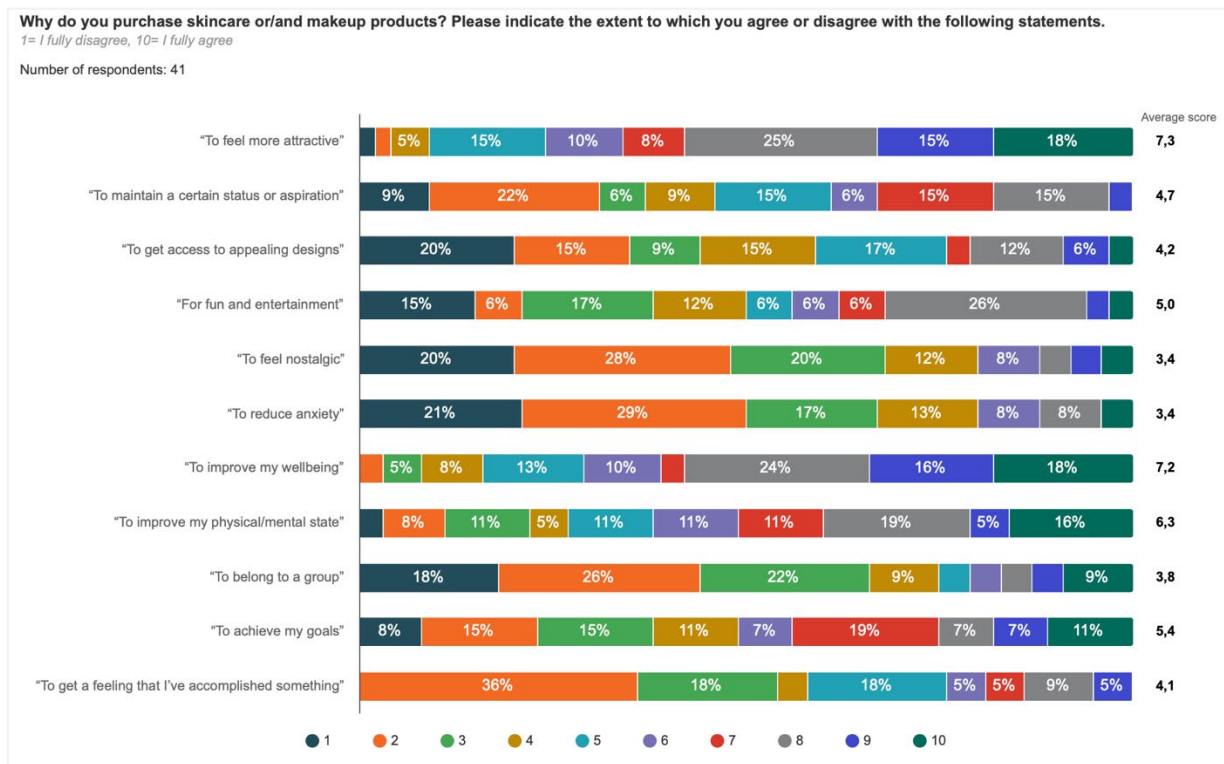


FIGURE 24. Average scoring of different reasons why people purchase skincare and makeup products (n= 41).

Respondents also had an option to share other reasons why they purchase skincare and makeup products. Other reasons that were mentioned were to look fresh and neat, change the colours of different eye and lip makeup, maintain hygiene and be clean, highlight natural features, to take care of themselves, look younger, physical appearance, and condition and health of the skin.

4.6 Good and bad customer experiences

The case study also took emphasis to collect some good and bad customer experiences. The respondents had a possibility to share experiences from any situation or industry. Total of nine respondents shared good customer experience stories (TABLE 18), and seven respondents shared bad customer experience stories (TABLE 19). One common theme that was present in most of the experiences was customer service situations. All responses in table 18 and table 19 have been translated into English and some slightly altered in order not to reveal any company names.

TABLE 18. Good customer experiences by respondents (n=9).

1	<i>“Easy, quick, and effortless. I purchase cosmetics from supermarkets because I go there anyways.”</i>
2	<i>“The salesperson at the physical store had expertise, which helped me avoid a mistaken purchase. The seller helped me choose a suitable product by knowing better myself which product suits my skin.”</i>
3	<i>“I was heard, and my case handled professionally and with good expertise and know-how, options were given and finally I was asked if there was anything else they could do to help.”</i>
4	<i>“I received excellent customer support from one music subscription provider. They properly listened to my needs and provided me with creative and efficient solutions.”</i>
5	<i>“I was shopping online for cosmetics and noticed that the discount code I received gave way too much of a discount on the purchases. Since it was a Finnish family business, I contacted them and told them about the problem, because I didn't want to do my shopping at their expense. I got a reply that I can use my code even though it didn't work as intended. It made me feel good.”</i>
6	<i>“Online: Products and desired samples available and at a good price.”</i>
7	<i>“Friendly customer service which helped me find suitable skin care products.”</i>
8	<i>“The salesperson noticed me as soon as I entered the store and took the time to find the product I wanted.”</i>
9	<i>“Introduction to fragrances”</i>

TABLE 19. Bad customer experiences by respondents (n=7).

1	<i>“In physical stores, the salespeople are often busy, and I have to serve myself. This has made me choose the online store more and more often, even if I have to wait for the product for a few days.”</i>
2	<i>“When the salesperson is pushing products, even though I have clearly said that I came to pick up something specific. And the salesperson still tries to get me to buy something else during the payment stage, even though I've clearly said that I only want to buy this particular product.”</i>
3	<i>“Pushing products, lack of knowledge, promoting accessories, disrespecting the customer”</i>
4	<i>“I just bought a new bike for my child from the online store of a department store. I received the order confirmation in my e-mail, but after that I heard nothing for a few days (delivery time in the online store 2-4 days). I was looking for a way to contact customer service on the website so that I can inquire about the delivery situation. The website referred to a chat that was supposed to be available on weekdays during office hours, but the chat in question was nowhere to be found on the website. This really annoyed me, because these days you're used to fast delivery times and the ease of reaching customer service.”</i>
5	<i>“The salesperson did not leave me alone and let me look at the products in peace but followed me and tried to sell cosmetics of different brands all the time.”</i>
6	<i>“In some specialty stores, the salespeople don't say hello or ask if I need help, even though I'm clearly looking for something. Or the sellers are not available.”</i>
7	<i>“The car salesman gave a 30-minute speech, during which I just stared silently and waited for the opportunity to answer.”</i>

4.7 Validity and limitations of the case study

Even though online survey is a cost-efficient and convenient research tool, it has also some limitations involved. Open-ended questions are often left unanswered, researcher cannot be necessarily sure how precise the responses are, and there is also a high risk for misunderstandings (Heikkilä 2014, 15), which can be seen as limitations of this case study.

Another limitation of this case study is that there was no in-depth information available about how Almquist, Senior and Bloch (2016) implemented their work identifying the value elements for the Elements of Value model. Therefore, this case study was my own version trying to find out which of the value elements could be linked to consumers purchasing cosmetics online and in physical stores.

Third limitation is the sample size of the case study. As the survey received a total of 48 responses, the sample size is not enough to represent the whole Finnish market or make valid conclusions. The case study provided some interesting information about the generational differences, but since millennials were the biggest group in the case study and other generations had significantly lower sample sizes compared to millennials, no official conclusions can be made from the results. Survey responses were collected from one channel, which is a potential reason for not getting that many responses from other generational groups. The results, however, provided some interesting insights that can be investigated further in future research.

