Lahden ammattikorkeakoulu
Lahti University of Applied Sciences

Differentiation Strategy

How to create a competitive advantage in online groceries

LAHTI UNIVERSITY OF APPLIED SCIENCES LTD
Faculty of Business and Hospitality Management
Degree Programme in International Business
Bachelor’s Thesis
Spring 2017
Ka Heng Lok

Lahti University of Applied Sciences Ltd
Degree Programme in International Business

LOK, KA HENG:

Differentiation Strategy
How to create a competitive advantage in online groceries

Bachelor's Thesis in International Business, 87 pages, 24 pages of appendices

Spring 2017

ABSTRACT

Since the beginning of e-commerce, digital selling of commodities is becoming more common and accessible to every consumer. It is possible to order any grocery item on the Internet. A successful company in online groceries requires a strategy that could make it stand out from its competitors. That is the aim of the thesis; to create a competitive advantage in online groceries by using a differentiation strategy.

The study focuses on analysing the external factors: the macro environment, the consumers, and the competitors. To exploit the macro environment, the PESTEL analysis was used. Market segmentation was needed to conclude the consumers' behaviour. Porter's Five Forces model and the SWOT analysis were applied to find the success factors of the competitors. The theoretical part of the study will cover these topics by relying on secondary data from online publications and literature.

The next part of the thesis is the empirical study. A quantitative and deductive approach was chosen by drafting an online questionnaire. The questions are based on the found opportunities from the three external factors. Concrete and reliable conclusions were made after analysing the primary data by using SPSS Statistics.

A new strategy is formulated based on the reliable and valid findings from the theoretical analyses and the empirical study. It is based on the model of the strategic management process and the differentiation strategy from Porter's four generic competitive strategies. It proves that analysing the external factors provides online grocers viable opportunities in differentiating in the current Finnish market. The strategy prioritises the operations of the online grocer, acknowledging the expectations and needs of consumers as a means of gaining advantage over competitors. Finally, it answers the research questions.

Key words: consumer's behaviour, online groceries, PESTEL, questionnaire, SPSS, SWOT analysis

ACKNOWLEDGEMENTS

I want first and utmost to thank my girlfriend (soon to be spouse) Roosa Elisa Jokiaho. Not only has she been supporting me from the very start of my Bachelor's degree, she helped and inspired me to rethink and revise my thesis topic. I cannot count how many times I asked for suggestions and her help. She pulled me out when I was struggling or stuck in a writer's block. She gave me warm encouragements for every milestone I achieved and pushed me to go forward. That is why I want to dedicate this thesis to her. It wouldn't have become what it is without her. Together with my girlfriend, I would like to thank her parents (Timo & Iiris Jokiaho) for their unconditional support during my Bachelor journey. Thank you from the deepest of my heart.

I would like to express my gratitude to Lahti UAS and to every teacher whose course I followed. Ms. Marja Viljanen, my tutor, has been supportive since the first day I came into 04IBU14. I would like to thank my supervisor Mr. Riku Nummikoski for giving me accurate feedback and fast replies on my e-mails. My degree journey has been fantastic.

I am grateful to my family in the Netherlands. Even though, I had been stuck in my previous failed degrees, they have never given up on me. They always have my back. Now I am more proud and confident in myself. Thank you for your continuous belief in me and supporting me all this time.

Last but not least, I want to thank my classmates from 04IBU14 and 04IBU15, who also have become my friends. They were all eager to help with my questionnaire with great interest.

TABLE OF CONTENTS

<u>List of Figures</u>

List of Tables

1 INTRODUCTION

The chapter presents the whole picture of the study and includes the background to the reader. It also includes the research methodology that has been conducted to accomplish the research in online grocery. The thesis objectives and research questions are also explained.

1.1 Research background

Thanks to e-commerce, goods and services have become more mobile and digitalized. They are available to any consumer as long as the items are online. The trend continues in other commodities. Commercial digitalization and mobility extend its influences into the grocery market and arose in popularity to the netizens. The electronic grocery or e-grocery – or more commonly called “online grocery” - is the result of the digitalized grocery market. Online groceries involve the e-commerce of grocery commodities. Consumers can order these commodities from an online grocery shop and the ordered food items will be delivered to the consumers.

E-grocery made an impressive growth in Europe in 2014. The Dutch market grew with 55%, followed by France with 45%, then the German grocery market 38% and the British market reached 26%. In 2014, Syndy (2015, 3) adds that 16% of European consumers have ordered on online grocery, in comparison to 13% in 2013. Furthermore, the market is growing very fast with an expected value of 80 million euro for 2018.

With the increase in growth and significant market value, the market of online grocery is making steady progress. Both small and large retailers are investing resources into online offerings. E-grocery is relatively a new trend in the grocery market. None of the retailers have found a best or optimal business model. They need to invent and fine-tune new business models. (Syndy 2015, 6.)

In most common practices, companies look into business models that have been successful in countries like United States or United Kingdom. These models are being replicated and adopted, which in return creates an increase of diversity of business models. (Syndy 2015, 6.)

Magretta (2002) explains in the Harvard Business Review, that a business model is like telling a story on how a company works. A business model shows who the target customers are, what the customer value is and how to make money in a specific business. A successful business model serves better than existing substitutes and could offer more value to the target consumers. At certain levels, newly created business models could be variations or revamps on old models. It describes business models as a system with segments hanging together, but a model does not answer the question of how to deal with competition. This is where the business jargon “strategy” comes into play. Strategy is defined as how to be better by being different.

The thesis continues with a simple definition of strategy: “being different”. E-grocery or online grocery is currently a new trend in Finland. More players are coming into play and trying to get a foothold in the grocery market. Within such a competitive environment, it is recommended to have a strategy with a sustainable competitive advantage to make good business out of it. For that purpose, a differentiation strategy is chosen as the topic for the thesis. (Lemarchand 2013.)

Thanks to e-commerce, goods and services have become more mobile and digitalized. They are available to any consumers as long as the items are online. The trend continues in other commodities. The electronic grocery or e-grocery – or more commonly called “online grocery” - is the result of the digitalized grocery market. E-grocery made an impressive growth in Europe. (Syndy 2015,3.)

With the rise of growth and significant market value, the market of online grocery is making steady progress. Both small and large retailers are investing resources into online offerings. E-grocery is relatively a new trend in grocery market. None of the retailers have found a best or optimal business model. They need to invent and fine-tune new business models, while new players are appearing to have a share of the market. (Syndy 2015, 6.)

1.2 Thesis objectives and research questions and limitations

Thesis objectives

The thesis focuses on researching online grocery. The aim is to find out how to create competitive advantage by differentiating in offerings for consumers. Stone and Desmond (2007, 197) define competitive advantage to be when a company has achieved a market position that enables it to set its products apart from the competitors for the target consumers.

To keep the advantage sustainable, the company must keep up to date to meet the needs of the target consumers, much more efficiently and effectively than its competitors. The study performs an analysis by understanding the macro environment, analysing competitors and studying consumers' behaviour. Then it should be apparent where the opportunities lie from these factors. These opportunities will form the basis for a strategy. Ultimately it should end with a new strategy that would be applicable for practical implementation.

Research questions

After presenting the thesis objectives, a study should follow-up with research questions. Saunders, Lewis & Thornhill (2012, 681) define research question as "key question that the research process will address". Research questions should give descriptive answers and should flow from the research idea, which in the study is "differentiation in online grocery". A successful study is dependent whether the researcher can form clear conclusions from the collected data. It relies on the clarity of the research questions. By defining clear research questions, the researcher should be able to answer the questions accurately. Research questions should be “just right” in the goldilocks test: “too big” might demand too many resources, “too small” has probably insufficient substance and “too hot” involves too much sensitivities and influences the results of the research. (Saunders et al. 2012, 40-42.)

The research question for the study is:

“How could a company create competitive advantage with the differentiation strategy in online grocery in regard to the external factors?”

Once the research question is confirmed, the next step is to break it down into sub-questions. These sub-questions are components that will be researched in the thesis. They serve as building blocks and help to develop the research question into a purposeful and relevant study. Both research question and the sub-questions are closely related and linked to each other. (Meshguides 2016.)

The sub-questions in the study are:

- *“What does the external environment offer as opportunities?”*
- *“How do consumers behave in online grocery?”*
- *“What are the critical success factors of competitors in online grocery?”*

Limitations

A study cannot cover all the perspectives and issues surrounding the research question. There are limitations to be aware of such as the absence of an external factor “distribution”.

A well supported distribution system can make a difference in online grocery. Multi channels distribution and last-mile problem are important when a study is related to e-grocery or the whole online retailing. As this topic is too broad, the distribution factor has been left out.

Another limitation is the demographical matter. The study is executed in Finland. This means that the conclusions coming out of analyses are only relevant to the Finnish population and not accountable for other countries.

The last limitation is the lack of a real case company. Without this, the study is written in a general perspective and the survey is executed in a broader population. This could impact the validity of the result of this thesis.

The conclusions of the thesis would only be applicable for Finnish companies, as the data is collected from Finnish consumers. Furthermore, the thesis will not be supported by actual experience from the field, which could raise the doubt of whether the ultimate strategy could be applied adequately in practice.

1.3 Theoretical framework

The purpose of the thesis is to discover the opportunities from external factors to create competitive advantage. The results would help companies make a difference in offerings for the consumers in online grocery. The differentiation strategy offers opportunities and provides the strategy formulation to propose practical recommendations for developing competitive advantages.

External factors analyses

Firstly, the reader is guided through the introduction of the different theories about the definition of strategy. By acknowledging the framework of the right strategy, the thesis incorporates several marketing tools or theories. Secondly, many marketing theories will be applied to support the study. Theories, such as PESTEL (Political, Economic, Social, Technological, Ecological and Legal) analysis would be for understanding the macro-environment, SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis would be used for competitors’ analysis and consumers’ behaviour market segmentation respectively.

The implementations of the theories help the reader to understand the factors more profoundly. Thirdly, the whole focus of the thesis will come together in Chapter 7 in a strategy. Finally, a strategy is presented, that could be implemented or adapted for companies for practical uses. The external factors analyses are based on the external audit of the model of strategic management process (David 2013, 93-95). FIGURE 1 displays the framework in the model.

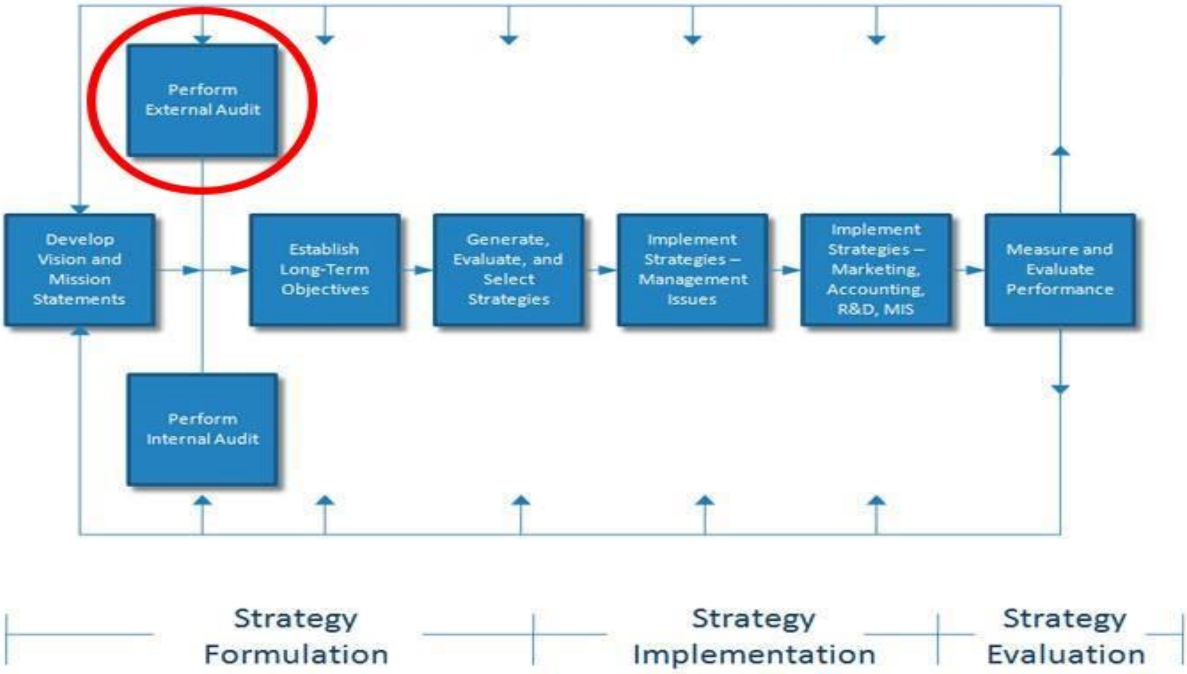

FIGURE 1: Theoretical framework in model of the strategic management process (David 2013)

The differentiation strategy is only concerned with the external audit. David stated that the key external forces are divided into five categories: economic forces, social, cultural, demographic, and natural environment forces, political, governmental, and legal forces, technological forces, and competitive forces. Changes in the forces could affect the direct environment of companies, such as consumer demand or market segmentation. Identifying and evaluating the external opportunities and threats help companies to develop strategies for achieving their objectives in the long term.

Differentiation strategy

The differentiation strategy is carried out for online grocers to provide competitive advantage. It should take advantage of the opportunities in the external environment, fulfil the expectations and needs of consumers and stay ahead of the competitors. Mitchell (2015, 1) explains that a strategy formulation provides '*a clear set of recommendations, with supporting justification'.* The thesis' differentiation strategy is opting to provide the data supported recommendations. This way, any new or current online grocers could adopt the strategy and adjust their business model. One important remark about the differentiation strategy is that it lacks the internal analysis and the implementation phase. These will be elaborated more in the suggestions on further research (Chapter 7).

Mitchell (2015, 6-7) states that successful companies have competitive advantages whenever they can attract customers and uphold against competitive forces. The differentiation strategy displays these advantages, as it provides the valuable insights and understands the opportunities from the external environment, the consumers' behaviour and the success factors of the competitors. By inheriting the competitive advantage into the strategy formulation, competitive strategies are fundamental for successful companies, producing unique core competencies in one of the many areas essential for success and using them to stay ahead of the competitors. The author argues that establishing a competitive advantage requires the company to make two important decisions; whether to compete on price or provide unique points of differentiation for higher prices and broadness of the market target. TABLE 1 shows a summary table of the competitive strategies.

TABLE 1: Porter's four generic competitive strategies (Porter 1985, 12)

Competitive strategies		
	Lower cost	*Differentiation*
Broad target	Cost leadership	**Differentiation**
Narrow target	Cost focus	Differentiation focus

In short, the cost leadership is to provide products and services at the lowest price for the broad market. The differentiation strategy consists of appealing the customers by offering unique product or services features, which would make the customers pay for a higher price. Cost focus is a niche market strategy, its focus lies in providing the lowest price than the competitors in a smaller customer segment. Another differentiation strategy is the niche market strategy focusing on a small customer segment by offering unique and highly valuable products or services. (Porter 1985, 12-15.) For the relevance of the thesis, the mentioned differentiation from the competitive strategies would be most suitable (TABLE 1).

Mitchell (2015, 8) states that a strategy for differentiation needs to answer certain conditions:

- There are multiple ways to differentiate the product/service that buyers think have substantial value.
- Buyers have different needs or uses of the product/service.
- Product innovations and technological change are rapid and competition emphasizes the latest product features.
- Not many rivals are following a similar differentiation strategy.

The differentiation strategy is carried out in Chapter 6.

1.4 Literature review

The differentiation strategy is based on the opportunities found in the analysis of the external factors. Various analysing tools are used to figure out the needs and preferences of consumers, the success factors of competitors and the changing external environment. These opportunities are then brought together into an overview that could be useful in the strategy formulation for companies or entrepreneurs who are considering to enter the online grocery market in Finland. The main inspiration was to find a new strategy that would pay off by differentiating among the direct and indirect competitors.

Online groceries are meant to offer commodities through the internet. However, the majority of products can be easily obtained from other competitors, especially the big chain food retailers. Online grocers need to find their unique competitive advantage besides offering the cheapest prices or fastest delivery, because other market players and competitors could easily replicate these competitive advantages. So, it is crucial to stand out in consumers' services and get a step ahead in online groceries. In the previous years, there have been several reports concerning the challenges and the low success of online groceries.

Woolley (2012) wrote that online grocery shopping is still a small business in Finland. Both S- and K-groups were facing difficulties in expanding into online groceries and making the business profitable. Timonen (Helsinki Times 2012), director of the National Consumer Research Centre, adds that delivering and receiving fresh produce has proven to be a hurdle.

Kopra (2015) deducted three reasons why online grocery shopping has not taken off yet in the Nordic countries. Firstly, the online groceries have a competitive disadvantage; the online prices are higher than the store prices due to the delivery fees. Secondly, the assortment in online groceries is perceived to be limited and over-priced by the consumers. The traditional stores or bricks and mortar stores would have superior pricing and product quality. Thirdly, consumers are worried about the quality of the ingredients and the higher perceived pricing of online groceries. Additionally, the inconvenient purchase process might be a hurdle for consumers. This makes the online groceries experiences short lived.

Ahola & Kukkonen (2013) ran a pilot test for an e-grocery in Turku and concluded that despite the enthusiastic consumers, there were not enough regular consumers to make it a profitable business. Both the public opinion and the literature have suggested that e-grocery is beneficial for both consumers and sellers, but the reality seems much different. Furthermore, the consumer’s behaviour is constantly changing and making it hard to grasp the essence of customer value. The authors agree that it is difficult to improve the quality of service with limited resources and without cooperation of the whole chain in purchasing and marketing.

Dahlbacka (2012) has reported in a retail food sector report that major retailers have started to develop and promote organic products and their organic labels, thus having achieved major recognition. This way, the retailers have responded to the increasing demand of consumers for food quality and origin. In addition to their assortment, they also offer sustainable products from other labels. In addition, with the sustainable labels, the Finnish retailers have developed new private labels to focus their products on a more price-oriented basis. More discount stores have opened due to this change. The pricing became an important factor in the competitive environment. The market entry of Lidl may have caused this. Lastly, functional foods were introduced and were well received by the consumers. These food items contain information about nutritional advantages or ingredients that could prevent diseases. They are liked for reasons as food safety and promoted healthy eating habits. Consumers are likely to pay a higher price for these functional foods.

1.5 Research methods and data collection

A research involves the use of theories. These theories in turn depend on the design of the study. It is illustrated by deciding which research approaches, based on reasoning, the researcher chooses; deductive or inductive. A deductive approach is established if a study starts with a theory and the researcher designs a research strategy to test the theory. The inductive approach happens if a study starts with collecting data to examine a phenomenon and set up a theory. (Saunders et al. 2012, 143-145.)

When a researcher has chosen the approach, it is important to figure out how to collect the necessary data and to decide on which research methods to choose from. The choice is largely determined by the research questions but also based on practical consideration like availability of the right resources. (Eippee 2011.) There is a variety of research methods; each of them focuses on a different context. The most common methods, quantitative and qualitative are going to be explained.

A quantitative research method is often described as data collection technique or data analysis procedure that uses or develops numerical data. Quantitative research method is frequently associated with a deductive approach, although an inductive approach might also be applicable depending on the context. This method researches the relation between variables. These variables are measured numerically and analysed by using statistical tools. They could be age, income etc. The questions for data collection should be clear and interpreted in the same way for every participant. (Saunders et al. 2012, 162-163.)

A qualitative research is usually explained as a data collection technique or data analysis procedure utilizing or generating non-numerical data. The majority of qualitative studies start with an inductive approach. The qualitative research method examines the relationships between participants using various data collection techniques and procedures to come to a conceptual strategy. Each participant behaves differently and has a different point of views. Whereas quantitative method has a standardised manner, the qualitative research method is non-standardised. Questions and procedures may change during the research process. (Saunders et al. 2012, 480-481.)

As Saunders et al. (2012, 162-164) explains there is a third research method where both quantitative and qualitative methods could be used or even combined to generate a better theoretical perspective. In the study, the purpose is to discover opportunities for creating competitive advantage in online grocery. The quantitative research method has been chosen since online grocery is still a new trend in e-commerce and it should be useful to gather data from greater population to form an accurate conclusion to support the strategy.

Statistical analysis is used for the collected data to explain the behaviour and buyer decisions of consumers. In addition, there could be questions about competitors' presence from consumers' point of view. It would aid the validity for the research topic to present the questionnaire in standardised form. Many consumers have different ideas or opinions on online grocery. It could influence or even bias towards to the conclusions of the study. Furthermore, quantitative research method could to test his hypothesis on analysing external factors for opportunities. (Saunders et al. 2012, 373.)