4.8 Suggestions for future research

Even though the case study was successful investigating the research questions and finding out the most important value elements for both purchase methods of cosmetics, it is recommended that this topic would be researched further. Doing for example an in-store market research by observing the purchase situations could provide additional valuable information. Also conducting qualitative research through consumer interviews could provide more understanding why consumers value certain things when shopping cosmetics online and in physical stores. Even if consumers were able to identify important matters to them in a survey, their behaviour can be different when they are in the real purchase situation. Environmental factors, for instance, can have a significant effect on deciding what purchase method to use to buy cosmetics.

4.9 Discussion and conclusions

This master's thesis was able to discover the targeted topics quite comprehensively. The collected information highlights the importance of business owners taking a strong customer-centric focus. As previously mentioned in this paper, it is vital that every stakeholder in the company understands and commits to customer-centricity. To gain competitive advantage and become truly customer-centric, customers must be in the heart of everyday actions and processes.

When it comes to the case study that focused on identifying value elements of purchase method for cosmetics, it seemed to be somewhat in alignment with the original hypothesis. The case study results indicated that both purchase methods of cosmetics, online or physical stores, have differences but they do not exclude each other. In fact, they work best together, which is supported by previous literature and publications.

Online store purchase method seems to have few value elements that stand out. Consumers seem to appreciate the convenience of using online store as a purchase method for cosmetics as it helps them to save time and access to variety of products. But as the case study results also indicated, online store is not the only purchase method consumers use to buy cosmetics. Physical stores help consumers to test and feel the products and give quicker access to daily cosmetics products, which you would not necessarily want to wait too long to arrive via mail if you run out of them. It seems like the best benefit comes from having both purchase methods available, which indicates the importance of multichannel purchase experience especially when looking at functional benefits. Both purchase methods, after all, have their similarities and differences.

Identifying the most important value elements for both purchase methods of cosmetics and investigating generational differences were one of the most interesting aspects of the case study. Also, the reasons behind why people purchase skincare and makeup products was interesting to investigate. According to the case study results, people purchase skincare and makeup products to maintain general hygiene but also highlight their personal features, and even test different looks. Purchasing skincare and makeup products, seems to be linked to emotional and life-changing value items based on the Elements of Value model. This means there seems to be more meaningful reasons why people purchase cosmetic products.

The case study did not collect any socioeconomic information of the survey respondents, but if that had been included and there would have been more respondents, results could have provided more insightful data to understand the different generations a little more as their life experiences and situations are likely to differ from each other. Humans are psycho-physical-social beings, and there could also be other reasons why people decide to purchase cosmetics, and what is the actual value gained from each purchase method.

What the case study results show is that there are different customer segments, and each of them has their own needs and things they value, which makes customer research an important topic for business owners. Different customer segments likely have dissimilar behavioural patterns, they might spend time on different platforms and channels. This indicates that communication and marketing should be targeted towards the right customers. Businesses should make sure the value they want and are able to provide to their customers, is clearly communicated when marketing the products, as this can have an impact on sales. If a physical store for example provides cosmetic product testing possibility, or online store provides easy and fast order process, these things should be included in marketing to attract customers. Furthermore, it is important to note the currently evolving trends. Customers, in the end, tend to do comparisons and they are likely choosing the company that serves their current needs the best and provides the best value.

Survey participants shared multiple good and bad customer experiences. Based on the shared experiences, customer service and whole purchase experience are important matters to customers. When customers are purchasing products or services, they want to get the feeling that they have been noted and their needs are heard. It is vital for companies to understand the market, different customer segments and what customer really value, but even if companies know all these things, it all comes to one thing, which is the customer service situation. Even one small negative customer service situation during the purchase experience, such as salesperson not saying hello or not listening to the customer, can have significant impact on whether the customer will even do a purchase or ever return. This all highlights the importance of training staff and giving them, all needed tools that support their work to provide good experiences to customers. It also flags the significance of customer-centricity in any organization – you only exist for the customers.

Lastly, one of the main goals of this master's thesis was to create a guidebook that small-scale business owners can use to build a customer-centric business strategy. The goal was accomplished, and the guidebook (APPENDIX 3) introduces the main steps and tools needed to build a customer-centric business strategy and summarizes the main outcomes of the conducted case study. The final guidebook is a simple visual document that is easy to take into use for strategy workshops and everyday work as it also includes many print-ready templates. Hopefully the finalized guidebook is useful for small-scale business owners, and it provides additional insights and support for strategy work.

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APPENDIX 1: The Elements of Value definitions by Bain & Company 2018

Functional value element definitions (Bain & Company 2018)

Avoids hassles	“Avoiding or reducing hassles”
Connects	“Connecting with other people”
Informs	“Providing reliable and trusted information about a topic”
Integrates	“Integrating different aspects of life”
Makes money	“Helping to make money”
Organizes	“Becoming more organized”
Quality	“Providing high-quality goods or services”
Reduces cost	“Saving money in purchases, fees or subscriptions”
Reduces effort	“Getting things done with less effort”
Reduces risk	“Protecting from losses”
Saves time	“Saving time in tasks or transactions”
Sensory appeal	“Appealing in taste, smell, hearing and other senses.”
Simplifies	“Reducing complexity and simplifying”
Variety	“Providing a variety of things to choose from”

Emotional value element definitions (Bain & Company 2018)

Attractiveness	“Helping people feel more attractive”
Badge value	“Representing achieved status or aspirations”
Design/aesthetics	“Providing an appealing form or design”
Fun/Entertainment	“Offering fun or entertainment”
Nostalgia	“Reminding people of something positive in the past”
Provides access to	“Providing access to information, goods, services or other valuable items”
Reduces anxiety	“Helping people worry less and feel more secure”
Rewards me	“Providing benefits for being a loyal customer”
Therapeutic value	“Providing therapeutic value or well-being”
Wellness	“Improving people's physical or mental state”

Life changing value element definitions (Bain & Company 2018)

Affiliation and belonging	“Helping people become part of a group or identify with people they admire”
Heirloom	“A good investment for future generations”
Motivation	“Spurring people to achieve their goals”
Provides hope	“Providing something to be optimistic about”
Self-actualization	“Providing a sense of personal accomplishment or improvement”

Social impact value element definitions (Bain & Company 2018)

Self-transcendence	“Helping other people or society more broadly”
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APPENDIX 2: Questionnaire, Value of purchasing cosmetics products -survey

Mandatory questions are marked with a star (*)

Hello,

This survey aims to investigate what Finnish consumers find important when buying cosmetic products, and identify the most important value elements for two different purchase methods of cosmetics (online and physical stores).

The survey will take approximately 10-15 minutes and it is anonymous. The survey is open until 19.4.2024.

This survey is part of Master's Degree studies. Your contribution provides valuable information for the Master's Thesis, which addresses the importance of customer-centric business strategy and meeting the customer needs. Thank you for your participation!

Kind regards,
Elisa Kuhn

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Centria University of Applied Sciences
elisa.kuhn@centria.fi

How often do you purchase cosmetic products? *

Cosmetic products include skincare, haircare, makeup, perfumes, or hygiene products such as deodorants, toothpaste etc.

- Daily
- Weekly
- Monthly
- Few times a year
- Rarely, only when there is a specific need

How much money do you approximately spend per month for cosmetic products? *

- Less than 10€
- 11-20€
- 21-30€
- 31-50€
- 51-75€
- 76-100€
- More than 100€
- I don't know

How do you usually buy cosmetic products? *

- Only online
- Only in physical stores
- Both online and in physical stores

PURCHASE METHOD – Online

What kind of online stores do you mostly purchase cosmetics from? *

- Online grocery stores/supermarkets
- Online department stores (e.g. Sokos, Stockmann or similar)
- Online stores specializing in cosmetic products (e.g. Kicks, Lyko or similar)
- Other online stores, what?