After establishing the research method, the next phase is to confirm the methods for data collection. Data collection involves collecting and assessing information on relevant variables to the research questions. It is meant to test hypotheses, answer research questions and evaluate results. Collecting data is an important part and is very common in research studies. (RCR 2016.)

In data collection, there is a difference between primary and secondary data. Primary data are newly collected data specific for a new purpose, while secondary data have been collected for other purposes and peer reviewed. (Saunders et al. 2012.)

Secondary data are used to answer the research questions. Primary data for the thesis are collected with an online survey. The results are retrieved from respondents from social media and collected from the students from Lahti University of Applied Sciences. The aim of the questionnaire is to study the consumers' behaviour and test the hypothesis in online grocery. The results should show the unique characteristics affecting consumers' behaviour and which type of buying decision behaviour occurs. Secondary data are collected as a source for the theoretical background for the thesis. These data originate from literature and online articles from reliable sources. The research methodology is visualised in FIGURE 2.

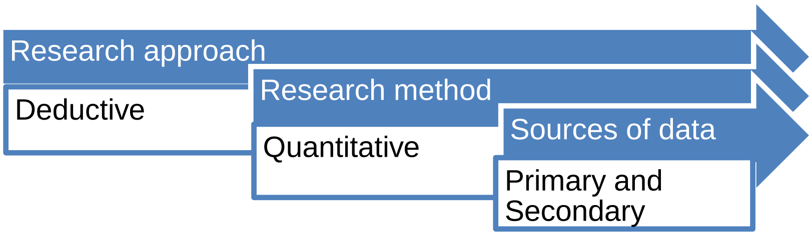

FIGURE 2: Research methodology

The thesis will be following a deductive research approach and using a quantitative research method. The sources of data are originated from both primary and secondary sources. Public and online references are parts of the necessary literature and an online questionnaire is used as a source for the study.

1.6 Thesis structure

The thesis is constructed in a build-up way. Each chapter is crucial to the conclusions and strategy formulation. Overall, the study is divided into two main parts: theoretical and empirical part. In the first part, the theoretical part includes the marketing theories and applications: external environment and competitors' analysis and study of consumers' behaviour.

With these acknowledgments of the external factors, the study continues with the empirical part. The empirical part supports the theoretical counterpart. The last stage of the thesis is forming a strategy with the knowledge of both previous parts. FIGURE 3 shows the thesis structure in a flowchart.

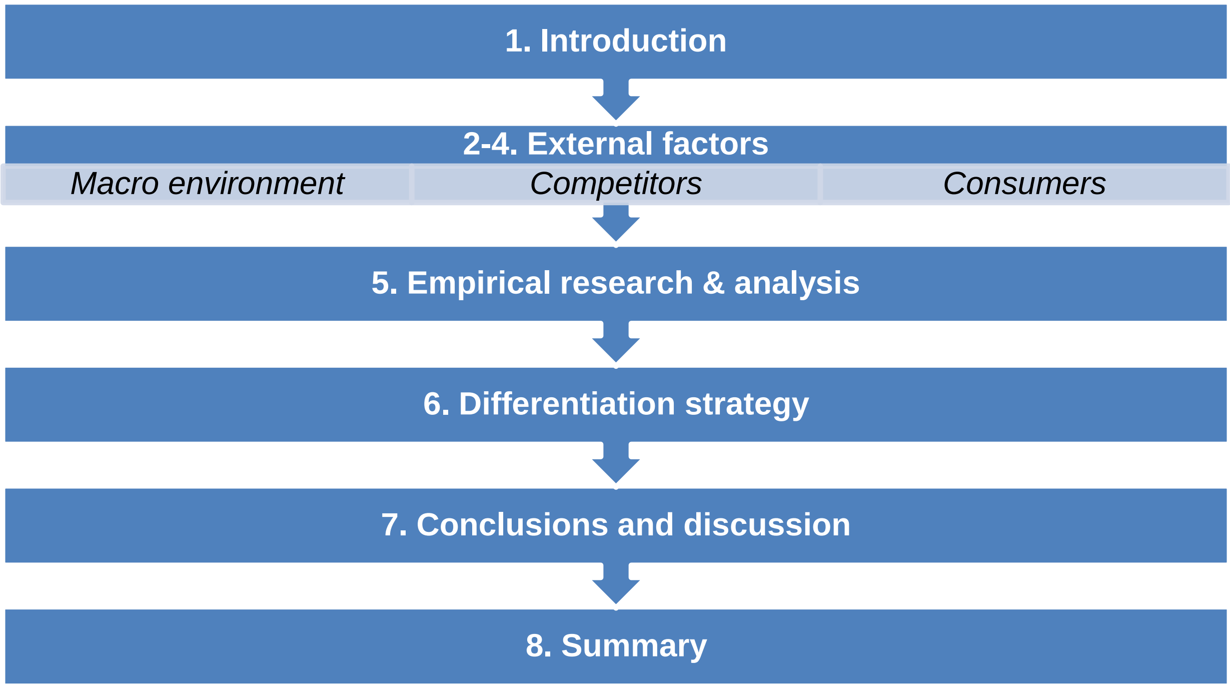

FIGURE 3: Thesis structure

The introduction serves the purpose of presenting the thesis topic. It familiarizes the reader with the aim of the thesis, research objectives and data collection methodology. In addition, it guides the reader through the overall structure of the thesis. The second chapter leads the reader to the macro-environment and explains how the current situation is. Then the third chapter displays the consumers and it will show how consumers behave in their online shopping for groceries. The next chapter (Chapter 4) adds the final piece of the external factors, the competitors. Chapters 2, 3 and 4 end with a subchapter concerning the possible opportunities which are crucial for the strategy.

Chapter 5 explains the process and results of the empirical analysis for the thesis. The design of the survey is explained and the results are analysed and presented to the reader. Onwards to the sixth chapter, the differentiation strategy is finalized based on opportunities of the external factors and supported by the results of the empirical research. Chapter 8 marks the ending of the thesis by summarizing the whole study.

2 RESEARCHING MACRO ENVIRONMENT IN FINLAND

The first step in finding opportunities for the differentiation strategy is to examine the external environment. This chapter consists of the analysis of the environmental issues, which are external factors for companies.

2.1 Macro environment analysis

The differentiation strategy for the thesis focuses on the external factors of companies. External factors include the macro environment that could have an impact on the companies' operations. However, the companies themselves cannot influence or manipulate them to diminish the harm. On the contrary, opportunities could be found and even exploited. Hence, this defines the objective of PESTEL analysis for this chapter. FIGURE 4 displays the PESTEL analysis with five external factors

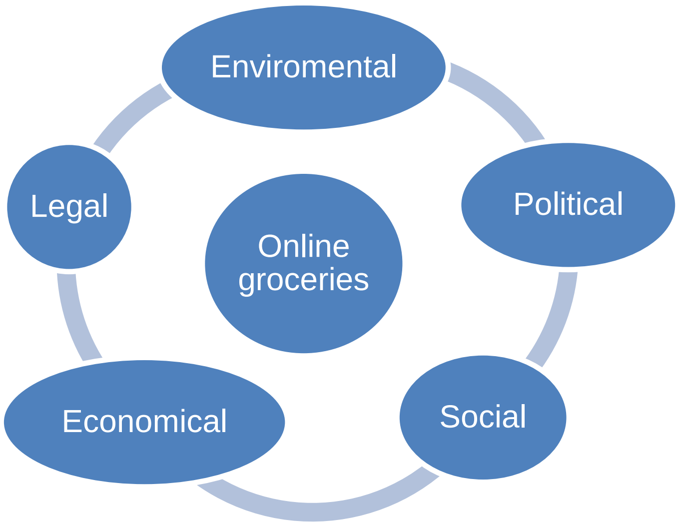

FIGURE 4: PESTEL analysis (David 2013)

PESTEL represents the issue in the external environment through political, economic, social, technological, environmental, and legal factors. Political factors concern the key political factors. Economic factors involve the important economic indicators such as inflation rate, unemployment rate.

Social factors include the cultural aspects and the social behaviour of the population. Technological factors comprise of technological innovations that are likely to get developed. Environmental factors cover environmental concerns and considerations in the industry. Lastly, the legal factors explain the current legislations that may affect the industry. Opportunities could be identified by describing the external factors. (David 2013, 95-101.)

Political factors

For monitoring the grocery situation in Finland, there is the Finnish Grocery Trade Association (PTY 2016). The association is a lobbyist involving grocery trade and whole trade in foodservice in the industrial and social policy-making process. Their objective is to ensure that the grocery trade acts are formed in an environment of free competition and takes the consumers’ interest into account. In addition to being an association for grocery trade, the association works closely with the Finnish Commerce Federation in its lobbying operations.

The Finnish Grocery Trade Association (PTY 14-15) also develops non-competitive operation models for the value chain. These models enhance efficiency and promote social responsibility, as well as cooperation between grocery companies. Some examples of members in the association are Tokmanni, K-Group, S-Group and Lidl.

In a recent development in 2012, Labour Minister Ihalainen has commenced a programme to challenge the long existing duopoly - a market with only two main competitors – of S- and K- Groups. Both supermarket chains have more than 80% control of grocery trade nationwide. The programme consists of stricter regulations if the chains have exceeded the set quota of market share. Officials have the right to intervene in the operations, by means of denying permits for opening more grocers of the duopoly players. (YLE 2012.)

Economic factors

According to the report of economic survey (OECD 2016), Finland enjoys a high level of income and well-being. However, export performance has fallen and is especially declining in electronics and paper industries. The economy took a blow from the Russian recession. The unemployment rate has also been rising rapidly. The current focus lies on reviving productivity and boosting employment.

Here are more figures concerning the economic factors in Finland for 2016. (Trading Economics 2016.)

- GDP: $229 billion
- Inflation rate: 0.7%
- Interest rate: 0%
- Wages: 3384 euro/month
- Unemployment rate 8.1% (213.000).

Fortunately, the Bank of Finland has announced at the end of year 2016 that Finland is leaving the recession. It has been declared that the economy is growing due to consumption and investment. The bank has forecasted slow GDP growth in the following years. However, Finland would still be lagging behind other Eurozone countries. This is partly caused by the Russian recession and their trade sanctions.

In addition, the persistence of unemployment and marginalisation of the young adult population will limit the recovery of the Finnish economy if they are not dealt with. (YLE (1) 2016).

Social

In the report of Nordic Food Survey 2015 (EY 2015, 7 &11-14), it has been stated that Finnish consumers have a different behaviour pattern than other Nordic populations. Finns think more highly of locally produced food. Secondly, they tend to look at the product details to see if they contain additives. Thirdly, Finnish consumers put priority on loyalty cards more than other Nordic countries.

Fourthly, Finns prefer to receive standard promotional material, rather than personalised offers, as they are regarded to be intrusive. All Nordic countries considered a new trend has appeared. Convenience has an important factor in daily lives. Time saving solutions are being developed for this matter. These include home delivery, self-checkout, and readymade meals. Furthermore, grocery shopping online is seen to become a growing trend in the future. (EY 2015, 7.)

YLE News (YLE 2015) has also reported that the grocery list of an average Finnish consumer has remained mostly the same for the last decade. There has been a small change in that Finnish consumers are now opting for a healthier diet. The data came from the biggest supermarket chains, S- and K – Groups. Milk is still number one on the grocery list, followed by dark rye bread, flavoured yoghurts, coffee, bananas, and beer.

Technological factors

Oliver Wyman (2014, 12), an international management consulting firm, shows there are different delivery models that have been used by online grocery retailers. Some models have significant results in France and United Kingdom. The models vary from consumers who do their pick up themselves, to ones who have their delivery done by a third party. In short, this has been named as multi-channel delivery. The report suggested online grocers to consider following one of the models if the market has a dominant customer model.

Amazon (2016) has been testing drones to deliver the goods to consumers. They named their future service ‘Amazon Prime Air’. It is stated to be a delivery system designed to deliver packages to customers in less than 30 minutes by using drones. The system has great potential if the technology is getting more refined. The whole delivery process is aiming to provide fast delivery, and to increase overall safety and efficiency of the transportation system.

Environmental factors

The Paris Climate Conference was held in December 2015. Countries were putting effort into enforcing a legally binding global climate deal together. The purpose was to put into practice a global action plan to avoid the dangerous climate change. Governments will need to work on reducing emissions and support the climate action to reduce emissions while also dealing with impacts of climate change. (EC 2016.)

Since the agreement, Finland has been promoting actions in reducing emissions. Rajantie (2015), a leading specialist from Sitra, describes four Finnish cities as being successful and building well-being while reducing emissions. The cities were committed to become carbon neutral and waste free. By doing so, they have successfully limited their ecological footprint and aided the environment. One of the regulations was to utilize private cars and other transport to deliver online ordered groceries to families. Another idea was to sell leftover lunches from schools and day-care centres for an affordable price.

Legal factors

Concerning the alcohol beverages in grocery stores, governing parties have made new laws last year. The strict alcohol laws have been loosened. Grocery shops are allowed to sell stronger alcohol drinks, and there is also more flexibility in serving, selling and advertising. (YLE 2016b.)

Huimala (2013) from Castrén & Snellman Attorneys Ltd. has raised concerns about competition in grocery retail. The presentation explains the Finnish grocery retail dominance law concerning the duopoly of S- and K-Groups in Finland. The background describes that the grocery retail sector is a concentrated industry with four major retail chains, but S- and K-Groups has a combined market share of 80%. The food prices are also rising. For this reason, a new law was made to amend the competition act.

2.2 Opportunities from macro environment analysis

The differentiation strategy in the thesis focuses on the external factors to find a competitive advantage. One of the external factors is the macro environment. For this purpose, the PESTEL analysis is used to analyse the macro environment. It consists of six external factors: the political, the economic, the social, the technological, the environmental, and the legal. TABLE 2 shows the results of the analysis that could help with the formulation of the differentiation strategy. (David 2013, 95-101.)

TABLE 2: Opportunities from PESTEL analysis (adapted from David 2013)

PESTEL analysis	
Political	Alcohol laws loosened Finnish grocery trade association
Economical	Finland is leaving recession Unemployment still rising Stable inflation rate
Social	Emphasize on convenience Finnish grocery list unchanged for last decade Finnish consumers prefer locally produced food Loyalty programmes Standard promotional material
Technological	Amazon's drone application Multi-channels delivery to consumers
Environmental	Paris Climate Agreement Aiming for reducing emissions and waste free
Legal	Finnish Grocery retail Dominance Law in effect

From TABLE 2, the PESTEL analysis has pinpointed the opportunities for the differentiation strategy. Since the laws for alcohol have loosened, it might be an idea to expand the online groceries to offer alcohol beverages. However, it must be monitored properly to avoid alcohol abuse from consumers below legal drinking age. The Finnish grocery trade association will have an important role in setting up an online grocery.

The association is a lobbyist in the interest of grocery retailers and consumers. There might be other opportunities from new regulations or laws in the future.

The current economic situation in Finland might be unfavourable. However, since the inflation rate has remained the same and shows price stability, it gives certainty about price levels as they will not change in a short period. This would give an edge on the price setting in online groceries. While the unemployment rate might be high, this could be an opportunity to active the unemployed population by allocating them into a suitable working environment in an online grocer.

The social factors show promise in the differentiation strategy. Many of them can be applied to improve the online groceries' marketing. Convenience could be marketed as a critical success factor. Because of the unchanged grocery list, the online assortment could be more pinpointed and focused on profitable food items. Loyalty programmes and standard promotional material should be applied to the differentiation strategy.

From the technological side, the multi-channels delivery might be an interesting application to the differentiation strategy. This delivery model could enhance the convenience factor for online groceries. It certainly gives the consumers more options when the goods are being delivered.

Lastly, the legal factors were explained. In the current economy, the biggest players in the grocery market are S- and K- Groups, but the government has initiated a new law to limit their competitive position to give breathing space and room for other groceries to grow. For online groceries, this might be a sign to grow without worrying about the dominance of these supermarket chains.

3 UNDERSTANDING CONSUMERS' BEHAVIOUR

Being an online retailer, the focus of the business should be always towards the consumers. They bring in the revenue that a company needs to assure continuity. This chapter is all about consumers of e-grocery. They are one of the fundamental of the differentiation strategy. First step is to identify the consumers by segmenting the market. After the target consumers are identified, they are associated with consumer behaviour model. The model explains what the characteristics are of the target consumers. In addition to the model, the consumers are studied which type of behaviour they express upon purchasing. To support the differentiation strategy, relevant pointers are collected from understanding the consumers' behaviour and added as opportunities at the end of this chapter.

3.1 Market segmentation

Before the start of researching consumers, their identities need to be confirmed first. The number of consumers may be too much to research, as the population demographic in Finland is just less than 5.5 million (Santander 2016). It is nearly impossible for a company to serve the whole population. Hence there is a marketing tool called "market segmentation" to identify the right consumers.

Kotler & Armstrong (2012, 215) define market segmentation as dividing a market into smaller group with specific needs, characteristics, and behaviour. Each group might need a different marketing strategy or a combination of them. Market segmentation pinpoints the group of consumers relevant for the strategy and acts as an important component to create value for targeted customers. This group has unique needs and companies must match their products and services to them.

There are four different segmentation variables, which can be used separately or in combination. All variables are about dividing into significant units.

- Geographic: cities, regions, nations, density or neighbourhoods
- Demographic: age, gender, family size, income, occupation, education or nationality
- Psychographic: social class, lifestyle or personality
- Behavioural: occasions, benefits, user status, readiness stage, attitude toward product.

It has been decided to go for behavioural segmentation, as this would be the most relevant choice for the thesis. Behavioural segmentation concerns knowledge, attitudes, uses and responses to a certain product. This definition can be adapted into the online grocery context. The following questions could be asked to clarify the groups within this segmentation. The questions are aligned with the thesis topic of online grocery:

- What are the occasions that the consumers utilize online grocery?
- What benefits are consumers seeking?
- How ready are consumers for online grocery?
- What shopping behaviour does a Finnish customer have?

The answers to these questions will form the basis the model of behaviour of the consumers. The stimuli for the consumers to make a purchase are also identified then. However, it is not always easy to find how the consumers think. As Kotler & Armstrong (2012, 161, 216-217) call this unknown consumers’ thinking “Black Box”. It is difficult to determine the reasons for their behaviour, because every individual has different needs, behave, and thinks differently. Nonetheless, it is possible to describe it by confirming the stimuli and in addition the type of buying decision behaviour.

The first question involves pinpointing the occasions or times that consumers use online grocery. It shows the frequency that consumers consider a purchase in online grocery and the popularity of these online grocery websites.

Ahola & Kukkonen (2002, 520), from University of Oulu, indicate that consumers shop regularly on online grocery shops and even order once a week. Additionally, it was reported that the frequency of online shopping was influenced by the seasonal periods. Times like before Christmas or poor weather cause the frequency to rise to ten times per week. From this online grocery pilot testing, it might demonstrate that Finnish consumers order regularly.

However, it could be argued that the results and situation might be different as the source originates from 2002. The figures might be proven different in the empirical research in Chapter 6. The following question answers what benefits or characteristics the consumers are looking for their purchases. Santander (2016) points out that average Finnish consumers prefer national products and are also drawn to the ecological labels. They are looking for food quality. A new trend explains that Finnish consumers are looking for healthy and easy to prepare ready-cooked meals. Convenience is an important benefit for them. Finnish consumers are ready to embrace new technology and open to new products and concepts

Furthermore, Tanskanen, Yrjölä & Holmström (2002, 174) add that Finnish consumers need to get all the ordered items instantly and a wide assortment, also want to choose fresh food. However, the latter reveals that consumers want to confirm the quality of purchased items by themselves. The authors argue that this is a matter of trust between the e-grocers and consumers. If an e-grocer can guarantee this food quality of high standard, the consumers are not interested in selecting items. Consumers are not willing to pay more than at the average supermarket, except the service includes home delivery. They believe that a company should not apply a higher price to cover the overall costs. The prices should be at the same level as the competitors.

Anders Innovations (2016) also supported this statement, it was concluded that e-commerce is likely to grow because of the growing ordering experience and purchases and delivery methods increase. In short, Finnish consumers are ready for online grocery.

Capgemini (2013, 3) has published a study how digital shoppers use and value digital channels. The publication considered the different behaviour more in detail. The study was done in 16 countries, including Finland. One of the chapters concerns the food retail sector which was aligned with the interest of the thesis.

For the online grocery, it is frequently visited by consumers with digital shopaholic behaviour per customer segment division. Capgemini (2013, 12) defines consumers with this behaviour as active users of digital channels. They make very often online purchases and use social media very actively. They prefer to communicate with retailers and have high expectations of them. The overall segmentation is visualised in FIGURE 5.

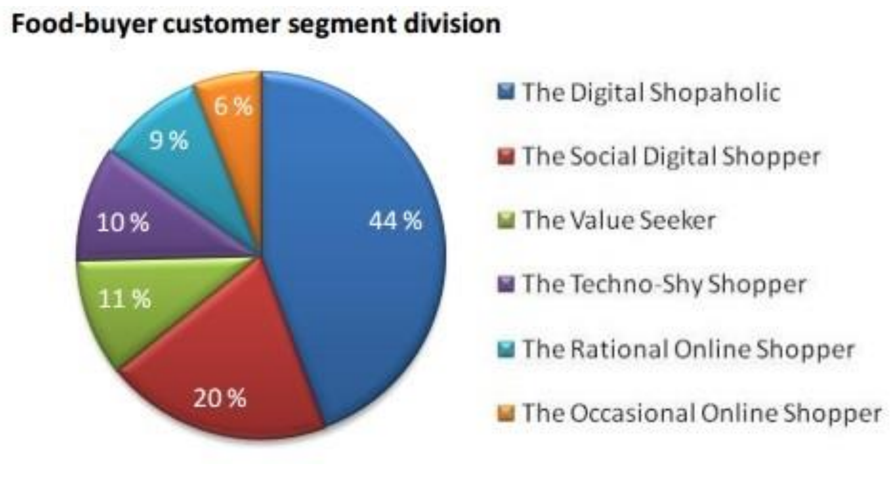

FIGURE 5: Food-buyer customer behaviour segmentation (Capgemini 2013, 11)

Capgemini (2013) stated in its report about digital shoppers in Finland. It explains the different identified shopping behaviours from researching 1008 Finnish consumers. Within the Finnish population, there are six behaviours:

- Techno-shy shopper
- Value seeker
- Occasional online shopper
- Rational online shopper
- Digital shopaholic
- Social digital shopper.

FIGURE 6 displays the six behaviours in a chart. Figures for the segment distribution per country show a different insight of Finnish shoppers.

FIGURE 6: Digital shopper segmentation Finland (Capgemini 2013, 11)

Apparently, Finland has more rational online shoppers or conservative consumers than the remaining behaviour types. FIGURE 6 shows that the slight majority of 32% are rational online shoppers of the sample of the population. While buyers of food items or with digital shopaholic behaviour are represented by 7%. These rational online shoppers buy fashion and electronics products, know already what they want and use the internet optimally for that purpose. (Capgemini 2013, 12.)

They value well-functioning online shops with transparent product information, pricing and delivery processes, although Finnish shoppers are not very active in social media. (Capgemini 2013, 12).

In addition, Capgemini (2013, 20) reports that the food sector is often visited by the 7% digital shopaholics in Finland. These consumers use a variety of channels and smartphones and mobile apps during their shopping process. They are not shy to contact call centres for additional information. Their buying decisions are depending on price, product, service, and ease of access in descending order. Pricing should be fair, honest, and consistent. This factor influences most buying decisions. Product range should be varied and availability is important. Service includes consumers' communications, return policy or post purchase service. Access to the products should be easy and available on all channels, consisting of stores, internet, mobile and social media.

3.2 Buying decision behaviour

Kotler & Armstrong (2012, 176-177) explains the buying decision behaviour. Depending on what the product is, the consumer behaves differently. The behaviour for buying a package of salt greatly differs from buying a new car. Some purchases could happen out of habit, others require considerable information gathering and decision process.

The latter behaviour is more complex and can be influenced due to subtle factors. The buying decision behaviour will serve as the key for understanding the consumers' behaviour. There are four types of buying decision behaviours:

- *Complex buying behaviour:* buying situations with high consumer involvement and significant differences in brands. The product is costly, risky and purchased rarely (e.g. PC).
- *Dissonance-Reducing buying behaviour:* buying situations with high consumer involvement and less perceived differences. The product is expensive and rarely purchased but the same product can be found anywhere (e.g. carpet).

- *Habitual buying behaviour:* buying situations with low consumer involvement and few perceived differences in products. The product is inexpensive and often bought. Consumer buys the product out of habit, rather than brand loyalty (e.g. salt).
- *Variety-seeking buying behaviour:* buying situations with low customer involvement and high significant differences among brands. The consumer might buy the product out of habit, but he will change brand for variety or check out other brands. Marketing strategy might be different for market leader and minor brands. Brand switching would happen often with this behaviour (e.g. cookies).

These four types of behaviour are determined by the involvement of the consumers and differences between brands, as shown in TABLE 3.

TABLE 3: Four Types of Buying Behaviour

	High involvement	**Low involvement**
Significant differences between brands	Complex buying behaviour	Variety-seeking buying behaviour
Few differences between brands	Dissonance-Reducing buying behaviour	Habitual buying behaviour

After the considerations of market segmentation, Finnish consumers could be assumed to be regular online consumers, with increased seasonal frequency before Christmas and weak weather. Furthermore, these consumers prefer national products and products with ecological labels. They look for healthy and easy to prepare meals. Convenience is an important factor.

Judging from the TABLE 3 and the assumptions from market segmentation, the brands are bought regularly and might be inexpensive. The products from the brands could be daily usage and food products, as it is expected from online grocery. Additionally, the customer involvement is assumed to be fairly high. Finnish consumers want food quality and prefer to select the products by themselves. They also know what they want. Pricing should be reasonable and comparable with competitors. Therefore, Finnish consumers in online groceries could be associated with *Dissonance-Reducing buying behaviour*.

Munthiu (2009, 32) adds that the lack of differences in brands makes consumers to browse longer for various products' availability, but consumers purchase quickly. Convenience and price become important factors in consumers' buying decision. Dissonance-reducing buying behaviour might cause the consumers to experience post-purchase dissonance or after sale discomfort.

Consumers with dissonance-reducing buying behaviour reflect on their purchase in post purchase situations. A sale discomfort happens when the product's performance fails short from the consumer's expectation. Vice versa, when the product's performance exceeds expectations, consumers would be pleased. In case of discomfort or dissonance, consumers feel restless for not trying the other brands. The degree of consumers' satisfaction in post purchase situation influences the future buying decisions. A satisfied consumer would continue purchasing from the brand of previously bought items and tell good things about the brand. An unsatisfied consumer would do the opposite and criticise the brand. (Munthiu 2009, 30.)

The buyer decision process should be discussed after determining the type of buying decision behaviour. It follows the actual stages that a consumer is going through upon purchasing an item. The process starts with the need of recognition all the way to post-purchase behaviour (Kotler & Armstrong 2012, 177). However, this process is deemed to be unnecessary and does not carry added value to the strategy.

The focus lies in identifying opportunities by understanding the consumers' behaviour. The buying process is most likely to be similar for every consumer who uses online grocery. There will not be any suitable information for the conclusion.

3.3 Opportunities from understanding consumers' behaviour

Consumers form an important basis for the differentiation strategy. For the strategy to succeed, it is important to understand the consumers, more specifically their behaviour in ordering groceries. The chapter started with a market segmentation to pinpoint the focus of the segmentation variable. The behavioural segmentation was the most suitable for this chapter's purpose. From the secondary data, there are assumptions how Finnish consumers behave and their preferences in online grocery environment.

After acknowledging the behaviour of the Finnish consumers, the next phase was to find out what the buying decision behaviour they have. TABLE 4 displays the opportunities found from the analyses.

TABLE 4: Opportunities from consumers' behaviour

Behavioural segmentation	
Finnish consumers	Visit and order regularly (once a week)
	Seasonal shoppers (especially Christmas)
	Prefer national products
	Drawn to ecological labels
	Food quality and reasonable/justified pricing
	Open to new technology
Additional influencing factors	
Finnish consumers defined as rational online shopper	Use internet optimally
	Consumers know what they want
	Value well-functioning and transparent shops
	Not very active on social media

	Pricing – Product – Service expectations
Dissonance Reducing buying behaviour	
	High customer involvement
	Post-purchase dissonance
	Consumers influenced by convenience and pricing

From the behavioural segmentation, Finnish consumers have specific characteristics. They visit and shop on a regular basis and are also seasonal shoppers. Additionally, they prefer national products and are open to new technology. They appreciate food quality for a reasonable and justified pricing. Other influencing factors include high involvement, post-purchase dissonance, shopping convenience and pricing. Lastly, they are assumed to have dissonance-reducing behaviour, along with the behaviour attributes.

4 ANALYSING COMPETITORS' CRITICAL SUCCESS FACTORS

Another important part of the differentiation strategy is the competitors. These competing companies shape up the groceries market and strive for their market shares. In this chapter, these competitors are first identified and classified based on their market positions.

Porter's Five Forces model displays these market positions and explain what influences competitors may have. Secondly, they are profiled with internal and external company analysis or SWOT analysis. It is more refined in an overview how the competitors operate and what their capabilities are. As conclusion, relevant pointers may arise from these analyses and are summarized at the end of this chapter.

4.1 Identifying competitors

In the groceries industry, there are numerous players who could influence competitors' positions. For the differentiation strategy, it is important to identify and classify the more significant and relevant players. The relevant opportunities are believed to be found in competitors with the most threatening power. This would be also most consistent with the fundamentals of the strategy. (David 2013, 105.)

Porter's Five Forces model

Commonly used for this identifying analysis, there is the Porter's Five Forces model. In the model, five players or forces are explained in regard to how much power or influences they have in the market. Each one of them has their own characteristics and circumstances in which the forces are superior. From the analysis, it is crucial to pay attention to the forces with the greatest power or position, when formulating a strategy. Porter's Five Forces model has defined the following players: market competitors, suppliers, buyers, substitutes and new market entrants. (Hollensen 2004, 90.) The model is visualised in FIGURE 7.

Market competitors consist of companies who have been competing for the market share in the operating industry. Hollensen (2004 ,90-93) explains that the intensity between the existing competitors depends on various factors. When there are a lot of competitors present in the industry, the market consists of intense rivalry. If there is a leader, the leader exists due to its cost advantage. This marks the concentration of the industry. The degree of differentiation matters too in the industry.

Common products or easy to copy items encourage rivalry while personalised or highly differentiated products are prone to have less intense rivalry. Certain industries require switching costs. These costs make it hard for customers to switch to other competitors, because the customers have spent large amount of resources into learning the product or customers have made personalised investments which are worthless with other products of suppliers. High switching costs reduce rivalry and vice versa.

Suppliers provide raw materials or components. The costs of supplies affect the profitability of the purchasing companies. The more bargaining power the suppliers retain, the higher the costs of supplies could become. This happens when the supply side of the industry is dominated by a few suppliers or when the supplies are unique and differentiated. Additionally, suppliers do not need to compete with other suppliers for the same industry. However, the bargaining power of suppliers can be lessened by looking for new sources or by implementing standardised components, so many suppliers can provide them.

Buyers refer to the individuals buying the products, in other words customers. Their bargaining power is high when they purchase in large volumes and are concentrated, or when the purchased products are standardised and undifferentiated. Large number of suppliers increases the bargaining power of buyers too. Companies can lower the power by offering high valued or differentiated products or by increasing the number of buyers they sell to.

Substitutes are competitors that enter a successful and highly profitable market by offering substitute products. However, substitutes could lower the attractiveness and profitability of the market as they put pressure on the price levels. The threatening power of substitutes depends on the buyer's willingness to purchase substitute products, the relative price and performance and switching costs of substitutes.

New market entrants are new companies entering the market. They could increase the level of competition. The threat of new entrants is depending on the existence entry barriers. The barriers are often defined as costs for new entrants; costs that existing companies do not have to worry about anymore. Some factors influence entry barriers. Product differentiation and brand identity by existing competitors can limit the growth of new market entrants due to customer loyalty.

Some markets require an amount of capital in production before entering. High switching costs could hinder customers from switching to new brands. In some industries, it is difficult to acquire profitable distribution channels. It might not be accessible for new market entrants.

Competitors within an attractive and profitable market should consider making a market inaccessible for new companies by actively raising barriers. High promotion expenditures and Research & Development investments are examples of methods for raising entry barriers. Lowering entry barriers can be achieved by lowering manufacturing costs so newcomers can produce them easier.

Entry, exit barriers, bargaining power and competitive rivalry

In the context of the online grocery market, it has specific market parameters. According to Tat Keh & Shieh (2001), market attractiveness is determined by entry and exit barriers, bargaining power, growth, cost structure and competitive rivalry. For the relevance to this chapter, entry and exit barriers, bargaining power and competitive rivalry will be explained.

In comparison to the bricks and mortar groceries or the traditional supermarkets, the entry barriers are relatively low as most online groceries are localised. The main set up costs include the establishment of the computer system, creation of logistics management and warehousing, building brand awareness and having the necessary alliances or partnerships with local grocers. In the current market situation, it is easy to enter the market, because no one has inherent advantages.

Competitors' innovation and moves can be easily imitated. Therefore, this did not stop substitutes and new market players from entering the market. Eventually, the entry barriers might rise. Competitors will differentiate more by brand recognition in superior customer service and responsiveness. Online grocery start-ups require less capital and lower variable costs than the traditional supermarkets, but fixed costs are high. The authors did argue that the potential for big returns is great if a large sales volume could be generated. In contrary to the low entry barriers, the exit barriers are high. The high exit barriers refer to the capital invested in logistics and warehousing, website, computer systems and marketing. So, it is very costly to exit the market due to the heavy investments.

Tat Keh & Shieh (2001, 74) explain in the article about the bargaining power in online grocery. Traditional grocers or supermarkets have high bargaining power. They can buy in bulk and set their prices more competitively, while also enjoying established relationships with suppliers and customers. In contrary, the smaller online grocers have a lower level of bargaining power. These grocers cannot purchase a large volume of goods; thus, they cannot set their prices like the bricks and mortar groceries.

Consumers have a high bargaining power in the online grocery market. They can choose from the many substitutes or competitors. Dissatisfied consumers can switch to another competitor very easily. Groceries are in fact commodities so consumers can get the exact products from different online stores. (Tat Keh & Shieh 2001, 74.)

There is a huge competitive rivalry within the online grocery market. Increasingly competitive players are continuing to enter the market. Many companies have different approaches to implementing the online grocery. Those approaches are used to replace the physical grocery store in totality. Or e-grocery can be used as a supplement to a supermarket supply chain for non-perishable goods. Consumers can reduce their trips for perishable goods. In online grocery retailing, some competitors are not limited to regional consumers, while others aim for offering their goods for national consumption.

Traditional supermarkets are greatly expanding their operations in online retailing. They are transforming from bricks and mortar to bricks and clicks operations. Bricks and click is a business model by which the company offers offline and online strategies. These bricks and clicks companies have higher competitiveness due to their brand recognition and reputation. They are also supported by the economies of scale, with already established warehousing and distribution infrastructure, and also the expertise and business connections. However, they do face challenges such as inexperience with the internet format and resistance to change. (Tat Keh & Shieh 2001, 75.)

The Porter's Five Forces model is visualised in FIGURE 7 and the current Finnish market is also described with low, medium or high-competition.

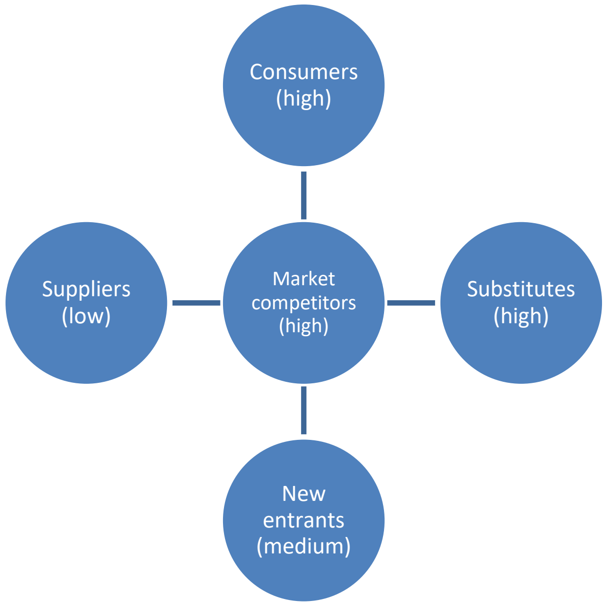

FIGURE 7: Competitive forces in online grocery market and the degree of power

As can be seen in FIGURE 7, it could be assumed that the market has a high level of competition. In the current situation state, the market might look unattractive. With high level of competing firms, the profits could decline in the long run. The high bargaining power of substitutes makes it easier for consumers to switch to alternative grocers. This is accompanied with low switching costs for consumers, which makes the bargaining power of consumers also very high. Despite the entry barriers by the competing firms, new entrants would enter the market with improved business models or better value propositions for lower prices, although, new entrants need to have a sufficient capital for setting up online groceries.

In short, the collective impact of competitive forces is so intense that the market is clearly unattractive for profit making. (David 2013, 105-108). Eventually, the differentiation strategy of the study might make a difference as a future reference. The strategy could be taken into consideration if the market declines in profits and competition becomes fiercer.

4.2 Competitors in online grocery market in Finland

In Finland, the competitive forces could be identified based on their operations and business developments in the following table. As the chapter title suggests, only the competitors are chosen to recognise their success factors. TABLE 5 shows the competitive forces from Porter's model and companies in Finnish grocery market.

TABLE 5: Competitors in Finland

Competitive forces (competitors)	**Companies**
Market competitors	Ruoka.net
New entrants	Sannan Ruokakassi & Anton & Anton
Substitutes	S- & K-Groups

The market of groceries has been a duopoly due to the presence of S-Group and K-Group. These groups have been the major players in bricks and mortar grocery business. Duopoly exists in an industry when there are only two suppliers dominating the market for a service of commodity.

This market situation makes the competition very hard for new entrants to approach. However, there is a new market coming up in grocery: online grocery. (Lemarchand 2013.)

Ruoka.net

Ruoka.net (2016) is the first online grocery or food store that has been around for 16 years. The company was founded in 1999. Their focus areas are Helsinki metropolitan area, Tampere and Turku.

The products are coming in from a wholesale located in Vantaa. Ruoka.net also accepts various payment methods and guarantees delivery times. The service fees are below 10 euros, except for Tampere and Turku. Ruoka.net even offers households, cleaning and office items in their assortment.

Sannan Ruokakassi and Anton & Anton

Next to online grocery, there are also new entrants in the online industry. Sannan Ruokakassi (2016), founded in 2011, and Anton & Anton founded in 2008. These new companies approach the online grocery differently. Instead of offering wide range of perishable and non-perishable food items, they deliver dinner supplies with instructions in food bags each weekday. The consumers only need to choose their preferred food bags, and then the bags will be delivered. In addition, Anton & Anton (2016) markets that their products are from local farmers and freshly grown.

This new approach has attracted a lot of consumers, as they do not need to select the needed ingredients for their dinner preparation. Recently, these new market players have broadened their bags selection for different target consumers; gluten free, fruit or vegetarian bags are now also offered. Another interesting development is the social media applications. Both companies have profiled themselves in various social media platforms to connect with the consumers.

Other players

There are also other players in the online grocery market. Suomikauppa.fi (2016) is trying to fill in the needs of the international consumers who are looking for Finnish food items. At the same time, the shop is offering more items for the local Finnish consumers, such as Moomin cups and Angry Birds merchandise.

Another new player is Kauppakassi (2016). This store works differently as it focuses on the delivery of the food items. The company receives a filled online order from the consumer, after which the employees collect the ordered items from different traders. The product assortment includes 7,000 items.

Shops from foreign cultures have been developing online groceries as well. In the Helsinki region, there are Asian shops that deliver food items in the capital area. For a small fee, these food shops transport the food items with appropriate packing to their customers within a day.

Although their food assortment does not include the usual Finnish grocery list, the shops are offering exotic food items that might be attractive to consumers such as Finnish families who want to taste new food or experiment cooking from Asian cultures. In Finland, shops offering such specialised food items are for example: Shangde Aasialainen Ruokakauppa (2016), Aseanic Trading Oy (2016) and DFH Market (2016).

Also, new players are offering their services on social media. One of these is Muna Eggs Press (2016) which delivers eggs for consumers once a month. These eggs are from local farmers; hence they could be even fresher than the ones from the supermarkets. The ordering and contacting is done via social media.

S- and K- Groups

Lastly, the major players in the bricks and mortar grocery business, S- and K- Groups are catching up in the e-commerce market. Both are transforming into the bricks and clicks business. To keep themselves competitive, each player has made huge investments and developments to keep ahead of the other competitors. They are in the substitute category for online groceries because they integrate groceries into offline and online business. This gives more choices for consumers. Given their capital and presence, these big players can make big developments in their online groceries. Because of their business expansion to bricks and clicks, they fulfil the needs of consumers for alternatives in online groceries.