What cosmetic products do you purchase online the most? *

Choose max. 2.

- Skincare products (e.g. skin cleansers, moisturizers etc.)
- Haircare products (e.g. shampoos, conditioners etc.)
- Makeup products (e.g. foundations, mascaras etc.)
- Perfumes
- Hygiene products (deodorants, toothpaste etc.)

When selecting online as a purchase method for cosmetics, how important are the following matters to you? *

1= not important at all, 5= extremely important

	1	2	3	4	5
"Purchasing cosmetics online helps me to avoid or reduce hassles "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics online provides reliable information "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics online provides access to quality products "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics online helps me to save money "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics online helps me to do purchases with less effort "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics online helps me to save time "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics online gives me an access to a variety of products to choose from "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

When selecting online as a purchase method for cosmetics, how important are the following matters to you? *

1= not important at all, 5= extremely important

	1	2	3	4	5
" Design/aesthetics are important to me when purchasing cosmetics online"	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics online gives me an access to different products and information "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics online provides benefits for being a loyal customer "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PURCHASE EXPERIENCE - Online

How important are the following matters when you are purchasing cosmetic products online? *

1= not important at all, 5= extremely important

	1	2	3	4	5
Product reviews	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Product images	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Product videos	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Safety of the product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finnish origin	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Multiple payment methods	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Possibility to chat with customer service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Free samples/testers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Free delivery	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fast delivery	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Discount code for the next order	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personalized product recommendations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Environment and sustainability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Is there something else that is important to you when shopping cosmetics online? You may write it in the box below.

PURCHASE METHOD - Physical store

What kind of physical stores do you usually purchase cosmetics from? *

- Grocery stores/supermarkets
- Department stores (e.g. Sokos, Stockmann or similar)
- Specialty stores selling cosmetics (e.g. Kicks, Sokos Emotion or similar)
- Small retail stores (e.g. Normal)
- Other, what?

What cosmetic products do you mostly purchase in physical stores? **Choose max. 2.*

- Skincare products (e.g. skin cleansers, moisturizers etc.)
- Haircare products (e.g. shampoos, conditioners etc.)
- Makeup products (e.g. foundations, mascaras etc.)
- Perfumes
- Hygiene products (deodorants, toothpaste etc.)

When selecting physical store as a purchase method for cosmetics, how important are the following matters to you? **1 = not important at all, 5 = extremely important*

	1	2	3	4	5
"Purchasing cosmetics in physical store helps me to connect with people "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics in physical store provides reliable information "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics in physical store provides access to quality products "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics in physical store lets me use my senses (smell, hear, touch) "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
"Purchasing cosmetics in physical stores gives access to a variety of products to choose from "	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

When selecting physical store as a purchase method for cosmetics, how important are the following matters to you? *

1= not important at all, 5= extremely important

	1	2	3	4	5
“ Design/aesthetics are important to me when purchasing cosmetics in physical stores”	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
“Purchasing cosmetics in physical stores offers fun and entertainment ”	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
“Purchasing cosmetics in physical store gives me access to different products and information ”	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	1	2	3	4	5
“Purchasing cosmetics in physical store provides benefits for being a loyal customer ”	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
“Purchasing cosmetics in physical store has positive affects to my well-being ”	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
“Purchasing cosmetics in physical store helps to reduce anxiety ”	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

PURCHASE EXPERIENCE - Physical store

How important are the following matters when you are purchasing cosmetics in physical stores?

*

1 = not important at all, 5 = extremely important

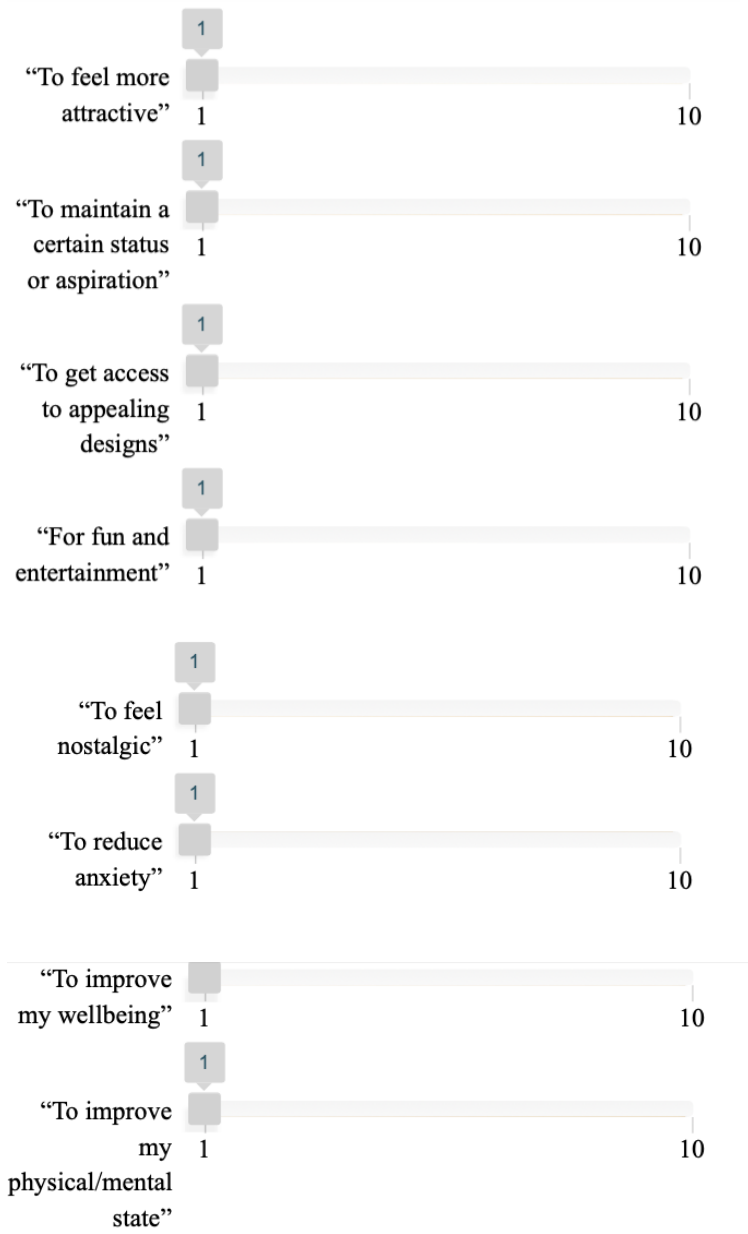
	1	2	3	4	5
Clearly marked aisles and shelves	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Convenient location	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Clearly marked prices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Safety of the products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finnish origin	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Self-serve checkout	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Staff help available	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Discount for the next purchase	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Free samples/testers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personalized product recommendations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Environment and sustainability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

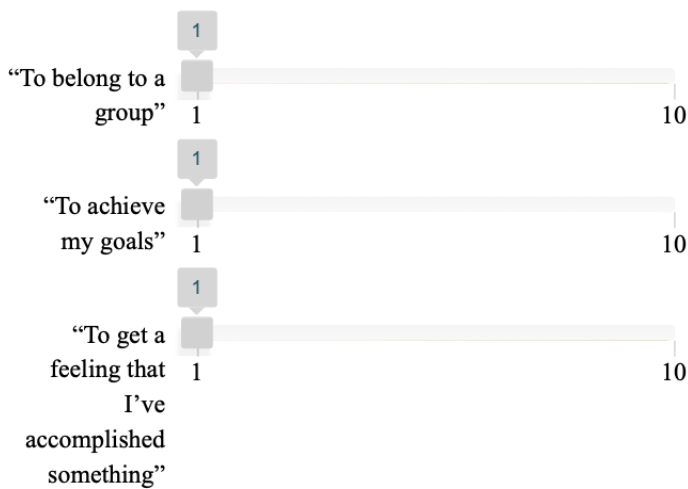
**Is there is something else that is important to you when shopping cosmetics in physical stores?
You may write it in the box below.**

VALUE OF BUYING COSMETICS - Skincare & makeup products

Why do you purchase skincare or/and makeup products? Please indicate the extent to which you agree or disagree with the following statements.