S-Group

This supermarket chain has been experimenting with collect & go service. Consumers can place orders online and select a preferred pick up slot. The orders are collected and readied for the pick up from 10-20. Additionally, this service is free of charge. (Digital Foodie 2013.)

Another development for supporting the online business is the opening of online-only dark stores for groceries. Dark stores resemble a supermarket or a food store but it is not open to public. The sole purpose is housing goods for consumers who placed their orders online. These dark stores are strategically placed near an existing store to improve efficiency and the logistics management. This service is suited for the click and collect consumers. (Digital Foodie 2014.)

Like the dark stores, the S-Group has invested in groceries lockers. These lockers are again placed in important locations for consumers, such as airport arrivals. Consumers or passengers can complete their orders online and then, the ordered groceries will be waiting in the lockers. To ensure the freshness, the lockers are included with cold boxes for the food items that need to be kept at a lower temperature. (Vivion 2014.)

The S-Group (2016) has focused on solving the last mile for consumers. The company invested in the ease for the pick-up service. The service is integrating nationwide. Within the S-Group, there are grocery stores including: Prisma Hypermarket, S-Markets and Alepa stores.

K-group

The second biggest player in Finland does not sit back. This competitor started to focus on offering more locally produced food for local customers. This local thinking is also integrated in the store’s management.

The K-group (Kesko 2016) top management leaves the stores to the local retailers to tailor the stores for the needs of local customers. In addition to that, the retailers can decide to offer their products online. It is being reported that there are local successes for online grocery.

To enforce this store-specific business idea, the K-group acquired multiple Siwa and Valintatalo stores to transform them into K-group’s stores. Furthermore, K-group has also invested in digital retail services. One of the services is to offer culinary ideas and recipe inspiration for cooking. It would ease up to shop for groceries.

Next, K-group has launched K-food mobile application to provide personal benefits, store-specific offers, and an intelligent shopping list recommending food items that the consumers often buy. Another digital retail service is implementing a click and collect service in K-group’s stores. Within K-Group, there are grocery shops including: K-Citymarket, K-supermarket, K-Market, K-Ruoka and Kespro.

K-group has focused on the local customers and has tailored their stores accordingly. By offering local food and implementing digital services, the company hopes to serve the consumers effectively.

4.3 Analysing competition

There are new market entrants, intern rivalry from the same industry and substitutes from bricks and mortar groceries. After the competitors, have been identified and explored, the next phase is to have a closer look and evaluate them individually.

For that purpose, the SWOT analysis would be the most fitting marketing tool. This tool shows a complete analysis of each competing company’s situation. The analysis includes strengths, weaknesses, opportunities, and threats. Strengths involve the company’s internal capabilities and resources that might help the company’s mission and objectives.

Weaknesses concern internal limitations or negative factors that hinder the company’s performance. Opportunities are external factors or trends that can be favourable and exploitable for the company. Lastly threats are external unfavourable and negative factors that could be troublesome and challenging to the company.

The purpose of the analysis is to match the internal strengths factor with external opportunities while minimizing or overcoming weaknesses and eliminating threats. (Kotler & Armstrong 2012, 77.) A template will be used to profile the competitors as visualised in the TABLE 6. The SWOT analyses of the competitors can be found in APPENDIX 1 according to their competitive positions in the market.

TABLE 6: SWOT analysis template

Company		
Internal factors	Strengths	Weaknesses
External factors	Opportunities	Threats

For the differentiation strategy, it is essential to consider the competing companies' SWOT analysis. As the strategy requires filling in the unserved gaps for customers whereas the companies have left out and which companies' internal factors could be exploited.

Strengths show the factors that companies are strong or specialized in. Weaknesses suggest the factors that companies have left out or where they have limitations. Threats could be also considered, as they represent factors threatening or reducing the company's capabilities.

By understanding the shortcomings and limitations of competing companies, it would help to create the competitive advantage of the strategy. Critical success factors might be appointed by looking at the strengths factors and building upon them, when eliminating weaknesses, exploiting certain opportunities, and dealing with important threats. Critical success factors (CSF) are defined as "the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization.'' They are the few key areas where things must go right for the business to flourish. If results in these areas are not adequate, the organization's efforts for the period will be less than desired."

In short, CSF represents factors that are critical to the success of a firm in an industry. These success factors could be identified by considering the SWOT analyses. The internal and external factors should be reviewed individually and evaluated in what needs to be done accordingly.

Strengths should be built upon. Weaknesses should be eliminated. Opportunities should be exploited and threats should be dealt with by devising suitable strategies. This helps to prioritize the critical success factors. (Rockart 1978.)

APPENDIX 1 displays the SWOT analyses of the three competitors: internal competition, new entrants and substitutes, as they are more prominent players in the online grocery market in Finland. With the analyses, the critical success factors have been identified.

For internal competition, the success factors include the pointers below:

- Handle an efficient inventory storage and efficient logistics management
- Secure alliances and partnerships for distribution and suppliers
- Utilize social media to expand brand recognition
- Manage quality of product
- Stay ahead of competitors in terms of service and price/quality of products.

For new entrants, the success factors include the pointers below:

- Expand and improve online groceries in food bags
- Stay ahead of competitors in terms of service and price/quality of products
- Maintain product quality
- Attract and focus on local customers
- Sustain relationships with local suppliers.

For the substitutes, the success factors include the pointers below:

- Strengthen the customer base and brand recognition
- Use big data of frequent consumers to improve supply chain and solve the last mile problem
- Improve the digital services continuously towards consumers
- Invest for sustainability and organic products
- Serve consumers from other market segments (elderly, foreign and suburban consumers).

The reoccurring pointers are focused on product quality and on improving or offering digital services. Product quality should exceed the expectations of the consumers. Online groceries should provide the ease of groceries browsing and the guarantee that the ordered food items will be delivered to them in a convenient way. Other important factors could be securing successful relationships with local suppliers and attracting local customers. By having local suppliers in the supply chain, it is possible to offer more suited products to local consumers. As a result, consumers will remain loyal to the e-grocer and order more frequently.

Furthermore, social media should be used accordingly to receive feedback and criticism to improve the e-grocer's operations. Another critical success factor is to offer more organic food items from sustainable suppliers and as consumers are coming more environmentally conscious and Finnish consumers are more drawn into ecological product labels.

Tat Keh & Shieh (2001, 76-79) wrote in Business Horizons journal about the key success factors in online grocery industry, which are the following:

- Establishing first-mover advantage for brand recognition
- Gaining access to capital to expand and reap economies of scale
- Forming strategic alliances for complementary resources and capabilities
- Building the right website for easy and comfortable browsing
- Providing superior service for differentiation

- Offering value-added information such as recipes, cooking tips, nutritional data
- Developing warehousing and logistics structure to handle the distribution problem
- Differentiating through niching by satisfying unmet needs in specific market segments.

Key success factors are necessary conditions for success in a market, and as these key factors are a part in critical success factors, it helps to confirm whether the previously found success factors are reliable. (Simister 2011.)

The success factors will be considered for the differentiation strategy. Not only does it give insight into what are the success factors, but also how the competitors differentiate themselves in the market.

When comparing with previously found critical success factors, brand recognition is important by establishing the first mover advantage. The new entrants are making use of this advantage before the other competitors catch on. However, this advantage was exploited quickly and other competitors might have caught on the same idea. Successful alliances and partnerships are becoming the cornerstones of every e-grocer as they represent various advantages. Superior services are necessary to attract more consumers and to stay ahead of the competitors. Differentiating through niche market segments is also an opportunity that could be exploited for the bigger supermarket players or the substitutes. Elderly and foreign and suburban consumers could belong in these market segments.

4.4 Opportunities from analysing competitors’ critical success factors

Competitors concern the major players in the online grocery market. By using the Porter’s model, it is established there are three prominent competitors: internal competition, new entrants, and substitutes.

In Finland, there are companies who take on the role of these competitors such as Ruoka.net, S- and K-Groups. The next step is to find out the critical success factors that made them succeed in online groceries. The SWOT analyses were used to help evaluating the positions of the market players. The assumptions from the analyses contribute in defining the critical success factors. In addition, Tat Keh & Shieh (2001) have defined what the key success factors are in online grocery industry. TABLE 7 includes the critical success factors in online groceries. They could be used as opportunities for the differentiation strategy.

TABLE 7: Opportunities from competitors' analysis

Critical success factors in online groceries in general
• Develop superior service to stay ahead of the competitors • Form strategic alliances and partnerships • Offer organic products with ecological labels to serve the consumers' expectations • Enter niche market segments as differentiation • Secure product quality to achieve consumers' trust • Implement social media for receiving feedback purposes and approaching consumers

Services are getting more important to attract more consumers. Having partnerships and alliances are important for supporting the online grocers. New competitors should consider offering organic products as they are getting more popular. Additionally, there are still uncovered areas in the grocery market in Finland. Product quality is a crucial concern to earn the consumers' trust. Lastly, the social media can be considered as a communication platform with consumers.

5 EMPIRICAL RESEARCH AND DATA ANALYSIS

Starting from this chapter is the second part of the thesis or the empirical part. The process of the empirical research is initiated with a survey. In the introduction, it was mentioned that the study follows a deductive research approach. After the data is collected, it will be analysed using a statistical program (SPSS Statistics).

5.1 Formulation of the empirical research

A survey enables the collection of a large amount of data from a vast population. For this matter, the collected data should be easy to compare and to understand. The survey strategy permits the researcher to collect quantitative data, which will be analysed using the descriptive statistics. Then conclusions are formed based on the relationships between variables. Another advantage of the strategy is to produce analytic results that are representative of the whole population. Using a questionnaire as a collection method is common in the deductive research approach. (Saunders et al. 2012, 144.)

The questionnaire collects data from multiple respondents and provides insight into the population’s behaviour. The questions are closely related to the external factors, more specifically the opportunities found from analysing the factors.

- *Environment* (convenience, locally produced food, multi-channels)
- *Consumers’ behaviour* (seasonal shoppers, use internet, ecological labels, online shop and purchasing process)
- *Competitors* (presence of competitors, food quality of big supermarket chains, social media).

The questionnaire has various question types concerning the behaviour and demographics of the consumers. Category questions, rating scale questions and open questions were used. In total, there were 45 questions asked in the online survey. A sample of the questionnaire can be found in APPENDIX 2.

List questions

A list question requires the participants to reply to the question from a predetermined series of answers (Saunders et al. 2012, 375). The list questions concern the following topics:

- Age groups
- Place of residence
- Frequency of online purchasing
- Competitor grocers
- How the consumer got to know online grocery
- Opinion about online grocery in general
- Benefits of online grocery
- Focus for improvement for the online grocers.

Category questions

Similar to the list questions, for category questions the participants need to reply from a list of answers. However, the answers are arranged in a logical order so that the participants can easily find their desired answer. The category questions in the questionnaire involve the frequency of purchasing from an online grocer. (Saunders et al. 2012, 376.)

Rating questions

Rating questions was mainly used to research the participants’ shopping behaviour and their grocery needs. In the questionnaire, statements were presented and the participants chose answers from a scale that closely represents their opinions. (Strongly disagree – disagree – no opinion – agree – Strongly agree). (Saunders et al. 2012, 378.)

Open questions

The open questions type was only used for the last question. The participants were asked what was the one thing that would make them use only online grocery service. The purpose was to see, out of curiosity, what the answer would be, as the participants could answer freely. (Saunders et al. 386.)

5.2 Data collection

The formulation of the questionnaire and data collection was started on the first week of January. The questionnaire was available in Finnish and English. After a period of one month, the online questionnaire was closed to analyse the data. The time span of one month was meant to give the online questionnaire sufficient time to get shared, enabling it to reach a wider range of participants. After the period, the data was exported and all the answers translated into English. In week seven, the data was converted and coded for SPSS Statistics and further data analysis for the thesis. The time schedule is visualised as a flowchart in FIGURE 8.

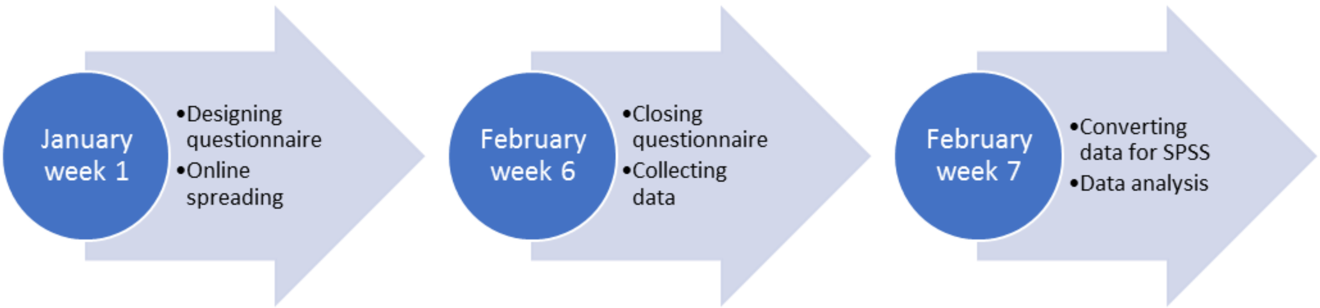

FIGURE 8: Time schedule of questionnaire

An online questionnaire platform was used to perform the data collection. The data was recorded in an online database. Typeform was used because of the easy understandable and accessible interface and the output files were available as an Excel spreadsheet. The target was to get 100 online replies in order to have a representative amount for the population. Unfortunately, searching for participants in the personal network would only provide a limited amount of responses. Personally asking participants has worked out, but it took much time and effort for a small amount of responses. Therefore, there was a need to look for alternative sources. Facebook has several interest groups, which are related to groceries and food. It was possible to post the questionnaire in these online groups. Another option was to reach out to the colleagues at the internship for their responses. There was an informal communication channel where the survey was shared.

5.3 Data analysis

The replies to the online questionnaire are being analysed in this subchapter. The results would give more insights to the consumers and provide reliable answers for the research questions. There are in total 100 replies to the online questionnaire.

SPSS Statistics was then used to do the calculations and the descriptive representations. The descriptive tables concerning the frequency and other statistical measurements can be found in APPENDIX 3. The empirical study goes through the same data in graph form in this chapter. After the graphical presentations of the questions, the statistical program was also used to calculate and deduct the relationships between the questions or variables. For this purpose, the SPSS functions of cross tabulation and chi test for goodness of fit were applied.

5.3.1 List and category questions

By looking at the online questionnaire (APPENDIX 2), all questions except for question 4 are list and category questions. In terms of statistics, another difference between the list and category questions is the level of measurement. There are nominal and ordinal variables. The Institute for Digital Research and Education or IDRE (2017) states that a nominal variable has two or more categories, but there is no intrinsic ordering to the categories. An example of a nominal variable would be the place of residence. While an ordinal variable is like its nominal counterpart, it has a clear ordering of the variables. In the questionnaire, a clear example would be the age groups.

The first question is about the categories of age groups of the respondents. It is an ordinal variable with answers defining the age groups: < 21 years old, 21- 35 years old, 36 – 55 years old and > 56 years old. The categories start from the youngest segment to the oldest. FIGURE 9 shows the replies of the respondents in which age group they belong to.

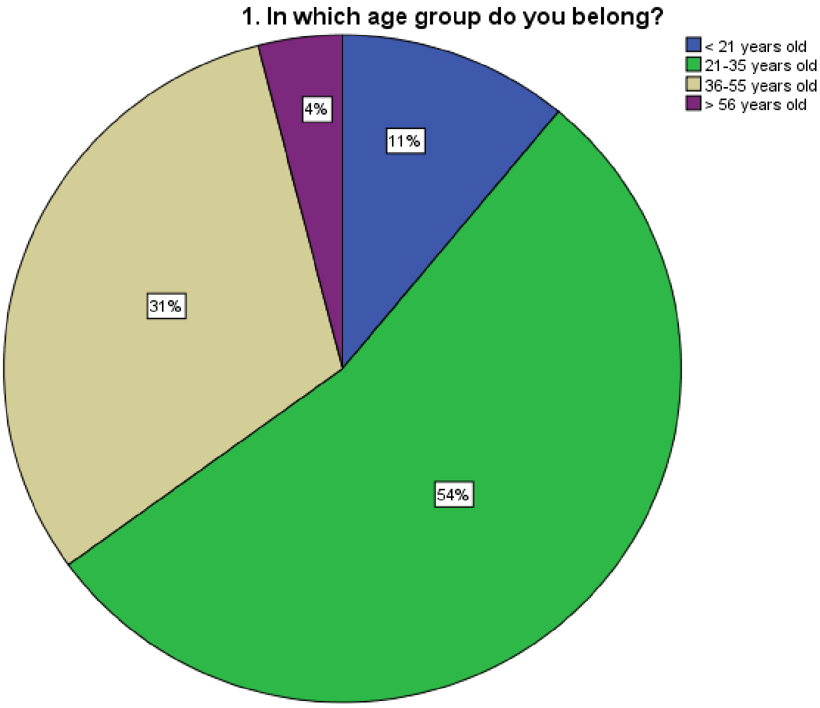

FIGURE 9: Age groups of respondents

FIGURE 9 shows that 54% of the total of the participated population are 21 – 35 years old, followed by 36 – 55 years old as the second largest group. Much of the respondents are young adults, who make up more than half of the total replies.

The next question is about the place of residence. The answers are not listed in a specific order, so it is a nominal variable. For keeping the questionnaire compact, there was no follow up question on the ‘other’ option. FIGURE 10 displays the place of residence of the respondents.

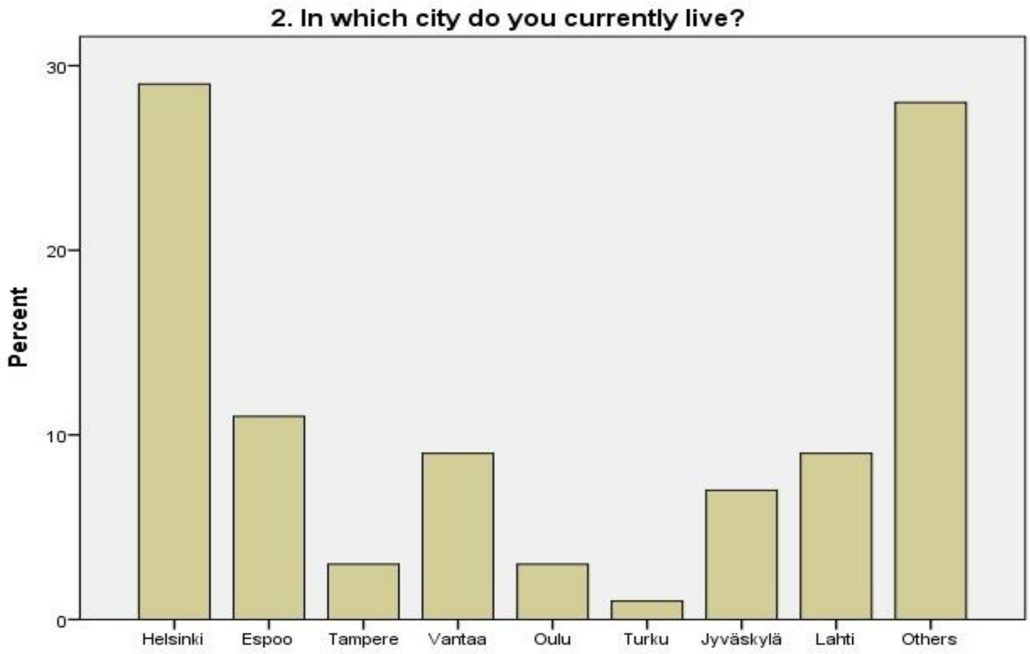

FIGURE 10: Place of residence

The graph shows that almost one third of the respondents live in Helsinki. As can be seen, the choice for other cities as ‘Others’ is also significant. This could mean that the respondents were not from the capital region, where most of the Finnish population lives. The graph also displays that the respondents live in various other areas in the southern part of Finland, which is also one of the more populated regions of the country.

The next question concerns the respondents' frequency of ordering online. This variable is ordinal, because of the logical ordering in the responses. The respondents could answer if they have ordered on a regular or a rare basis. FIGURE 11 is a bar chart representing how often the respondents have ordered foodstuff online.

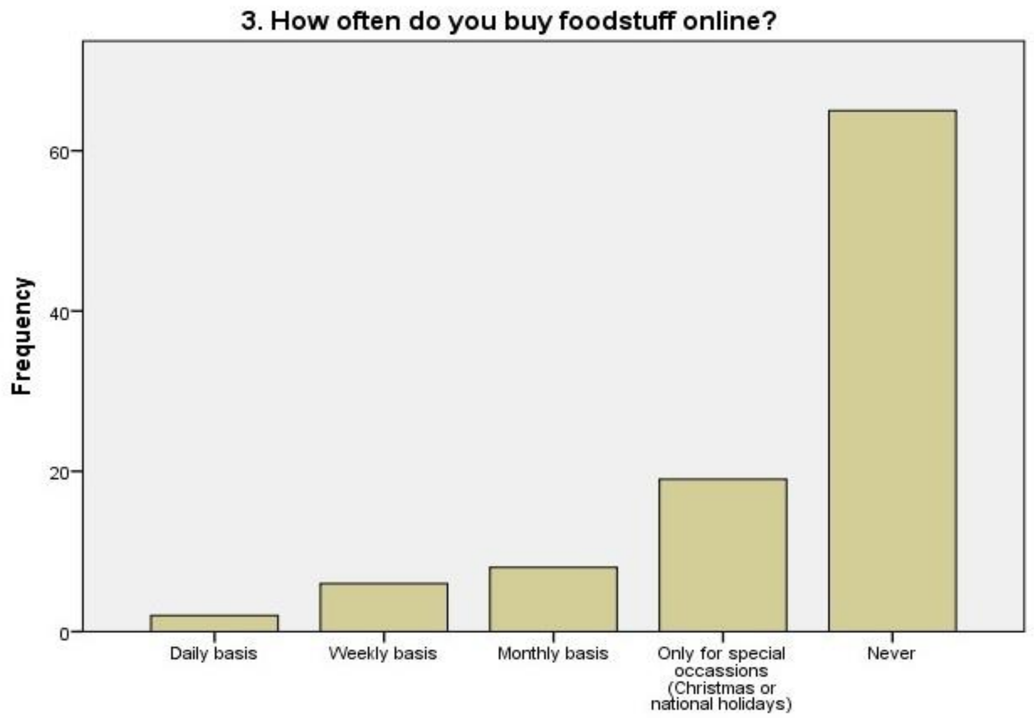

FIGURE 11: Online order frequency

As revealed by the graph, the majority of the participants has never ordered foodstuff online. Only a small segment of the respondents has ordered on an occasional basis. This result suggests that online groceries have yet to convince the population of Finland, although, some consumers still order things online for special occasions. This reconfirms that Finnish consumers are seasonal shoppers as first seen previously in TABLE 4. Christmas seems to be the occasion to use online groceries as stated in Chapter 3.

The next question is about the competitors in online groceries. The respondents were asked which of the players in the Finnish online grocery market they are familiar with: Anton & Anton, Kauppahalli.net, Ruoka.net, Sannan Ruokakassi, Alepa Kauppakassi and K-Ruoka. These competitors have been discussed in Chapter 4. Since there is no specific order in the possible answers, it is a nominal variable. FIGURE 12 shows the two possible answers ‘yes’ and ‘no’ upon the familiarity with online grocers.

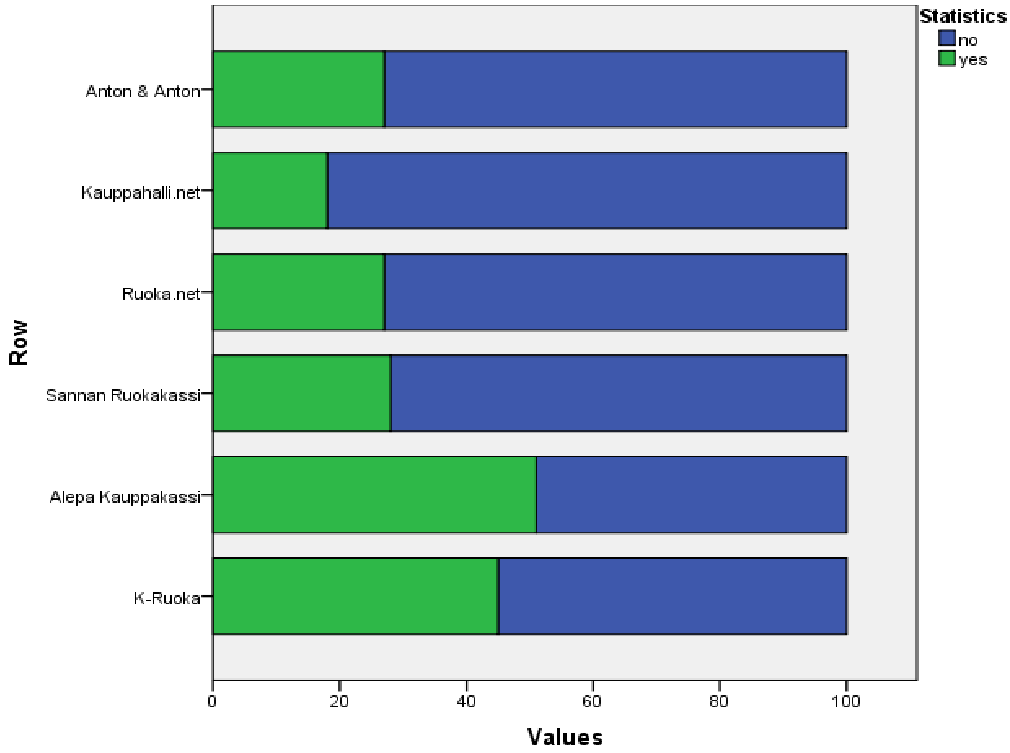

FIGURE 12: Competitors in online groceries

The stacked bar chart in FIGURE 12 has two coloured segments. Blue bars represent the ‘no’ replies and the green segments represent the ‘yes’ replies. Overall, it seems that the respondents were familiar with all the competitors. Only Alepa kauppakassi and K-Ruoka have slightly more brand awareness. This could be easily explained, as both online grocers are from the major players in the Finnish grocery market (S-Group and K-Group respectively). They have invested in developing their digital services promotion and marketing strategies more than the smaller competitors.

The next question relates to the familiarity with online groceries. The respondents were asked how they know about online groceries. The given answers have no specific order, meaning this question is a nominal variable. FIGURE 13 gives a clustered bar chart of the chosen answers from the participants.

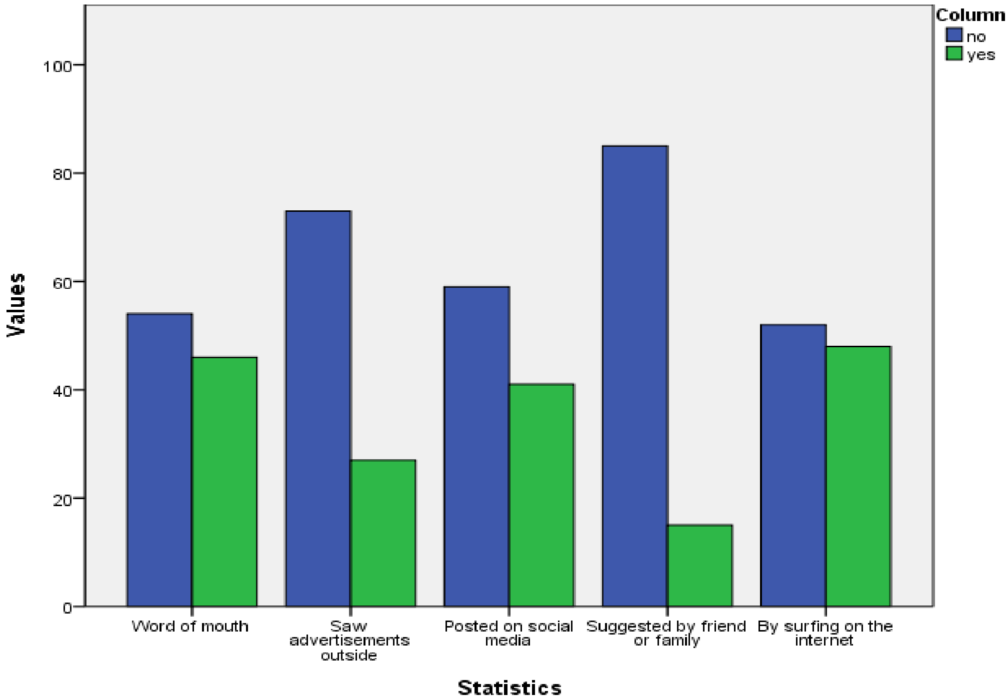

FIGURE 13: Familiarity with online groceries

The list question in FIGURE 13 displays which communication channels could be the most effective for promoting and marketing online groceries. The graph shows that surfing on the internet, word of mouth and social media are the sources where the participants got to know about the online grocery. In the lesser amounts, there are outside advertisements and suggestions from a friend or family. This reaffirms that the consumers in Finland use the internet optimally as already concluded in Chapter 3. Even though they are not active on social media, they do notice the online advertisements appearing on their newsfeed.

The following question involves the general opinion regarding online grocery. The purpose is to find out what the respondents think of online grocery in general. The answer had to be one of the following; positive, negative, never used it, no opinion. FIGURE 14 represents the replies given to the question in a bar chart.

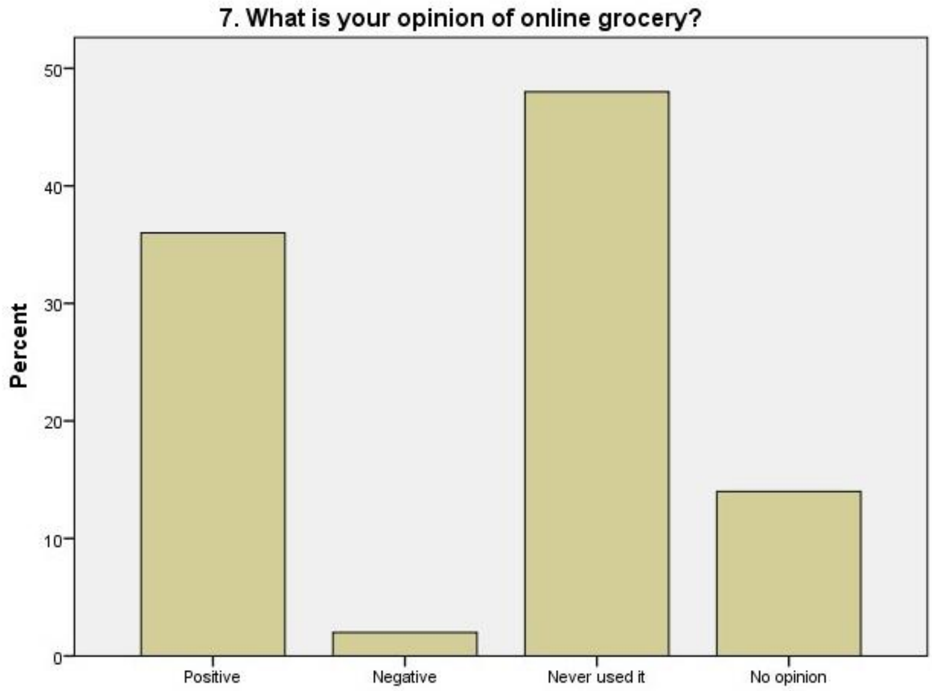

FIGURE 14: Opinion of online grocery

Slightly more than 40% of the total said they have never used it. It might explain the previous question about the competitors. The participants have never heard about the competitors, because they have never used the online grocery services in the first place. Fortunately, at least 30% of the respondents have answered that their opinion is positive. It could mean that the online grocery is a good shopping service to the Finnish grocery market.

The next question asks the participants which benefits they are seeking when using online groceries. The given answers were not ordered in a specific way, so the question represents a nominal variable. The question was meant to find out which benefit do the respondents prioritise when using online groceries. FIGURE 15 illustrates the answers of the respondents in a bar chart.

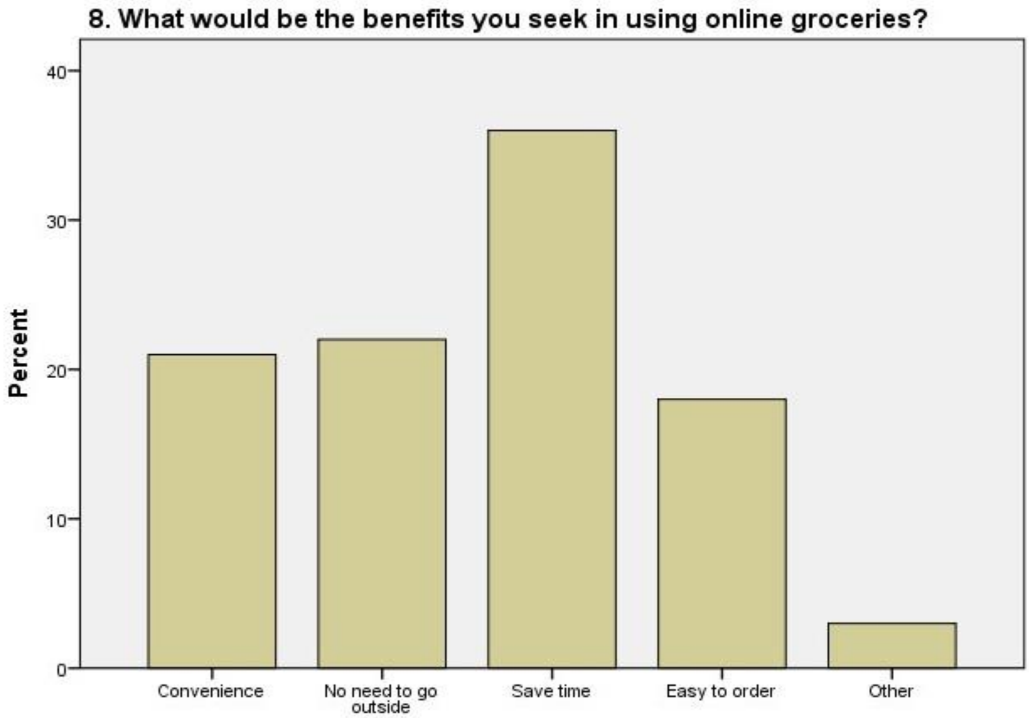

FIGURE 15: Benefits in using online groceries

More than 30% of the respondents answered, ‘Save time’. This is closely followed by convenience, no need to go outside and easy to order – all of which hover around 20%. It may signify that all the benefits are important and require the necessary attention during the strategy formulation in online groceries. However, saving time might be a competitive advantage that any online grocer could benefit from. For the differentiation strategy, saving time for consumers would be one of the focus points.

In the last question, the respondents were asked to choose in which areas online grocers should focus on. The nominal variable includes five categories: more payment methods, more delivery options, cheaper prices, more exotic food items and other. FIGURE 16 displays the answers in which areas that online grocers should focus on.

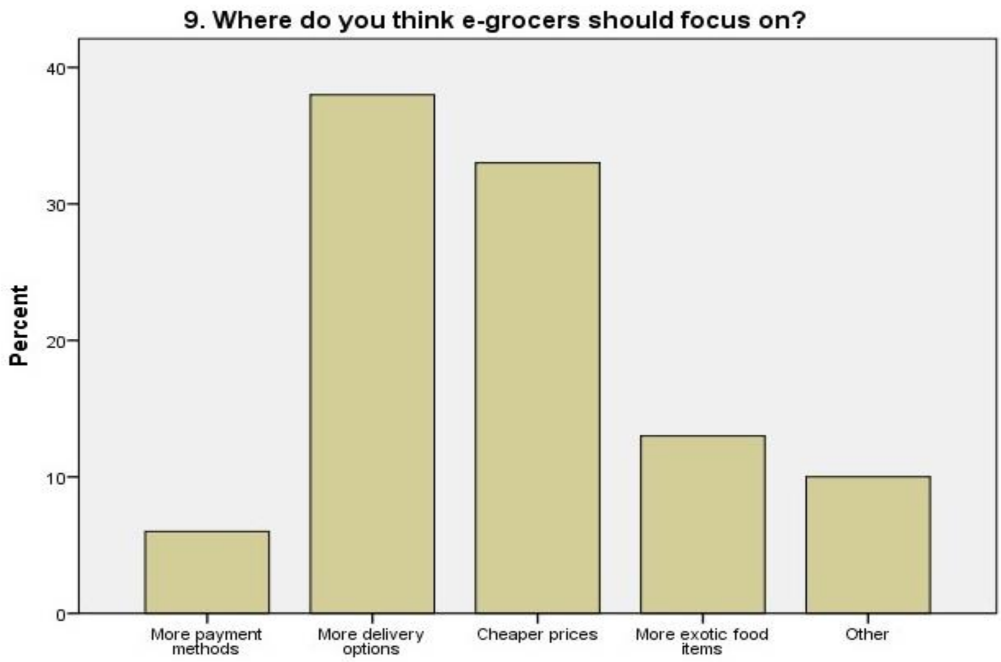

FIGURE 16: Focus points for online grocers

Almost 40% of the total replied that online grocers should focus on more delivery options, followed by at least 30% preferring cheaper prices. The demand for more delivery options is closely related to a technological opportunity from macro environment analysis found in Chapter 2. Multi-channels delivery might be relevant for the differentiation strategy.

5.3.2 Rating questions

Rating questions are used to collect data about respondent’s opinion. This type of question uses the Likert-style scale questions in which the respondent replies how they agree or disagree with the statements. (Saunders et al. 2012, 378.)

This part of the online survey was included to research the behaviour of the respondents related to online groceries. A total of 35 statements were presented and the respondents had to give their point of view on each of them. All the statements are in question 4 as seen in APPENDIX 2. Due to the amount of rating questions, a small division is made to the statements according to habits, preferences, experiences and opinion. The answers are ordered in a logical way with strongly disagree, disagree, no opinion, agree and strongly agree.

Habits

To keep the analyses on the ratings questions concise, summary graphs have been made. The graphs display the calculated means of the answers by using SPSS Statistics. The means are then connected with a line graph. In statistics, calculating the means signifies what the majority of respondents have chosen. This method of analysing is recommended to describe Likert-scale questions. (Boone & Boone 2012.) FIGURE 17 provides the summary of respondents' habits in a line graph.

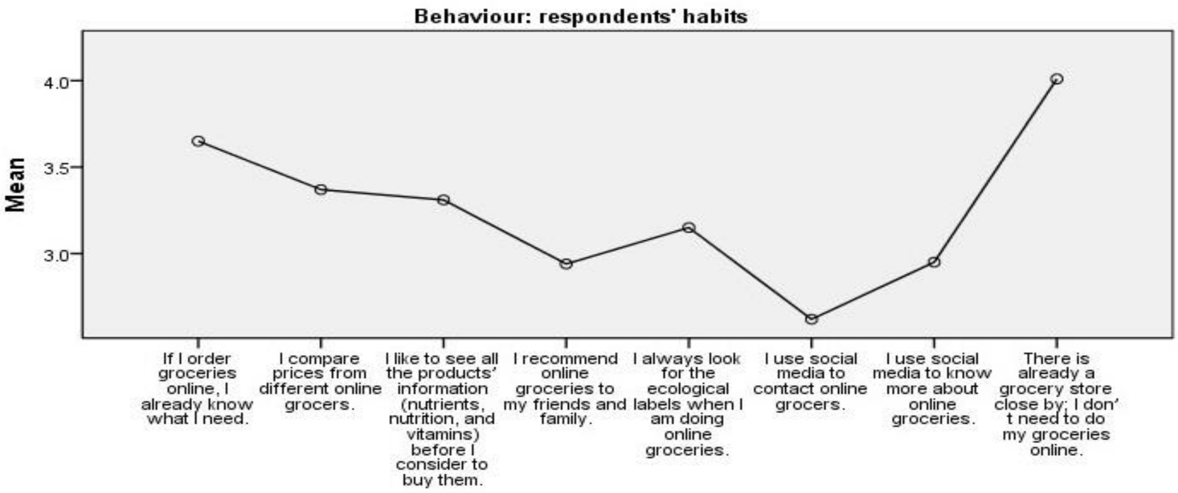

FIGURE 17: Behaviour respondents' habits

As can be seen in FIGURE 17, the respondents prefer the bricks and mortar stores in the near vicinity over ordering groceries online. They also know what they need when ordering groceries online.

So, it reconfirms the opportunity stated in Chapter 3 that consumers know what they want. In addition, they compare prices and like to see all the products' information. These findings correspond with the social aspect from the PESTEL analysis in Chapter 2. However, the responses do not show any strong opinions about the ecological labelling on food items and the social media applications.

Preferences

The next group of rating questions is about the preferences of the respondents. FIGURE 18 illustrates the means in a summary graph.