1 = I fully disagree, 10 = I fully agree





If you want to share some more insights of why you purchase skincare or/and makeup products, you may write it in the box below.

GOOD AND BAD CUSTOMER EXPERIENCES

Do you have a story about a particularly good and/or bad customer experience? You can share your story in this section of the survey. The experiences can be from any industry or situation where you have been a customer.

Customer experience stories, or parts of them, are used in the Master's thesis as examples to understand and improve the customer experience. No identifiable details of companies will be shared in the thesis.

If you don't want to share customer experiences, you can continue to the next page.

Good customer experience? Write briefly in the box below.

Bad customer experience? Write briefly in the box below.

DEMOGRAPHIC INFO

What gender do you identify yourself with? *

- Female
- Male
- Other

When were you born? *

- 1928-1945
- 1946-1964
- 1965-1976
- 1977-1994
- 1995-2010
- After 2010



BUILDING A CUSTOMER-CENTRIC BUSINESS STRATEGY

PRACTICAL GUIDE FOR SMALL-SCALE BUSINESS OWNERS

Elisa Kuhn

May 2024

Contents

1. Introduction
2. Building a customer-centric business strategy
 - Step 1 - Knowing the market, customers and their needs
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 - Step 5 - Executing and developing strategy
3. Case study - Value of purchase methods of cosmetics
4. Exercise to reflect on
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Introduction

This practical guidebook is designed for Finnish small-scale business owners who want to learn how to create a customer-centric business strategy, and gain a better understanding of customer value. The pages of this guidebook can be printed and used for example in strategy workshops.

Derived from a master's thesis, this guidebook summarizes its key points. It introduces the main steps and tools for building a customer-centric business strategy, including some print-ready templates. For more detailed information on the tools and how to use them, you can refer to various online sources.

Additionally, the guidebook presents the main findings of a conducted case study. This study focused on investigating the most important value elements for two purchase methods (online and physical store) of cosmetic products. Users of this guidebook can use the case study for reflection.

Happy strategy development work!

Elisa Kuhn
28 May, 2024

Step 1 - Knowing the market, customers, and needs

Questions to solve:

- What is the market like?
- What are the internal and external factors affecting the company's operations?
- Who are the target customers and what are their needs?
- What problems are customers trying to solve?
- What are the customer pain points during the problem-solving process?
- What benefits do the customers get from solving the problems?

Main tools and methods to solve the questions:

The Value
Proposition
Canvas*

SWOT
analysis*

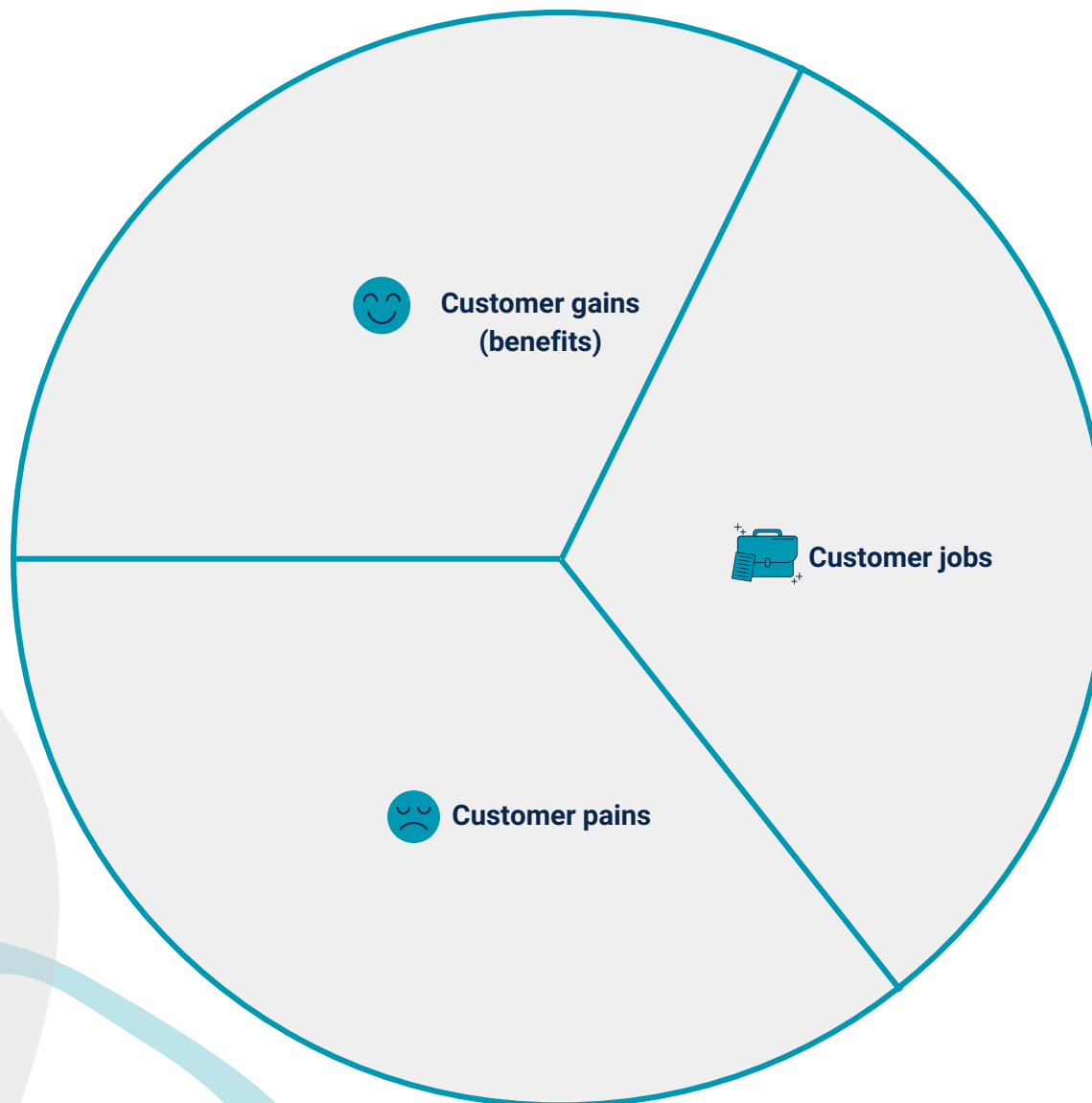
PEST
Analysis*

Voice of
Customer
(VoC)
methods

- Focus groups
- Customer interviews
- Ethnographical research
- Lead-user analysis

*Print-ready template available

The Value Proposition Canvas - Customer Profile



SWOT Analysis

Strengths	Weaknesses
Opportunities	Threats

PEST Analysis

Political factors	Economical factors	Social factors	Technological factors

Step 2 - Defining value proposition and designing customer experience

Questions to solve:

- What is the value proposition?
- What do customers value?
- What are the solutions for customer problems?
- What are the strategies for different customer segments?
- What is the product road map?
- What is the customer experience like?

Main tools and methods to solve the questions:

The Value
Proposition
Canvas*

Brand Value
Pillars
Framework*

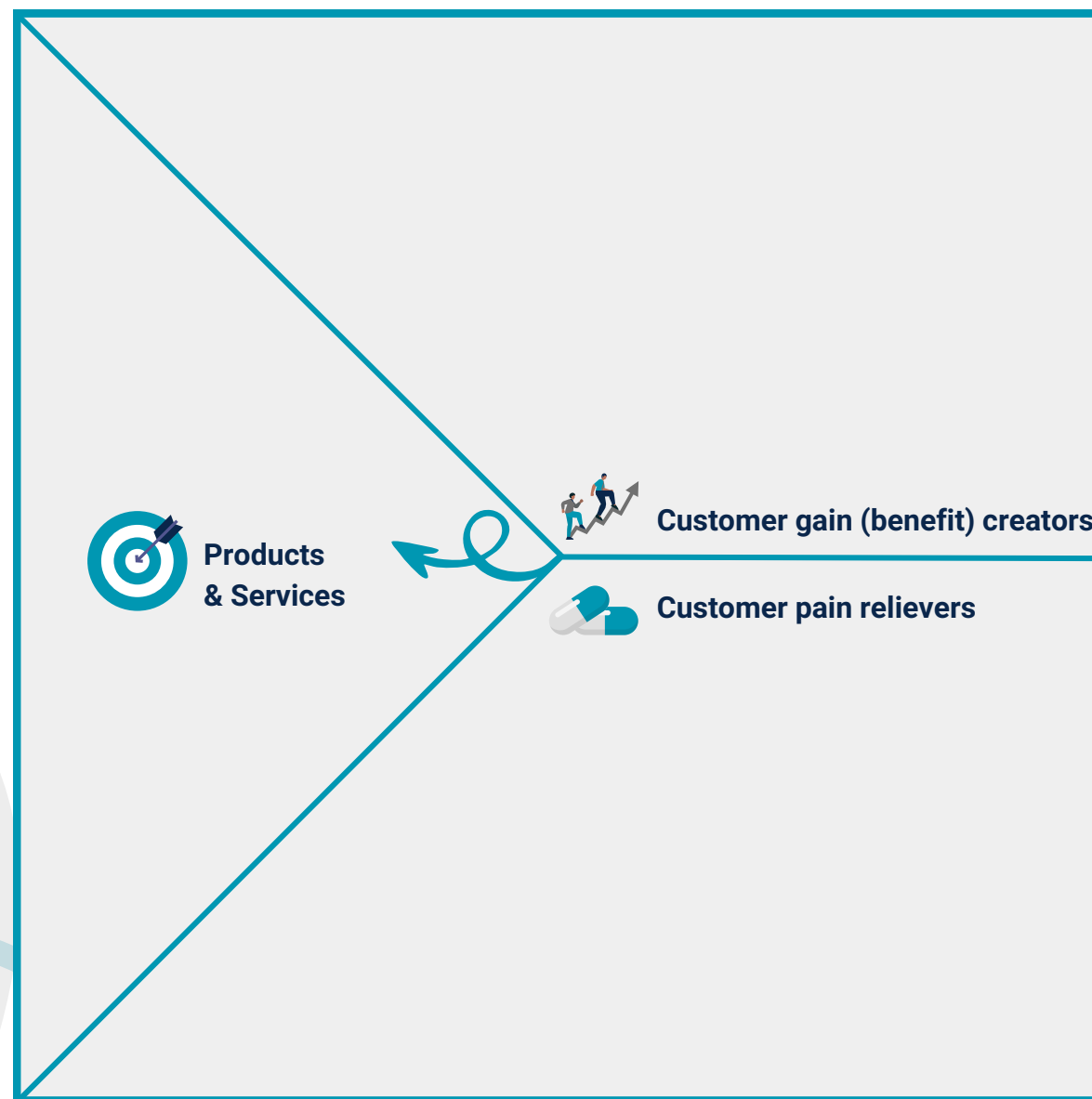
Needs and
Value
Framework*

Value
Proposition &
Use Context
Tool*

Customer
Journey
Framework*

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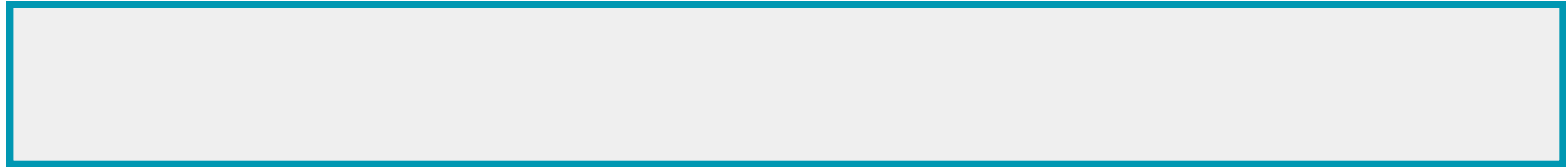
The Value Proposition Canvas - Value Map



Brand Value Pillars Framework

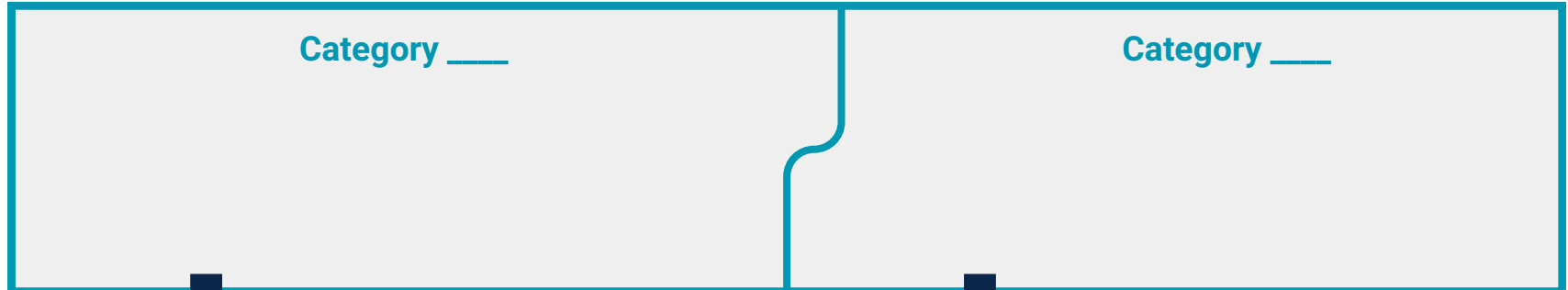
BRAND CONCEPT

What is the big idea?



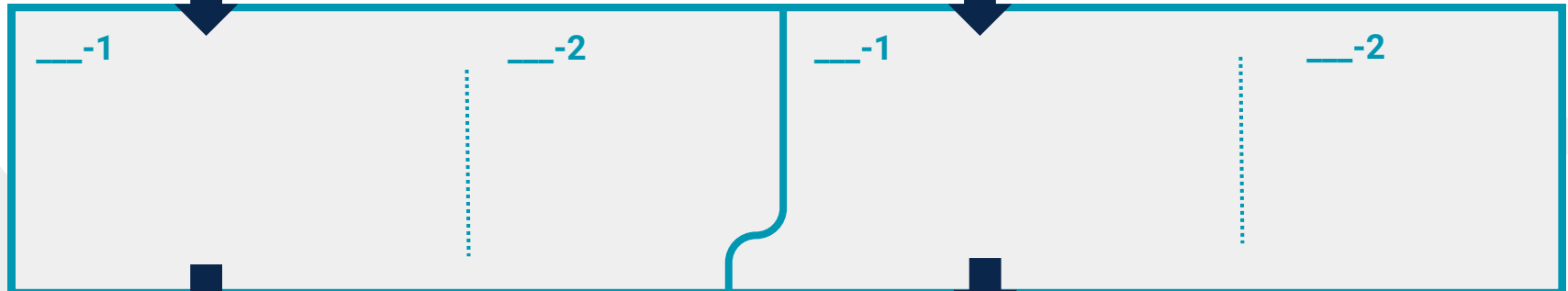
Brand Value Pillars

Categories that define the types of value propositions. How customers perceive value from the brand?