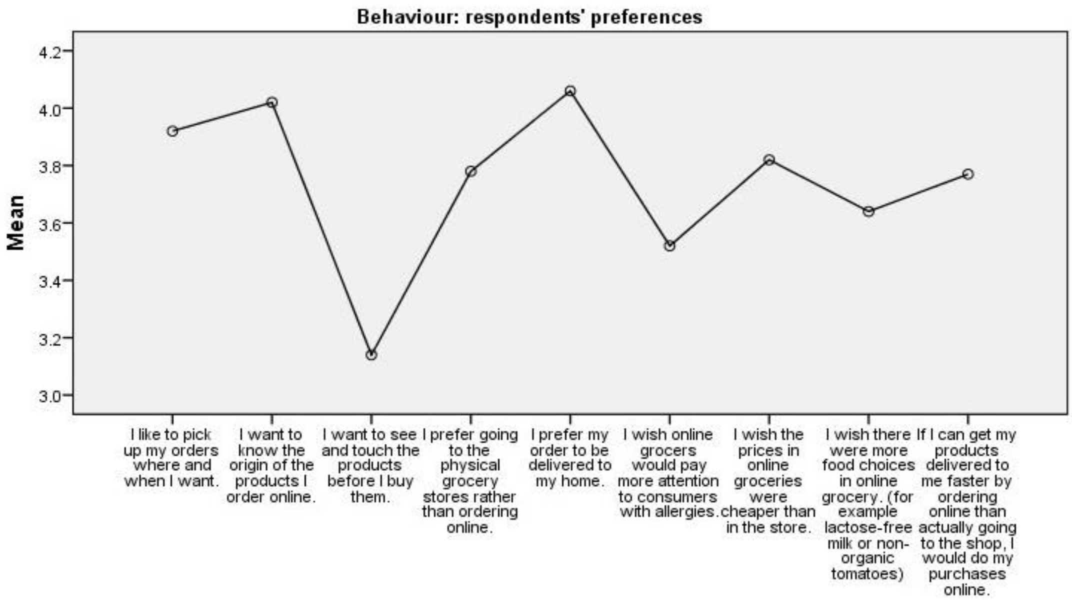

FIGURE 18: Behaviour respondents' preferences

As seen on the FIGURE 18, the respondents seem to be in favour of picking up orders where and when they want. They would also like to know the origin of the food items. Home delivery and going to the physical stores, or bricks and mortar stores in other words, are preferred. Furthermore, they agree that online grocers should pay more attention to consumers' allergies, thus they would like more food choices according to the allergies. However, if the online grocer is able to provide delivery service faster than the process of purchasing at the store, the respondents are willing to choose for online groceries. Surprisingly, the responses show that touching the products prior of the purchase is not a preferred choice - the mean is shifted to ‘no opinion’.

Experiences

The following summary graph (FIGURE 19) involves the experiences of respondents in online groceries. The statements were chosen according to findings listed in previous chapters of the thesis.

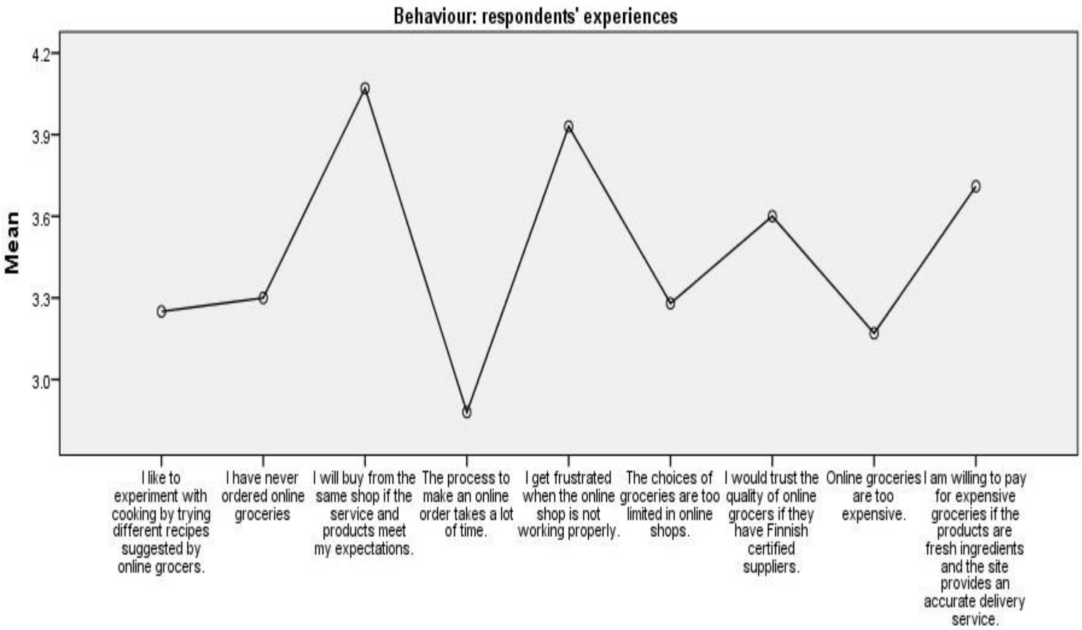

FIGURE 19: Behaviour respondents’ experiences

As revealed by FIGURE 19, there are two statements that peaked in the line graph. If the online grocer provides service and products within the expectations of the consumers, they will certainly return to the same e-grocer. The online shop should be well functioning, otherwise it would suffer from a decrease in popularity as revealed by the respondents. This goes together with the statement that respondents are willing to pay for fresh ingredients and accurate delivery service. Although, the graph shows that having Finnish certified suppliers is not necessary for the respondents. On the other statements, the respondents do not have strong opinions.

Opinion

The last line graph consists of the respondents’ opinion. FIGURE 20 provides the summary graph of respondents’ opinion.

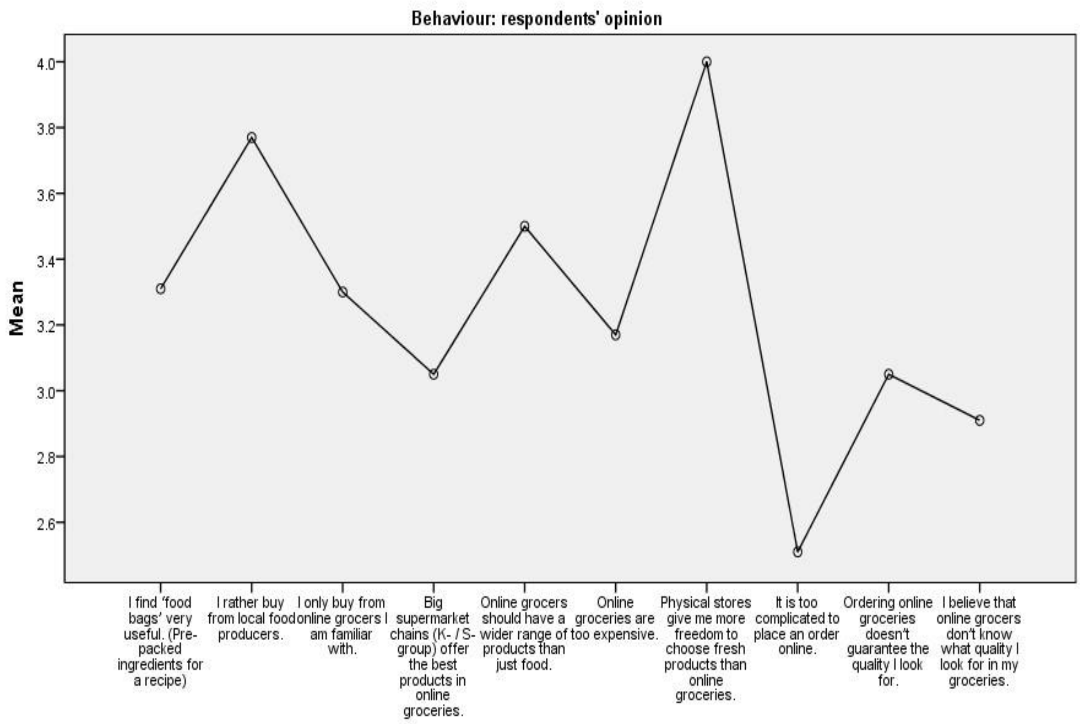

FIGURE 20: Behaviour respondents’ opinion

As shown by the graph, the respondents seem to agree in general that placing an order online is not complicated. Although, there are two statements that have noticeable peaks; respondents prefer to buy from the local food producers and they feel physical stores give them more freedom to choose fresh products. This could mean that a partnership with local food producers might be a good opportunity for online grocers.

There is another clear observation that the respondents replied with ‘no opinion’ which is that the big chain supermarkets offer the best products in online groceries. This could mean that the smaller online grocers could be competitive and feel less threatened by the larger competitors. The respondents agree that there should be a wider range of products besides food. Lastly, the respondents do not find online groceries too expensive. It could mean that online groceries are well priced for the market segments.

5.3.3 Open question

The question was: ‘*What one thing could make you choose to only use online grocery services and stop going to physical grocery stores altogether?’.* It was used to single out the significant variable that would make the consumers prefer online groceries. As every respondent may have a different idea or point of view, it was interesting to have it as an open question.

The answers were mainly concerned with the delivery speed and its costs, followed by the groceries’ prices. The next priorities were convenience and product quality. Furthermore, respondents would like to have a wider food selection too. The responses seem to be fairly consistent with the results from the list, category and rating questions.

5.3.4 SPSS calculations

This subchapter shows the relationships between the variables discussed in previous subchapters by using the SPSS Statistics calculations. By doing so, new findings or insights might arise that could be relevant and significant for answering the research questions. To prove statistically the purpose of correlations, two different SPSS calculations were applied: cross tabulation and chi test for goodness of fit.

Cross tabulation

This analysis calculation is meant for categorical variables or category questions and testing the independence of the two variables. By using the SPSS statistics and its mathematical calculation, it produces a descriptive table with the necessary data to decide which hypothesis to reject or accept. The tables can be found in APPENDIX 5.

The test includes two hypotheses; either the null hypothesis (H0) that variables are independent or the alternative hypothesis (H1) that the variables are dependent. The test is called ‘Chi-Square test’. The choice between the hypotheses is decided by the level of significance and the Pearson Chi-Square or P-value. In statistics, the level of significance is $\alpha = 0.05$ and the P-value implies the risk of error expressed in percentage or decimals. In case, a P-value is higher than the level of significance then the H0 must be accepted and H1 rejected, and if a P-value is lower than the level of significance than H0 must be rejected and H1 accepted. In short, the probability of the risk of error must be lower than the level of significance before the alternative hypothesis can be accepted. The same process is used for accepting the null hypothesis in which case the probability of risk must be high enough. (Michael 2016, 2.)

The hypotheses for cross tabulation are as follows:

- H0: the variables are independent
- H1: the variables are dependent or related.

The test is about the online order frequency (question 3) and the benefits in using online groceries (question 8). The purpose is to find out if there is a correlation between the respondents who ordered (in)frequently and the benefits they are seeking in online groceries. The result will be relevant to the research questions about the consumers' behaviour. For the Chi-Square test, the previously mentioned hypotheses were applied. TABLE 8 shows the table of the Chi-Square test of the two questions.

TABLE 8: Chi-Square tests of online order frequency and benefits in using online groceries

Chi-Square Test			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	**18.624[a]**	**16**	**.289**
Likelihood Ratio	19.730	16	.233
Linear-by-Linear Association	.929	1	.335
N of Valid Cases	100		

As shown in TABLE 8, the P-value is 0.289, which is higher than the level of significance of 0.05. It indicates that the risk of error is 28.9%, if the null hypothesis (H0) is rejected. In other words, the alternative hypothesis (H1) has almost 30% with the risk of error by rejecting the null hypothesis. Therefore, the null hypothesis is accepted in this case. It could be concluded there are no differences in the choices of benefits when comparing the groups of respondents who (in)frequently ordered online groceries.

The next test concerns the opinion of online groceries (question 7) and the focus points for e-grocers (question 9). The possible correlation between these two opinions could be important for the differentiation strategy. The test process remains the same with the two hypotheses. TABLE 9 displays the calculated P-value for the Chi-Square test.

TABLE 9: Chi-Square Test of opinion of online grocery and focus points for e-grocers

Chi-Square Test			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	**17.378[a]**	**12**	**.136**
Likelihood Ratio	20.099	12	.065
Linear-by-Linear Association	.741	1	.389
N of Valid Cases	100		

As revealed by TABLE 9, the P-value 0.136. Following the test, the interpretation goes as 0.136 > 0.05. It means that the null hypothesis is not rejected. The variables are independent. When comparing the groups of respondents who gave an opinion (positive, negative, no opinion and never used it), there are statistically no differences in the focus points for online grocers.

The last cross tabulation test combines the two variables from cross tabulations: the online order frequency and the opinion of online groceries. Testing the relationship between the frequency of ordered groceries and the opinions of the respondents, might result in a relevant conclusion about the respondents' attitude towards online groceries. TABLE 10 shows the output table from SPSS Statistics of the Chi-Square test.

TABLE 10: Chi-Square test of online order frequency and opinion of online groceries

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	**50.373[a]**	**12**	**.000**
Likelihood Ratio	54.236	12	.000
Linear-by-Linear Association	9.468	1	.002
N of Valid Cases	100		

As can be seen in TABLE 10, the P-value is 0. For the test, the null hypothesis can be rejected as the risk of error is none. This means that the variables are dependent or related.

It can be interpreted that there are differences in the opinion when comparing the order frequency. After checking the table for this test in APPENDIX 5, it became apparent why the variables are related. The respondents have a positive opinion, even though they only used online services for special occasions (Christmas or national holidays). Furthermore, those who have ordered on a weekly or monthly basis were positive about online groceries as well. There was also the clear case of the respondents who never used the service before have chosen for ‘never used it’ for question 7. Based on this test, it could be concluded that the online grocery is in good favour of the respondents. Not everyone has used it, but they have a positive attitude.

Chi-Square test for goodness of fit

This is another statistical technique like cross tabulation, although it is used to test whether the proportions in each category are the same. In this case, the statements from question 4 (APPENDIX 2) are most suited for this technique. The categories are the answers ranging from strongly disagree to strongly agree.

The purpose is to find out statistically the opinion of the population on the given statement. If the proportions are the same, this means that the chosen five answers from the Likert scale were spread out equally. Hence, there is no definite opinion. This is the null hypothesis. The alternative hypothesis states that the proportions are not the same. It signifies that there is an evident opinion on this statement. Then, the descriptive table needs to be referred to in order to find out which answer is aligned with the respondents' point of view in APPENDIX 6. The selection of the null or alternative hypotheses is decided with the same analysis process as in cross tabulation by using the Chi-Square test. The hypotheses for chi-test are as follows:

- H0: The proportions of each category are the same
- H1: The proportions of each category are not the same.

To keep the test concise, three statements were chosen among the total 35. These statements will be tested to see if the proportions are the same or not. The first statement (*I will buy from the same shop if the service and products meet my expectations.*) asks the respondents if the online grocers would be able to guarantee the quality if they have the right suppliers. The second statement (*I would trust the quality of online grocers if they have Finnish certified suppliers.*) proposes to the respondents that service and food items must be met their standard and expectations before they would come back again. The third statement (*I always look for the ecological labels when I am doing online groceries.*) suggests that ecological labels are a deciding factor during groceries purchasing. TABLE 11 displays the output table of the Chi-Square test of the three statements.

TABLE 11: Chi-Square tests of three rating questions

Test Statistics			
	I would trust the quality of online grocers if they have Finnish certified suppliers.	I will buy from the same shop if the service and products meet my expectations.	I always look for the ecological labels when I am doing online groceries.
Chi-Square	66.200[a]	36.240[b]	22.300[a]
df	4	3	4
Asymp. Sig.	**.000**	**.000**	**.000**

As shown in the table, the value is 0. In the three cases, they are lower than the level of significance (0.05), meaning the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted. The proportions are not the same in the three statements.

In APPENDIX 6, the observed frequencies were presented in the descriptive tables. The expected data of the proportions of each category are given. The scale was (1 = strongly disagree 2 = disagree, 3 = no opinion, 4 = agree, 5 = strongly agree) and the proportions were expected to be 20. However, the observed data was different.
The first statement suggests that having certified Finnish suppliers would help the online grocers earn the trust of the consumers. Most of the respondents agree with the statement, so having Finnish suppliers as partners might be beneficial for online grocers. The respondents have agreed on the second statement as well, stating that service and products need to be within their expectations. Finally, the third statement does not have the majority side for either agreeing or disagreeing opinion, yet the proportions are not supposed to be the same. The majority seem to have chosen for no opinion. This could mean that ecological labels may not be the first thing that came to mind when doing online groceries.

6 DIFFERENTIATION STRATEGY

In this chapter, a new strategy is formulated based on the findings in the theoretical and the empirical part of the thesis. Firstly, the opportunities from the external factors and the empirical study are summarised for a better overview. Secondly, the differentiation strategy is defined with the framework of Porter’s four generic competitive strategies. It should be noted that the strategy is meant for online groceries in the Finnish market.

6.1 Summary of the opportunities

The opportunities are, as discussed in depth in chapters 2, 3 and 4, researching macro environment, understanding consumers’ behaviour and analysing competitors’ critical success factors. Researching macro environment confirms that online groceries have potential to grow. The Finnish economy is recovering with stable inflation rate. It was confirmed that Finnish consumers have the same groceries for the last ten years, additionally they like loyalty programmes and standardised promotional material. Multi-channels delivery is also trending in other countries. On top of all, convenience is very important. Understanding consumers’ behaviour explains that consumers are rational online shoppers, because they know what they want when shopping online. They are also active as seasonal shoppers especially on Christmas. National and locally produced products are preferred in their grocery list. The consumers are willing to pay a reasonable and justified price for food quality and it needs to meet their price, product, and service expectations. Finnish consumers tend to have dissonance reducing buying behaviour. From analysing competitors’ critical success factors, It is understood that it is necessary to continuous develop a superior service and finding strategic alliances and partnership. Competitors offer organic products with ecological labels and in the same entering niche market segments to cover more market share. Social media is also used to help online grocers to approach the consumers for feedback purposes.

Conclusions from the empirical study

There are many findings relevant to the differentiation strategy. Most of the respondents have not used online groceries before - only a small segment has used it for special occasions. Word of mouth and the use of internet and social media are effective promotional channels for reaching out to the consumers. Although, the respondents have not used online groceries before, they have a positive opinion of it.

The respondents were aware of S- and K-Groups' online groceries services, while the other competitors were less known. The respondents did not express strong opinions about the products from the supermarket chains. This would mean that smaller competitors could create competitive advantages in product quality. The benefits that the respondents were seeking were saving time followed by convenience and no need to go outside. Additionally, the respondents would like the online grocers to focus on more delivery options and cheaper prices.

The respondents' behaviour is analysed from the collected data. The respondents are in favour of picking up online ordered items where and when they want. Home delivery seems to be preferred. If there is a store nearby the respondents' living area, they prefer to go there over using online groceries. However, the respondents have answered they are willing to pay more for a delivery service than the process of purchasing at the store. During their online shopping, they compare prices and like to see all the product's information, even though the respondents do no find online groceries too expensive. Touching products prior to the purchase is not necessary for the respondents. They agree that the online grocers should pay attention to consumers' allergies and adjust their assortment.

If the online grocer provides service and products within the expectations of the consumers, they will certainly return to the same e-grocer. However, the online shop should be well functioning, otherwise it would decrease the popularity of the shop for the consumers. On a different note, ecological labels do not seem to be relevant for the respondents, as the answers were ‘no opinion’. Another conclusion was that the respondents were overall positive about online groceries, even though they have not used the services before.

6.2 Strategy formulation

The differentiation strategy is formulated by proposing practical recommendations in the focus areas. The strategy has covered the consumers’ need and expectations to provide them value-added services. In return, the consumers would be satisfied with the services and continue their shopping at the same online grocers. In addition to their satisfaction, they will use word of mouth to spread the good words. This is related to the post-purchase dissonance as mentioned in a previous chapter (Chapter 3). Technological developments are included, as the strategy also considers the multi-channels delivery and the communication channels on the internet. By looking at the competitors in Chapter 4, it is understood that none of the competitors has this kind of strategy embedded in their business model.

All in all, online grocers have the focus points to secure product quality, enhance distribution in delivery innovation, product quality, and communication channels to the consumers. They should consider convenience and saving time as value proposition. It comes together as unique and value-added service for the consumers.