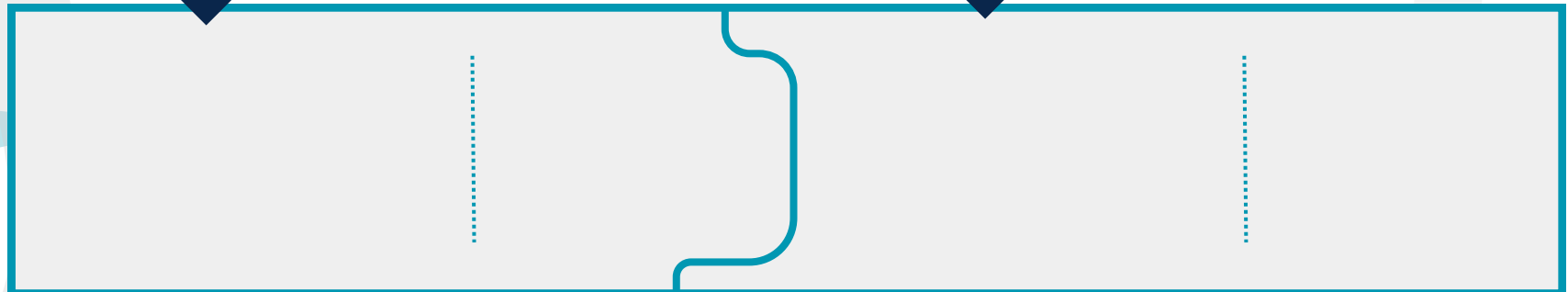
Features, Products & Services

What are the ways to bring the value into reality?



Outcomes

What is the outcome or value for customers (tangible, intangible, or aspirational)?



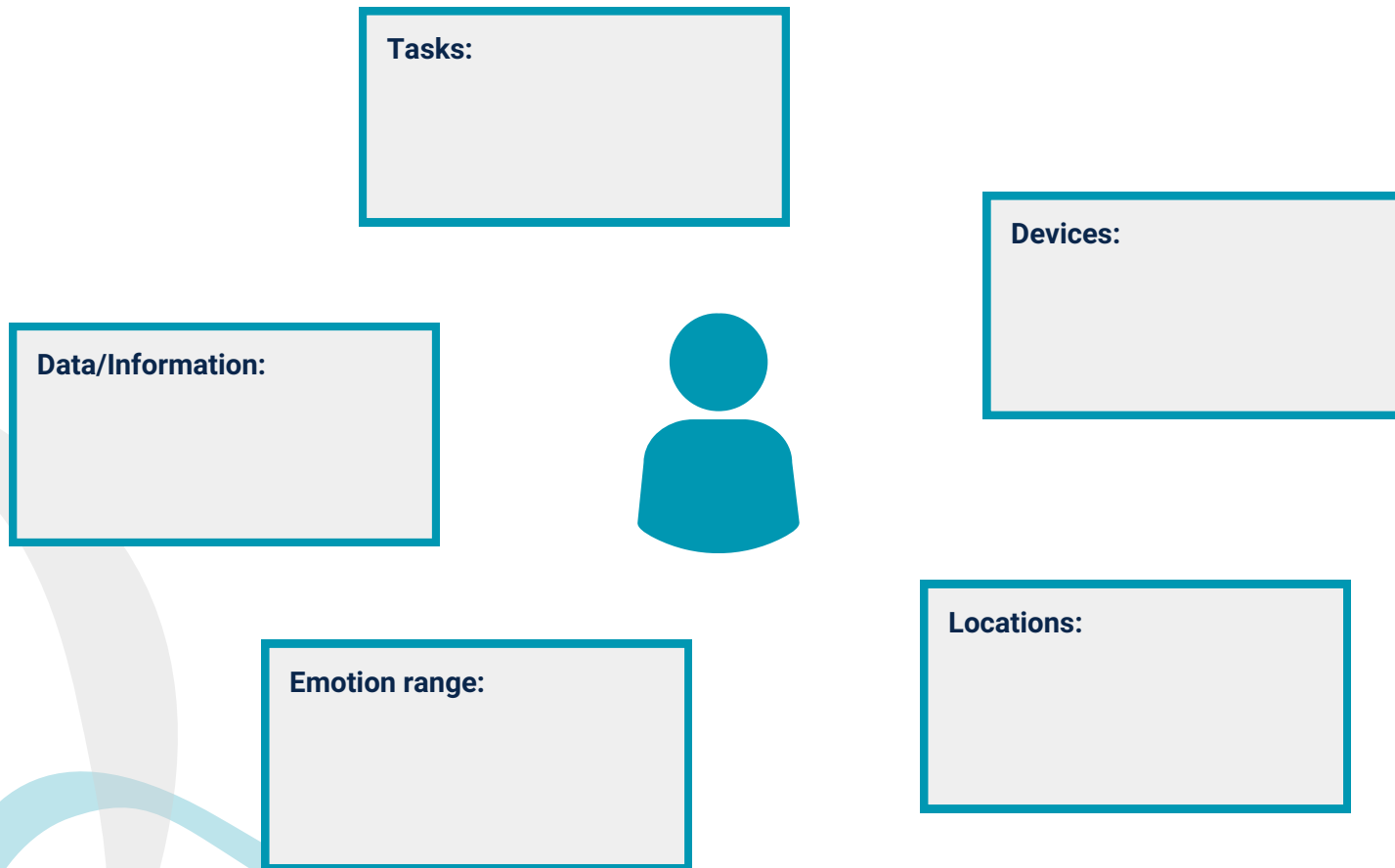
Needs and Value Framework

Customer role name:	A:	B:	C:	D:
Description:				
Priority ranking:				
Pain points:				
Needs:				
Value Propositions:				
Proof Points:				

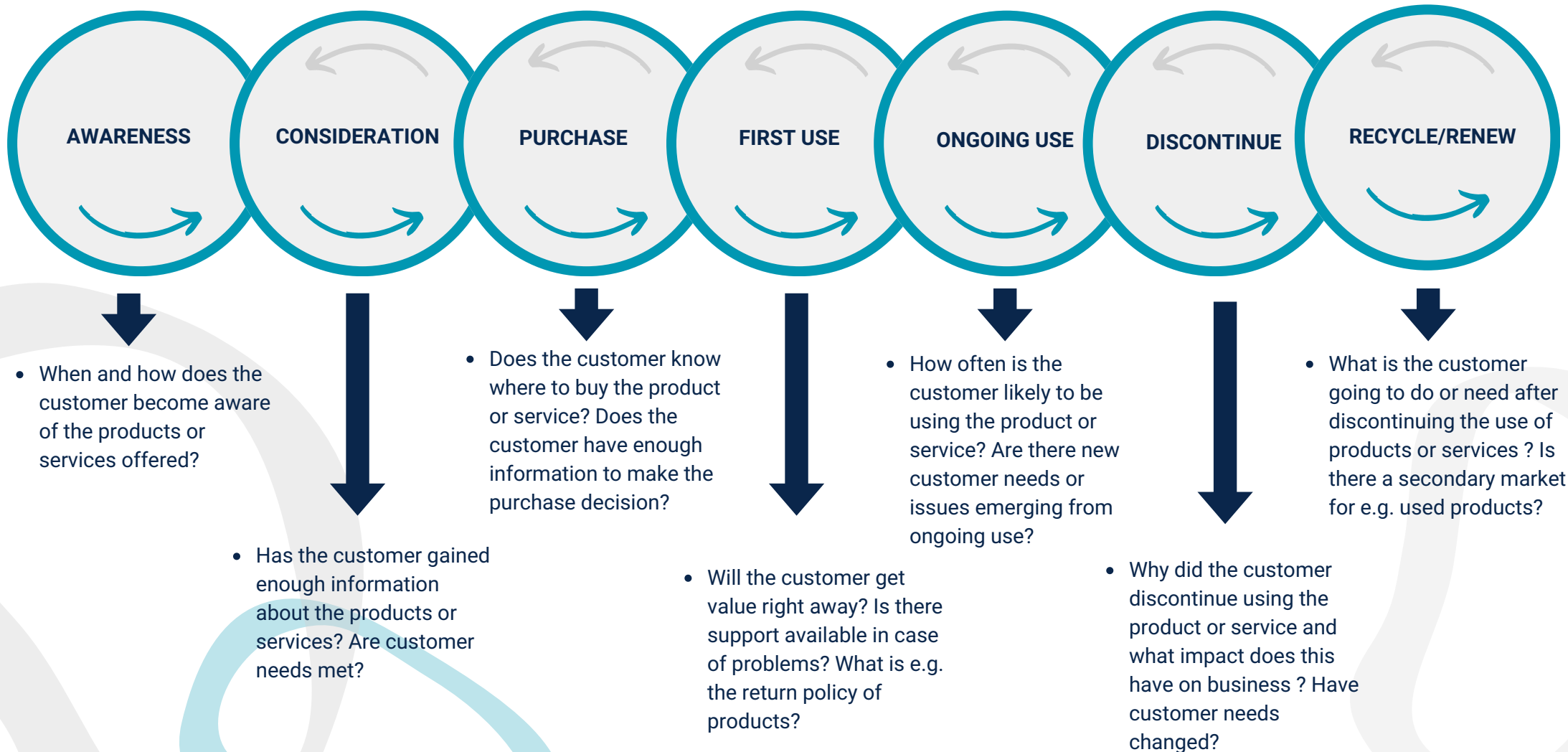
Value Proposition and Use Context Tool

Customer/role: _____

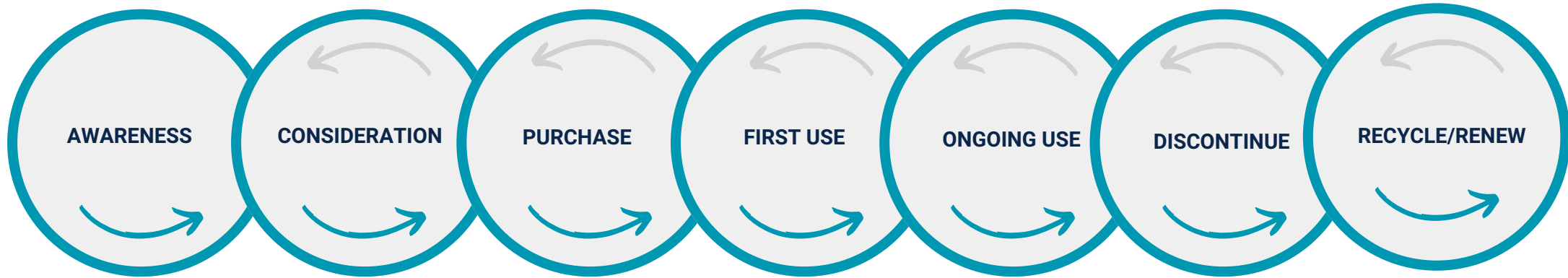
Value Proposition: _____



Customer Journey Framework (1/2)



Customer Journey Framework template (2/2)



Make multiple copies of this page and analyze each customer journey section separately to the above box.

Step 3 - Planning marketing and communications

Questions to solve:

- How to reach the customers?
- Where to reach the customers (digital & traditional channels)?
- What value does each touchpoint bring to the customer?

Main tools and methods to solve the questions:



Four P's of
marketing*

*Print-ready template available

Four P's of marketing

What products/services are you selling?

Product

Where do you sell and make the products/services?

Place

Four P's of marketing

Price

What is the price? Are there discounts?

Promotion

How do you promote the product or services to customers?

Step 4 - Planning the organization model and defining the details

Questions to solve:

- What is the company culture like?
- What kind of processes are in use?
- How to take care of the wellbeing of employees?
- What kind of tools, systems, and technologies are in use to support daily work?
- What kind of customer data is collected, and how is it used?

Possible methods to solve the questions:

- Internal discussions
- Internal workshops

Step 5 - Executing and developing strategy

Questions to solve:

- How well the company is performing?
- What is the prediction of sales?
- How company delivers its promise to customers?
- How satisfied are the customers?

Main tools and methods to solve the questions:

Customer
lifetime value
(LTV)*

Net Promoter
Score (NPS)

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Customer lifetime value (LTV)

Customer lifetime value (LTV) =
$$\frac{\text{Average revenue} \times \text{Gross margin}}{\text{Customer attrition rate}}$$

Customer group/segment: _____

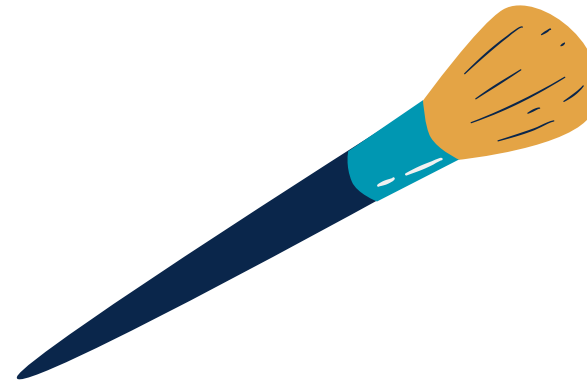
Customer lifetime value (LTV) =
$$\frac{\text{_____} \times \text{_____}}{\text{_____}} = \text{_____}$$

CASE STUDY: Value of purchasing cosmetics



Introduction to the case study

- Conducted as part of master's thesis to identify most important value elements for Finnish consumers purchasing cosmetics online and physical store.
- Conducted through an online survey between during April 7-19, 2024.
- Case study was intended to work as an example which small-scale business owners can reflect on, and deepen their knowledge about the customer value topic.



Introduction to the case study

- **89,6%** of survey respondents were female and **10,1%** male.
- **68,8%** survey respondents were born in 1977-1994, which made **Millennials** the most common generational group. The second biggest generational group was **Generation Z**, and the third was **Generation X**.
- **68,7%** respondents purchased cosmetics monthly and the approximate amount of money used varied.
- **62,5%** of respondents purchased cosmetics using both online and physical stores. Only **2,1%** of respondents said they use only online stores as a purchase method for cosmetics. **35,4%** purchased cosmetics only in physical stores.
- The most common cosmetics purchased online were **skincare, makeup, and haircare products**.
- The most common cosmetics purchased in physical stores were **haircare, makeup, and hygiene products**.



48

survey
respondents

Most important value elements for purchase methods of cosmetics

The case study investigated the most important value elements of two purchase methods of cosmetics, online and physical store. The case study investigated multiple functional and emotional value elements, and the survey respondents were asked to score each item's importance on a scale from 1 to 5. The value elements were based on The Elements of Value Model. Only the value items that scored above 3, are being presented in this page.

Most important value elements of ONLINE purchase method:

Functional value items (average importance):

- Variety (4.45/5)
- Reduces effort (4.38/5)
- Saves time (4.32/5)

Emotional value items (average importance):

- Provides access to (4.09/5)
- Rewards me (3.03/5)

Kuhn 2024, 30-31.