TABLE 12 displays the differentiation strategy for online groceries. The left column of the table represents the market players. The middle column includes themes where the online grocer should focus on and the right column exhibits the practical recommendations on how the online grocer could implement the differentiation strategy.

TABLE 12: Differentiation strategy for online groceries

Differentiation strategy		
Market players	**Focus themes**	**Practical recommendations**
Online grocer	Securing product quality	Forming partnerships and alliances with local suppliers for fresh food
	Delivery innovation	Multi-channel delivery service (click/collect or home delivery)
	Product pricing	Profits should be made on the service, not on the product's margin so the prices remain the same as groceries or cheaper.
	Seasonal offerings	Discounts on national holidays and Christmas and special offerings
	Communications channels	Social media implementation and well-functioning online store with easy to use interface and good accessibility for consumers, mobile application service
Consumers	Answering needs	More products in regard to allergies and more technological integrations for saving time and local suppliers are promoted
	Meeting expectations	Delivery time should be within a shorter timeslot and varied food choices
	Delivering values	Product's information and origin is described in detail, food quality, and local products from different regions.
	Convenience	Cutting the time of consumers and bring groceries faster to consumers' home, allowing consumer to set grocery list and ordering at the same time frame
Competitors	Being first-mover in a new business model	Premium pricing for superior delivery service and focused product assortment Delivery and product costs combined in packages. One price for everything
	Entering niche markets	Elderly and consumers living in the further distances are important markets
	Effective advertising and customer service	Standard promotion with loyalty programmes and proactive service

7 CONCLUSIONS AND DISCUSSION

As the differentiation strategy is formulated, it marks the conclusion of the thesis. The thesis has provided insights into the online groceries in Finland. The main research objective was to formulate a differentiation strategy that could give a competitive advantage. To complete the study, the research questions need to be answered. The validity and the reliability of the study are clarified. Finally, there are suggestions for further research on online groceries.

7.1 Answering research questions

The main research question is: *"How could a company create competitive advantage with the differentiation strategy in online grocery in regard to the external factors?"*

The external factors have been exploited and thoroughly analysed using various marketing tools. The opportunities found from these analyses, pinpoint the importance and relevance of the focus areas for the differentiation strategy. The competitive advantage allows online grocers to set themselves apart from the competitors and offer distinctive propositions for the consumers. The differentiation strategy provides insights of the macro environment, consumers and competitors and suggests practical recommendations in specific focus areas within the company in Chapter 6.

The sub-questions in the study are:

- *"What does the external environment offer as opportunities?"*

This sub-question deals with the first external factor (the external or macro environment). PESTEL analysis was used to study the environment by dividing it into five factors: political, environment, social, technological, environmental and legal.

It was concluded that there are many opportunities: Finnish lobbyist for the grocery trade, recovering Finnish economy, technological development in delivery services and new legal law for the biggest grocery chains. The social factor was most relevant as it exposes that the consumers prefer locally produced food, loyalty programmes and emphasize on convenience. This was covered in Chapter 2.

- *"How do consumers behave in online grocery?"*

The second sub-question involves another important external factor: the consumers, more specific consumers' behaviour. To research the total population of Finland is too broad and time consuming. Hence why, market segmentation was applied to divide the market into smaller groups with specific needs, characteristics, and behaviour. It allows the differentiation strategy to be more focused and makes it easier to target the right consumers. By referencing the secondary data, the Finnish online consumers are identified along with their behavioural characteristics. Thus, it is possible to categorise the consumers according to their buying decision behaviour. This behaviour category explains that Finnish consumers show high customer involvement, post-purchase dissonance and they are influenced by convenience and pricing. Furthermore, the consumers are seasonal shoppers and value food quality and well-functioning and transparent online stores. The consumers' behaviour is clarified in Chapter 3.

The empirical study shows that consumers are in favour of home delivery and knowing the origin of products. They have a positive attitude towards online groceries, even though the majority have not used those services before. Furthermore, the consumers in Finland look for convenience and want to save time in using online grocery. Finally, they believe that online grocers should focus on offering more delivery options and cheaper prices. This is more thoroughly explained in Chapter 5.

- *“What are the critical success factors of competitors in online grocery?”*

The third sub-question concerns the competitors, specifically the critical success factors. Firstly, the relevant competitors in online groceries needed to be identified by using Porter’s Five Forces model. The model presents which of the forces have the higher power in the market (market competitors, substitutes and new entrants). Secondly, the major players associated in those forces are introduced and analysed by using a SWOT analysis. Thirdly, the critical success factors are derived from the SWOT analyses. In the last step, the success factors are then compared with the secondary data if they match up.

It brought forth the following conclusions. Online grocers should develop superior service to have an edge over the competitors. They need to form strategic alliances and partnerships. Offering organic products with ecological labels could serve the consumers’ expectations in product assortment. In addition, securing product quality in the assortment helps to achieve consumers’ trust. These online grocers should consider entering niche market segments as a part of their differentiation. Finally, they should consider implementing social media as a part of their communication channel to receive feedback and approach consumers. The process of finding the critical success factors of the competitors can be found in Chapter 4.

7.2 Validity and reliability

After the empirical study, it is important for any researcher to consider the validity and reliability. These definitions reflect on the research design. Saunders et al. (2012, 157) explains that validity deals with whether the findings of a study are really about what they appear to be about. The SPSS Statistics has shown definite relationships between variables, which are significant for the research questions. Additionally, the statistical program was able to pinpoint the data that reconfirms the findings from previous research studies concerning online groceries. This confirms the validity of the primary data.

The secondary data for the thesis originated from business journals and literature from peer reviewed business communities. Furthermore, the thesis also consulted on the grocery and food trade reports from international research organisations. The preferred online sources originated from educational (.edu) or governmental (.gov) institutions. Because the online groceries are still trending in Finland, most of the secondary data are up-to-date. The thesis could answer the research questions sufficiently and therefore is highly valid.

Next to the validity, the reliability is about whether the data collection techniques or analysis procedures will give the same and consistent findings (Saunders et al. 2012, 157). The online survey was conducted without segmenting the population. Different groups were asked to answer the survey; from bachelor students to the working population. It is believed that the results will not change in great shifts, since the digital shopping for groceries is still in its introduction phase in Finland. Furthermore, the questions were written in a way that the respondents could answer without being biased. There were three question types for the respondents to express their point of views. In case other researchers undertake the same research process, the observers might reach the same conclusions as in the thesis and with similar observations.

Although, it is recommended to use the SPSS Statistics to display the primary data for this purpose, the reliability might become less evident. The possibility exists that the results will change gradually because of the fast technological and business developments in the e-commerce. The current online groceries might undergo a transformation in the future, thus resulting in an increase in popularity for the Finnish consumers. Taking into account the future changes, the thesis is relatively reliable.

7.3 Suggestions on further research

During the thesis process, it is noticeable that some important pointers were being left out, making the differentiation strategy to have inherent flaws. They were not fully exploited and could be crucial in the search of differentiation in online groceries.

Firstly, the study left out the distribution, in other words the logistic structure, and the last mile solution for the consumers. Consumers are willing to pay more for a swift delivery service. However, it could be argued that the whole logistics management in online groceries could be regarded as a research topic on its own.

Secondly, the differentiation strategy stated that the focus lies on the external factors. In the same way, the opportunities for differentiation could as well be found in internal audit of the company. By improving the efficiency of the organisation structure and shortening the supply chain, an online grocer could direct these advantages to the consumers. Same goes for investing efficient storage methods for the food items or finding collaborative partners in supplying or marketing the items. The internal analysis is a part of the strategy formulation (Mitchell 2015), but was out of the scope of this thesis due to lacking a company as a case study.

Thirdly, the study was not able to be applied into an actual online groceries environment and lacking a case company. It would be interesting to see how much the differentiation strategy will hold in a real situation. With a case company, the strategy would be more exploited and developed into an applicable strategy. The implementation is also a part of the strategy formulation (Mitchell 2015).

Fourthly, the behaviour and preferences were based on the consumers located in Finland. The strategy would be then only applicable to the online grocers in Finland. However, it would be possible to enhance the framework to a wider scope in a global context, so that it will become a general strategical framework that would be suitable for online grocers in different countries.

8 SUMMARY

The thesis aims to create competitive advantage by differentiating in online groceries. The process involves developing a strategy for online or brick and mortar grocers in Finland. The differentiation strategy concerns analysing external factors and pinpointing opportunities with strategic values. The study comprises of two parts: theoretical and empirical. In the theoretical part, the external factors are analysed by using various marketing tools and referencing to the secondary data. The empirical part includes the process of collecting primary data and the data analysis.

The theoretical part has three chapters dealing with the external factors which are the macro environment, consumers' behaviour, and competitors. It marks the theoretical part of the thesis. Each external factor chapter (Chapters 2,3 and 4) consists of a marketing tool for analysing and describing the current situation, followed by explaining the findings as opportunities that could be valuable to the differentiation strategy.

The empirical part has the empirical research and data analysis in the Chapter 5. Herein, the collected data from the online questionnaire are analysed by using a statistical program. The results are reported and compared with the findings from the theoretical part of the study.

Chapter 6 represents the differentiation strategy. The findings from the external factors and the relationships with the data variables are assembled into a strategy.

In Chapter 7, the research questions are answered with the differentiation strategy. Validity and reliability of the thesis are elaborated. The chapter ends with suggestions on further research on online groceries and which areas are left unexploited for more opportunities.

REFERENCES

Written references

Boynton, A. & Zmud, R. 1984. An assessment of Critical Success Factors. Volume 25 Number 4 ABI INFORM Global. Boston. Sloan Management Review, 17-27.

David, R. 2013. Strategic Management Concepts, and cases. 14th Edition Global Edition. England. Pearson Education.

Hollensen, S. 2004. Global Marketing. 3rd edition. England. Pearson Education.

Kotler, P. & Armstrong, G. 2012. Principles of Marketing. 13th edition Global Edition. England. Pearson Education.

Munthiu, M. 2009. Volume 2 Number 4. Sibiu Alma Mater University Journals. Sibiu. Series A. Economic Sciences. 27-33.

Porter, M. 1985. Competitive advantage: creating and sustaining superior performance. First Free Press Edition. United States of America. Free Press.

Rockart, J. 1978. Chief executives define their own data needs. Harvard business review, 57(2), 81-93.

Saunders, M., Lewis, P. & Thornhill, A. 2012. Research methods for business students. Sixth edition. England. Pearson Education.

Stone, M. & Desmond, J. 2007. Fundamentals of Marketing. E-book edition. England. Routledge.

Tanskanen, K., Yrjölä, H. & Holmström, J. 2002. The way to profitable Internet grocery retailing – six lessons learned. Volume 30 Number 4, International Journal of Retail & Distribution Management, 169-178.

Tat Keh, H. & Shieh, E. 2001. Online grocery retailing: success factors and potential pitfalls. Volume 44 Issue 4 July-August 2001. Business Horizons, 73-83.

Electronic references

Ahola, H. & Kukkonen, O. 2003. A long-term case study of an e-grocery concept. Frontiers of e-business research. Researchgate [accessed 26 September 2016]. Available at: https://www.researchgate.net/publication/228595937_A_long-term_case_study_of_an_e-grocery_concept

Amazon. 2016. Amazon Prime Air. Amazon [accessed 5 January 2017]. Available at: https://www.amazon.com/Amazon-Prime-Air/b?ie=UTF8&node=8037720011

Anders Innovations. 2016. New findings on Finnish e-commerce preferences. Anders Innovations [accessed 26 September 2016]. Available at: https://www.andersinnovations.com/en/blog/new-findings-finnish-e-commerce-preferences/

Anton & Anton. 2016. About Anton & Anton preferences. Anton & Anton [accessed 26 September 2016]. Available at: http://www.antonanton.fi/en/story-of-a-a

Aseanic Trading Oy. 2016. About Aseanic Trading Oy. Aseanic Trading Oy [accessed 26 September 2016]. Available at: http://www.aseanic.fi/

Boone, H. & Boone, D. 2012. Analyzing Likert Data. Journal of Extension [accessed 26 September 2016]. Available at: https://www.joe.org/joe/2012april/tt2.php

Capgemini. 2013. Digital shopper relevancy Finnish results, Tutkimusseura [accessed 26 September 2016]. Available at: http://www.tutkimusseura.org/tiedostot/060213/Digitalshopper%20profiilit_Finne.pdf

Dahlbacka, B. 2012. Retail Food Sector Report for Sweden and Finland. Global Agricultural Information Network (GAIN) [accessed 26 September 2016]. Available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Stockholm_Sweden_9-6-2012.pdf

DFH Market. 2016. About us. DFH Market [accessed 26 September 2016]. Available at: http://www.dfh.fi/

Digital Foodie. 2013. Foodie.FM online groceries expand to the Baltics. Digital Foodie [accessed 26 September 2016]. Available at: http://www.digitalfoodie.com/foodie-fm-online-groceries-expands-to-the-baltics/

Digital Foodie. 2014. Digital Foodie and HOK-Elanto Open Dark Store in Finland to Fuel the Growth of Online Groceries. Digital Foodie [accessed 26 September 2016]. Available at: http://www.prnewswire.fi/news-releases/digital-foodie-and-hok-elanto-open-dark-store-in-finland-to-fuel-the-growth-of-online-groceries-277045661.html

Eggs Press. 2016. Muna Eggs Press. Facebook [accessed 10 September 2016]. Available at: https://www.facebook.com/MunaEggsPress/

Eippee. 2011. Choosing appropriate research methodologies and methods. Eippee [accessed 10 September 2016]. Available at: http://www.eippee.eu/cms/Default.aspx?tabid=3284

European Commission. 2016. Paris Agreement. European Commission [accessed 6 January 2017]. Available at: http://ec.europa.eu/clima/policies/international/negotiations/paris_en

EY. 2015. Nordic Food Survey 2015: Consumer trends. EY.com [accessed 3 January 2017]. Available at: http://www.ey.com/Publication/vwLUAssets/EY_food_Survey_2015/%24FILE/EY-food-Survey-2015.pdf

Huimala, M. 2013. Finnish Grocery Retail Dominance Law. Castrén & Snellman Attorneys Ltd. Marknadsrattsforeningen [accessed 6 January 2017]. Available at: http://www.marknadsrattsforeningen.se/wp-content/uploads/Finnish-Grocery-Retail-Dominance-Law-Mikko-Huimala.pdf

IDRE. 2017. What is the difference between categorical. ordinal and interval variables. Institure for Digital Research and Education [accessed 6 January 2017]. Available at http://stats.idre.ucla.edu/other/mult-pkg/whatstat/what-is-the-difference-between-categorical-ordinal-and-interval-variables/

Kauppakassi. 2016. Usein kysyttyä. Kauppakassi [accessed 3 January 2017]. Available at: http://www.kauppakassi.com/usein-kysyttya/

Kesko. 2016. Grocery Trade. Kesko.fi [accessed 26 September 2016]. Available at: http://www.kesko.fi/en/company/divisions/grocery-trade/

Kopra, L. 2015. 3 Reasons why online grocery shopping hasn't taken off in the Nordics. Magenta Advisory [accessed 26 September 2016]. Available at: http://www.magentaadvisory.com/2015/12/07/3-reasons-why-online-grocery-shopping-hasnt-taken-off-yet-in-the-nordics/

Lemarchand, R. 2013. Online Grocery Markets could challenge Finland's S & K-group Duopoly. Arctic Startup [accessed 15 December 2016]. Available at: http://arcticstartup.com/article/online-grocery-markets-could-challenge-finlands-s-k-group-duopoly/

Magretta, J. 2002. Why business models matter. Harvard Business Review [accessed 10 September 2016]. Available at: https://hbr.org/2002/05/why-business-models-matter

Meshguides. 2016. Developing sub-questions that can be researched: Operationalized. Meshguides [accessed 11 September 2016]. Available at: http://www.meshguides.org/guides/node/470

Michael, R. 2016. Crosstabulation & Chi-Square. Indiana University Bloomington. [accessed 11 September 2016]. Available at: http://www.indiana.edu/~educy520/sec5982/week_12/chi_sq_summary011020.pdf

Mitchell, R. 2015, Strategy Formulation. California State University Northridge. [accessed 11 January 2017]. Available at: www.csun.edu/~hfmgt001/formulation.doc

OECD. 2016. Economic Survey of Finland 2016. Organisation for Economic Co-operation and Development [accessed 3 January 2017]. Available at: http://www.oecd.org/eco/surveys/economic-survey-finland.htm

Oliver Wyman. 2014. The future of groceries: threats and opportunities, Marsh & Mclennan companies. Oliver Wyman [accessed 3 January 2017]. Available at: http://www.oliverwyman.com/content/dam/oliver-wyman/global/en/2014/oct/OW_Future%20of%20Online%20Grocery_Final_ENG.pdf

PTY. 2016. Finnish Grocery Trade 2016 [accessed 3 January 2017]. Available at: http://www.pty.fi/fileadmin/user_upload/tiedostot/Julkaisut/Vuosijulkaisut/EN_2016_vuosijulkaisu.pdf

Rajantie, L. 2015. Finnish cities engage residents in sustainable development, Sitra [accessed 9 January 2017]. Available at: http://www.sitra.fi/en/artikkelit/finnish-cities-engage-residents-sustainable-development

RCR. 2016. Data Collection. Responsible conduct in data management [accessed 12 September 2016]. Available at: http://www.niu.edu/rcrportal/datamanagement/dctopic.html

Ruoka.net. 2016. Ruokanet Oy - tuo ostokset perille asti. Ruoka.net [accessed 15 December 2016]. Available at: https://www.ruoka.net/cgi-bin/nph-cgi/~TmjRx0000001/?Y999=MSC&Y103=2&Y209=1

Sannan ruokakassi. 2016. Sannan Ruokakassi [accessed 15 December 2016]. Available at: http://sannanruokakassi.fi/

Santander. 2016. Finland: reaching the consumer. Santander trade [accessed 26 September 2016]. Available at: https://en.portal.santandertrade.com/analyse-markets/finland/reaching-the-consumers

Shangde Aasialainen Ruokakauppa. 2016. About. Facebook [accessed 26 September 2016]. Available at: https://www.facebook.com/Shangde.aasialainen.ruokakauppa

Simister, P. 2011. Key Success Factors and Their Link To Factors Of Difference consumer. Differentiate your business [accessed 26 September 2016]. Available at: http://www.differentiateyourbusiness.co.uk/key-success-factors-factors-of-difference

Soderlund, O. 2012. Is Finland finally ready for online grocery stores? Magenta Advisory [accessed 26 September 2016]. Available at: http://www.magentaadvisory.com/2012/08/27/is-finland-finally-ready-for-online-grocery-stores/

Suomikauppa.fi. 2016. Suomikauppa [accessed 26 September 2016]. Available at: http://www.suomikauppa.fi/

Syndy. 2015. The state of online grocery retail in Europe. Syndy [accessed 2 September 2016]. Available at: http://www.syndy.com/report-the-state-of-online-grocery-retail-2015/

S-Group. 2016. S-Group in Figures. S-Group [accessed 2 September 2016]. Available at: http://vuosikatsaus.s-ryhma.fi/en/s-group#s-group-in-figures

Trading Economics. 2016. Finland Economic Indicators. tradingeconomics.com. Trading Economics [accessed 2 January 2017]. Available at: http://www.tradingeconomics.com/finland/indicators

Vivion, N. 2014. Online groceries coming to an airport near you – if you live in Finland. Tnooz [accessed 2 September 2016]. Available at: https://www.tnooz.com/article/online-grocery-ordering-coming-airport-near-live-finland/

Woolley, N. 2012. Online grocery shopping still small business in Finland. Helsinki Times [accessed 2 January 2017]. Available at: http://www.helsinkitimes.fi/business/4371-online-grocery-shopping-still-small-business-in-finland-2.html

Yale University. 1997. Chi-Square Goodness of Fit Test. Department of Statistics and Data Science. [accessed 2 January 2017]. Available at: http://www.stat.yale.edu/Courses/1997-98/101/chigf.htm

YLE. 2012. Minister moves to free up Finnish grocery trade. YLE.fi [accessed 2 January 2017]. Available at: http://yle.fi/uutiset/osasto/news/minister_moves_to_free_up_finnish_grocery_trade/6087619

YLE. 2015. Average Finnish grocery list includes beer and sweets. YLE.fi [accessed 2 January 2017]. Available at: http://yle.fi/uutiset/osasto/news/average_finnish_grocery_list_includes_beer_and_sweets/7756126

YLE. 2016a. Central bank: Finland has pulled out of recession. YLE.fi [accessed 2 January 2017]. Available at: http://yle.fi/uutiset/osasto/news/central_bank_finland_has_pulled_out_of_recession/9350881