Most important value elements of PHYSICAL STORE purchase method:

Functional value items (average importance):

- Sensory appeal (4.25/5)
- Quality (3.53/5)
- Variety (3.48/5)

Emotional value items (average importance):

- Rewards me (3.55/5)
- Provides access to (3.25/5)

Kuhn 2024, 36-37.

Most important matters for shopping experience of cosmetics

The case study investigated matters that are commonly present with both purchase methods of cosmetics. The survey respondents were asked to score each matters' importance on a scale from 1 to 5. Only matters that scored above 4 are being presented in this page.

Most important matters for the online shopping experience (average importance):

- Price (4.41/5)
- Safety of the products (4.38/5)
- Free delivery (4/5)

Kuhn 2024, 35.

Most important matters for the physical store shopping experience (average importance):

- Clearly marked prices (4.53/5)
- Safety of the products (4.19/5)
- Convenient location (4.10/5)

Kuhn 2024, 42.

Investigating why people purchase skincare and/or makeup products

The case study also investigated the reason why consumers purchase cosmetics products. This was asked only from survey respondents who had selected they purchase skincare and/or makeup products. Few potential value items were selected from The Elements of Value model for this section. The value items were modified into statements and survey respondents chose the extent how they disagree or agree with them on a scale 1 to 10. Only the value items that scored above 5 are presented in this page.

Most important value elements for why people purchase skincare and/or makeup products:

Emotional value items (average scoring):

- Attractiveness (7.3/10)
- Therapeutic value (7.2/10)
- Wellness (6.3/10)

Life-changing value items (average scoring):

- Motivation (5.4/10)

Open comments why participants purchase skincare and/or makeup products:

- *"To look fresh and neat"*
- *"Change the colors of different eye and lip makeup"*
- *"To maintain hygiene and be clean"*
- *"Highlight natural features"*
- *"To take care of myself"*
- *"To look younger"*
- *"Physical appearance"*
- *"Condition and health of the skin"*



Customer experience stories

Survey respondents also had a possibility to share good and bad customer experience stories. Here are some **good experiences** they shared:



"I was shopping online for cosmetics and noticed that the discount code I received gave way too much of a discount on the purchases. Since it was a Finnish family business, I contacted them and told them about the problem, because I didn't want to do my shopping at their expense. I got a reply that I can use my code even though it didn't work as intended. It made me feel good."

"Online: Products and desired samples available and at a good price."

"Friendly customer service which helped me find suitable skin care products."

"I received excellent customer support from one music subscription provider. They properly listened to my needs and provided me with creative and efficient solutions."

"Easy, quick, and effortless. I purchase cosmetics from supermarkets because I go there anyways."

"I was heard, and my case handled professionally and with good expertise and know-how, options were given and finally I was asked if there was anything else they could do to help."

"The salesperson noticed me as soon as I entered the store and took the time to find the product I wanted."

"The salesperson at the physical store had expertise, which helped me avoid a mistaken purchase. The seller helped me choose a suitable product by knowing better myself which product suits my skin."

"Introduction to fragrances"

Customer experience stories

Survey respondents had a possibility to share good and bad customer experience stories. Here are some **bad experiences** they shared:



"I just bought a new bike for my child from the online store of a department store. I received the order confirmation in my e-mail, but after that I heard nothing for a few days (delivery time in the online store 2-4 days). I was looking for a way to contact customer service on the website so that I can inquire about the delivery situation. The website referred to a chat that was supposed to be available on weekdays during office hours, but the chat in question was nowhere to be found on the website. This really annoyed me, because these days you're used to fast delivery times and the ease of reaching customer service."

"When the salesperson is pushing products, even though I have clearly said that I came to pick up something specific. And the salesperson still tries to get me to buy something else during the payment stage, even though I've clearly said that I only want to buy this particular product."

"In physical stores, the salespeople are often busy, and I have to serve myself. This has made me choose the online store more and more often, even if I have to wait for the product for a few days."

"Pushing products, lack of knowledge, promoting accessories, disrespecting the customer"

"The salesperson did not leave me alone and let me look at the products in peace but followed me and tried to sell cosmetics of different brands all the time."

"In some specialty stores, the salespeople don't say hello or ask if I need help, even though I'm clearly looking for something. Or the sellers are not available."

"The car salesman gave a 30-minute speech, during which I just stared silently and waited for the opportunity to answer."

Summary of the case study results

- Majority of consumers use both purchase methods (online and physical store) to buy different kind of cosmetic products.
- Consumers value purchase methods of cosmetics for different reasons but the value is mainly based on functionality:
 - Online purchase method offers convenience
 - Physical store purchase method offers possibility to test and try the products
- When it comes to why people purchase cosmetics, skincare and/or makeup products in particular, the value seems to link mostly from emotional and life-changing reasons.
- One of the most important matters in customer experience is the interaction with the salespeople. This highlights the importance of building a customer-centric organization where right type of people are recruited and trained to help customers to solve their problems. In addition, it is vital to know the customers and their needs.

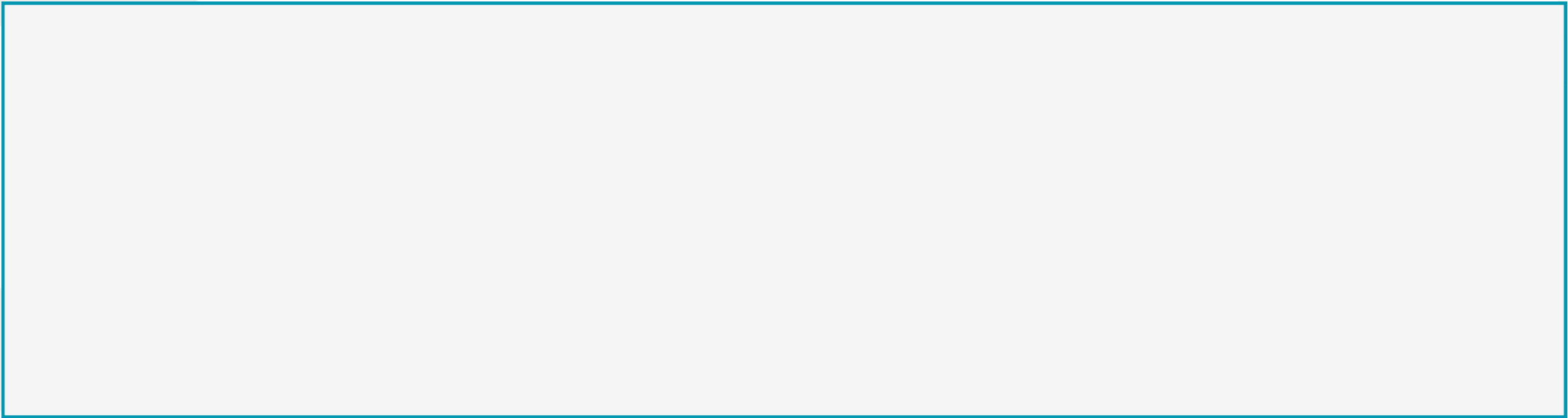
Exercise to reflect on

- **CUSTOMER NEEDS & VALUE**

- Do you know what your customers need and value? Why do they choose to buy products or services from you instead of competitors? Why do they buy the products and services you sell?
- Is your value proposition clear to you and your customers?
- Do you communicate your the value you provide clearly enough?

- **CUSTOMER EXPERIENCE**

- How is the purchase experience for your customers?
- What are your main learnings after reading the good and bad customer experience stories? What would you do differently to make the experience better for the customer?



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