YLE. 2016b. Government moves to loosen alcohol laws. YLE.fi [accessed 2 January 2017]. Available at: http://yle.fi/uutiset/osasto/news/government_moves_to_loosen_alcohol_laws/8894695

APPENDICES

Appendix 1: SWOT analyses competitors in online grocery

SWOT analysis of internal competition

Internal competition (Rouka.net)		
Internal factors	*Strengths* • Specialised and organised storage • Efficient logistics • More flexible with inputting new food items • Integrated computer system for distribution and inventory	*Weaknesses* • Relying on 3rd party for delivery • Quality of freshness and products • Lack of capital
External factors	*Opportunities* • Open for alliances and partnerships • Offering exotic items • Social media integration to expand	*Threats* • Cheaper prices of local new players • Players with better and more services • Click/Bricks businesses

Critical success factors of internal competition

CSF Internal competition
• Handle Efficient inventory storage and efficient logistics • Secure alliances and partnerships for distribution as suppliers • Utilize Social media to expand brand recognition • Manage quality of product • Stay ahead of competitors in terms of service and price/quality of products

SWOT analysis of new entrants

<table>
<tr><th colspan="3">New entrants (Sannan Ruokakassi / Anton & Anton)</th></tr>
<tr><td>Internal factors</td><td>Strengths
Groceries bags are aligned with the interests of consumers
Promoting fresh ingredients
Combination of click/bricks and bricks/mortar businesses
Close contact to consumers with social media</td><td>Weaknesses
Depending on local suppliers
Guaranteed quality/freshness need to be maintained
Social media becomes a part of the business strategy and requires dedicated attention
Less to offer than big supermarkets
More expensive than competitors</td></tr>
<tr><td>External factors</td><td>Opportunities
Focus on local customers and their preferences
More groceries bags variations
Opening more stores to expand the delivery areas</td><td>Threats
Big supermarket chains going into groceries bags
Competing competitors with better service and delivery and price
Complicated recipes might throw consumers off</td></tr>
</table>

Critical success factors of new entrants

CSF New entrants
• Expand and improve online groceries in food bags • Stay ahead of competitors in terms of service and price/quality of products • Maintain product quality • Attract and focus on local customers • Sustain relationships with local suppliers

SWOT analysis of substitutes

Substitutes (S- and K-groups)		
Internal factors	*Strengths* • Huge capital • Customer base • Economies of scale • Brand recognition	*Weaknesses* • Less focus for local customers • Depending on ordering huge quantities from suppliers to have competitive price • Less exotic food items
External factors	*Opportunities* • Investing for organic and sustainable rebranding • Looking for local suppliers • Usage of feedback and criticism of consumers to develop the business • Serving foreign consumers and elderly to expand	*Threats* • Competing supermarket chain with newer or improved services • Local online groceries • Profit margins might get smaller to stay price competitive

Critical success factors of substitutes

CSF Substitutes
• Strengthen the customer base and brand recognition • Use big data to improve supply chain and last mile problem • Improve the digital services continuously towards consumers • Invest for sustainability and organic products • Serve consumers from other market segments (elderly, foreign and suburban consumers)

Appendix 2: Sample of the questionnaire

English

My name is Ken Lok, student at LAMK and studying International Business. I am doing this questionnaire for my Bachelor thesis, as I am researching the Finnish consumer's behaviour and the competitor's presence in online groceries. It will take about 5-7 minutes. The results of this questionnaire are anonymous and confidential. It is solely meant for research purpose.

Furthermore, I am doing a small lottery for the participants of my questionnaire. I have three Moomin enamel cups to be sent to the winners. If you have any interests of giving these nice cups a great home, please leave your email address or phone number here. Winners will be contacted by 7 February.

Email: Phone:

Thank you for your cooperation.

1. In which age group do you belong?

- < 21 years old
- 21 – 35 years old
- 35 - 55 years old
- > 55 years old

2. In which city do you currently live?

- Helsinki
- Espoo
- Tampere
- Vantaa
- Oulu
- Turku
- Jyväskylä
- Lahti
- Others

3. How often do you buy foodstuff online?

- Daily basis
- Weekly basis
- Monthly basis
- Only for special occasions (Christmas or national holidays)
- Never

4. How much do you agree with the following statements?

1- Strongly disagree
2- Disagree
3- No opinion
4- Agree
5- Strongly agree

- If I order groceries online, I already know what I need.
- I compare prices from different online grocers.
- I like to pick up my orders where and when I want.
- I want to see and touch the products before I buy them.
- I prefer my order to be delivered to my home.
- I like to see all the products' information (nutrients, nutrition, and vitamins) before I consider to buy them.
- I am willing to pay for expensive groceries if the products are fresh ingredients and the site provides an accurate delivery service.
- I recommend online groceries to my friends and family.
- I want to know the origin of the products I order online.
- I like to experiment with cooking by trying different recipes suggested by online grocers.
- I find 'food bags' very useful. (Pre-packed ingredients for a recipe)
- I always look for the ecological labels when I am doing online groceries.
- I rather buy from local food producers.
- I only buy from online grocers I am familiar with.
- Big supermarket chains (k- / S-group) offer the best products in online groceries.
- I use social media to know more about online groceries.
- I will buy from the same shop if the service and products meet my expectations.
- I use social media to contact online grocers.
- Online grocers should have a wider range of products than just food.
- Physical stores give me more freedom to choose fresh products than online groceries.
- I have never ordered online groceries.
- I wish the prices in online groceries were cheaper than in the store.

- The process to make an online order takes a lot of time.
- It is too complicated to place an order online.
- I wish there were more food choices in online grocery. (for example lactose-free milk or non-organic tomatoes)
- I wish online grocers would pay more attention to consumers with allergies.
- I get frustrated when the online shop is not working properly.
- Online groceries are too expensive.
- The choices of groceries are too limited in online shops.
- I prefer going to the physical grocery stores rather than ordering online.
- There is already a grocery store close by; I don’t need to do my groceries online.
- Ordering online groceries doesn’t guarantee the quality I look for.
- if I can get my products delivered to me faster by ordering online than actually going to the shop, I would do my purchases online.
- I would trust the quality of online grocers if they have Finnish certified suppliers.
- I believe that online grocers don’t know what quality I look for in my groceries.
- Online grocers should add more items. (example wc paper or cleaning materials)

5. Which online grocers do you know? (select multiple)

- K-Ruoka
- Alepa Kauppakassi
- Sannan Ruokakassi
- Ruoka.net
- Kauppahalli.net
- Anton & Anton
- Other

6. How do you know about the e-grocers? (select multiple)

- Word of mouth
- Saw advertisements outside
- Posted on social media
- Suggested by friend or family
- By surfing on the internet
- Other

7. What is your opinion of online grocery?

- positive
- Negative
- Never used it
- No opinion

8. What would be the benefits you seek in using online groceries?

- Convenience
- No need to go outside
- Save time
- Easy to order
- Other

9. Where do you think e-grocers should focus on?

- More payment methods
- More delivery options
- Cheaper prices
- More exotic food items
- Other

10. What one thing could make you choose to only use online grocery services and stop going to physical grocery stores altogether?

Thank you for your participation. I will contact the winners right after the 7 February.

<u>Finnish</u>

Minun nimeni on Ken Lok ja opiskelen Lamkissa (Lahden ammattikorkeakoulu) kansainvälisen kaupan tradenomiksi. Tämä kysely on minun tutkielmaani varten. Tutkin Suomen kuluttajakäyttäytymistä ja kilpailijoiden läsnäoloa verkossa tehtävien ruokaostosten suhteen. Vastaaminen kestää noin 5-7 minuuttia. Tulokset tästä kyselystä ovat anonyymejä ja luottamuksellisia. Vastaukset ovat ainoastaan tarkoitettu tutkimuksen tarkoitukseen.

Lisäksi järjestän pienet arpajaiset osallistujille. Minulla on kolme Muumi emalimukia, jotka lähetän voittajille. Jos haluat antaa näille mukaville mukeille kivan kodin, kirjoita sähköpostiosoite tai puhelinnumero alla olevaan kohtaan. Voittajiin otetaan yhteyttä heti 6. helmikuuta.

Email:

Puhelinnumero:

Kiitos yhteistyöstä.

1. Mihin ikäryhmään sinä kuulut?

- alle 21 vuotias
- 21-35 vuotta vanha
- 35-55 vuotta vanha
- yli 55 vuotias

2. Missä kaupungissa sinä tällä hetkellä asut?

- Helsinki
- Espoo
- Tampere
- Vantaa
- Oulu
- Turku
- Jyväskylä
- Lahti
- Joku muu

3. Kuinka usein teet ruokaostokset netissä?

- Päivittäin
- Viikottain
- Kuukausittain
- Vain juhlia varten (esim. joulu taikka muina juhlapyhinä)
- En koskaan

4. Kuinka paljon olet samaa mieltä seuraavien väittämien kanssa?

1- Täysin eri mieltä
2- eri mieltä
3- Ei mielipidettä
4- Samaa mieltä
5- Täysin samaa mieltä

- Jos tilaan ruokaostokset verkosta, tiedän jo mitä tarvitsen.
- Vertailen hintoja eri online-ruokakaupoissa.
- Haluan noutaa tilaukseni missä ja milloin haluan.
- Haluan nähdä ja koskettaa tuotteita ennen kuin ostan ne.
- Haluan mieluummin, että tilaukseni toimitetaan suoraan kotiini.
- Haluan nähdä kaikki tuotteiden tiedot (ravinteet, ravinto ja vitamiinit) ennen kuin harkitsen ostaa niitä.
- Olen valmis maksamaan enemmän ruokaostoksistani, jos tuotteet ovat tuoreista aineksista ja tuotteet toimitetaan luotettavasti.
- Suosittelen verkossa ruokaostosten tekemistä ystävilleni ja perheen.
- Haluan tietää verkossa tilaamieni tuotteiden alkuperän.
- Haluan kokeilla ruoanlaittoon erilaisia reseptejä joita nettikauppiaat ovat ehdottaneet.
- Mielestäni "ruokakassit" ovat erittäin hyödyllisiä. (valmiiksi pakatut ainekset tiettyä reseptiä varten)
- Etsin aina ekologisen tuotteen merkkiä kun olen teen ruokaostokset netissä.
- Mieluummin ostan paikallisilta elintarvikkeiden tuottajilta.
- Ostan ruokaa vain nettiruokakauppiailta jotka tunnen hyvin.
- Isot supermarket-ketjut (K / S-ryhmät) tarjoavat parhaimmat tuotteet verkossa.
- Käytän sosiaalista mediaa tietääkseni enemmän verkossa tarjottavista elintarvikkeista.
- Aion jatkaa ostamista samasta liikkeestä, jos palvelu ja tuotteet vastaavat odotuksiani.
- Käytän sosiaalista mediaa ottaakseni yhteyttä verkkoruokakauppiaisiin.
- Verkossa olevassa ruokakaupassa pitäisi olla tarjolla laajempi tuotevalikoima kuin pelkästään ruokaa.
- Fyysinen myymälä antaa minulle enemmän vapautta valita tuoreita tuotteita kuin ruokakaupat verkossa.
- En ole koskaan tilannut elintarvikkeita verkosta.

- Toivoisin, että elintarvikkeiden hinnat verkossa ovat halvempia kuin kaupassa.
- Tilausprosessi verkossa vie paljon aikaa.
- On liian monimutkaista tilata verkosta.
- Toivoisin, että olisi enemmän valinnanvaraa nettiruokakaupoissa. (Esimerkiksi laktoositonta maitoa tai ei pelkästään luomutomaatteja)
- Haluaisin, että nettiruokakauppiaat ottaisivat enemmän huomioon asiakkaiden allergiat.
- Turhaudun kun verkkokauppa ei toimi kunnolla.
- Verkossa ruokaostokset ovat liian kalliita.
- Vaihtoehdot nettiruokakaupoissa ovat liian rajalliset.
- Menen mieluummin itse fyysiseen ruokakauppaan kuin tilaan netistä.
- Minulla on jo ruokakauppa lähellä, joten minun ei tarvitse tehdä ruokaostoksia verkossa.
- Ruoan tilaaminen verkossa ei takaa haluamaani laatua.
- Jos saan tuotteeni nopeammin tilatessani verkossa kuin itse kauppaan menemällä, niin tekisin ostokseni verkossa.
- Luottaisin nettiruokakauppiaitten laatuun, jos niillä on suomalaisia sertifioituja toimittajia.
- Uskon, etteivät nettiruokakauppiaat tiedä minkälaista laatutasoa odotan elintarvikkeiltani.
- Nettiruokakauppojen pitäisi lisätä enemmän tuotteita valikoimaansa. (Esimerkiksi wc-paperia tai puhdistusaineita)

5. Minkä nettiruokakauppiaan tiedät (voit valita usean)

- K-Ruoka
- Alepa Kauppakassi
- Sannan Ruokakassi
- Ruoka.net
- Kauppahalli.net
- Anton & Anton
- Joku muu

6. Miten sait tietää nettiruokakauppiaista?

- Kuulit joltakin
- Näin mainoksia ulkona
- Jaettuna sosiaalisessa mediassa
- Kaveri taikka perhe ehdotti
- Surffaamalla netissä
- Jostain muualta

7. Mikä mielipide sinulla on nettiruokakaupoista?

- positiivinen
- Negatiivinen
- En ole koskaan käyttänyt sitä
- Ei mielipidettä

8. Minkälaisia etuja etsisit nettiruokakauppojen käytöstä?

- mukavuutta
- Ei tarvitse mennä ulos
- Säästää aikaa
- Helppo tilata
- Muita

9. Mihin sinun mielestä nettiruokakauppiaitten tulisi keskittyä?

- Lisää maksutapoja
- Lisää toimitus vaihtoehtoja
- halvemmat hinnat
- Enemmän eksoottisia elintarvikkeita
- Joku muu

10. Mikä yksi asia voisi saada sinut valitsemaan pelkästään nettiruokakauppojen tarjoamat palvelut ja saada sinut lopettamaan fyysisissä ruokakaupoissa käymisen kokonaan?

Kiitos osallistumisestanne. Otan yhteyttä voittajiin heti . helmikuuta.

Appendix 3: Descriptive tables of category questions

1. In which age group do you belong?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 21 years old	11	11.0	11.0	11.0
	21-35 years old	54	54.0	54.0	65.0
	36-55 years old	31	31.0	31.0	96.0
	> 56 years old	4	4.0	4.0	100.0
	Total	100	100.0	100.0	

2. In which city do you currently live?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Helsinki	29	29.0	29.0	29.0
	Espoo	11	11.0	11.0	40.0
	Tampere	3	3.0	3.0	43.0
	Vantaa	9	9.0	9.0	52.0
	Oulu	3	3.0	3.0	55.0
	Turku	1	1.0	1.0	56.0
	Jyväskylä	7	7.0	7.0	63.0
	Lahti	9	9.0	9.0	72.0
	Others	28	28.0	28.0	100.0
	Total	100	100.0	100.0	

3. How often do you buy foodstuff online?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Daily basis	2	2.0	2.0	2.0
	Weekly basis	6	6.0	6.0	8.0
	Monthly basis	8	8.0	8.0	16.0
	Only for special occasions (Christmas or national holidays)	19	19.0	19.0	35.0
	Never	65	65.0	65.0	100.0
	Total	100	100.0	100.0	

5. Which online grocers do you know?

	K-Ruoka	Alepa Kauppakassi	Sannan Ruokakassi	Ruoka.net	Kauppahalli.net	Anton & Anton
no	55.0%	49.0%	72.0%	73.0%	82.0%	73.0%
yes	45.0%	51.0%	28.0%	27.0%	18.0%	27.0%

6. How do you know about the e-grocers?

	Word of mouth	Saw advertisements outside	Posted on social media	Suggested by friend or family	By surfing on the internet
no	54.0%	73.0%	59.0%	85.0%	52.0%
yes	46.0%	27.0%	41.0%	15.0%	48.0%

7. What is your opinion of online grocery?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Positive	36	36.0	36.0	36.0
	Negative	2	2.0	2.0	38.0
	Never used it	48	48.0	48.0	86.0
	No opinion	14	14.0	14.0	100.0
	Total	100	100.0	100.0	

8. What would be the benefits you seek in using online groceries?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Convenience	21	21.0	21.0	21.0
	No need to go outside	22	22.0	22.0	43.0
	Save time	36	36.0	36.0	79.0
	Easy to order	18	18.0	18.0	97.0
	Other	3	3.0	3.0	100.0
	Total	100	100.0	100.0	

9. Where do you think e-grocers should focus on?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	More payment methods	6	6.0	6.0	6.0
	More delivery options	38	38.0	38.0	44.0
	Cheaper prices	33	33.0	33.0	77.0
	More exotic food items	13	13.0	13.0	90.0
	Other	10	10.0	10.0	100.0
	Total	100	100.0	100.0	

Appendix 4: Means and standard deviations of rating questions

	If I order groceries online, I already know what I need.	I compare prices from different online grocers.	I like to pick up my orders where and when I want.	I want to see and touch the products before I buy them.	I prefer my order to be delivered to my home.
Mean	3.65	3.37	3.92	3.14	4.06
N	100	100	100	100	100
Std. Deviation	.947	1.186	.961	1.045	.908

	I like to see all the products' information (nutrients, nutrition, and vitamins) before I consider to buy them.	I am willing to pay for expensive groceries if the products are fresh ingredients and the site provides an accurate delivery service.	I recommend online groceries to my friends and family.	I want to know the origin of the products I order online.	I like to experiment with cooking by trying different recipes suggested by online grocers.
Mean	3.31	3.71	2.94	4.02	3.25
N	100	100	100	100	100
Std. Deviation	1.125	1.066	.941	.932	1.123

	I find ‘food bags’ very useful. (Pre-packed ingredients for a recipe)	I always look for the ecological labels when I am doing online groceries.	I rather buy from local food producers.	I only buy from online grocers I am familiar with.	Big supermarket chains (K- / S-group) offer the best products in online groceries.
Mean	3.31	3.15	3.77	3.30	3.05
N	100	100	100	100	100
Std. Deviation	1.107	1.149	1.024	.969	.702

	I use social media to know more about online groceries.	I will buy from the same shop if the service and products meet my expectations.	I use social media to contact online grocers.	Online grocers should have a wider range of products than just food.	Physical stores give me more freedom to choose fresh products than online groceries.
Mean	2.95	4.07	2.62	3.50	4.00
N	100	100	100	100	100
Std. Deviation	1.058	.844	1.071	.937	.899

	I have 5 ordered online groceries.	I wish the prices in online groceries were cheaper than in the store.	The process to make an online order takes a lot of time.	It is too complicated to place an order online.	I wish there were more food choices in online grocery. (for example lactose-free milk or non-organic tomatoes)
Mean	3.30	3.82	2.88	2.51	3.64
N	100	100	100	100	100
Std. Deviation	1.761	.914	1.008	.948	.785

	I wish online grocers would pay more attention to consumers with allergies.	I get frustrated when the online shop is not working properly.	Online groceries are too expensive.	The choices of groceries are too limited in online shops.	I prefer going to the physical grocery stores rather than ordering online.
Mean	3.52	3.93	3.17	3.28	3.78
N	100	100	100	100	100
Std. Deviation	.847	.902	.792	.697	1.021

	There is already a grocery store close by; I don’t need to do my groceries online.	Ordering online groceries doesn’t guarantee the quality I look for.	If I can get my products delivered to me faster by ordering online than actually going to the shop, I would do my purchases online.	I would trust the quality of online grocers if they have Finnish certified suppliers.	I believe that online grocers don’t know what quality I look for in my groceries.
Mean	4.01	3.05	3.77	3.60	2.91
N	100	100	100	100	100
Std. Deviation	1.040	.833	1.136	.899	.911

	Online grocers should add more items. (example wc paper or cleaning materials)
Mean	3.81
N	100
Std. Deviation	.800

Appendix 5: Descriptive tables of cross tabulation

3. How often do you buy foodstuff online? * 8. What would be the benefits you seek in using online groceries? Crosstabulation

		8. What would be the benefits you seek in using online groceries?					
		Convenience	No need to go outside	Save time	Easy to order	Other	
3. How often do you buy foodstuff online?	Daily basis	0	2	0	0	0	2
	Weekly basis	1	2	3	0	0	6
	Monthly basis	4	0	3	1	0	8
	Only for special occasions (Christmas or national holidays)	2	5	5	6	1	19
	Never	14	13	25	11	2	65
Total		21	22	36	18	3	100

7. What is your opinion of online grocery? * 9. Where do you think e-grocers should focus on? Crosstabulation

		9. Where do you think e-grocers should focus on?		
		More payment methods	More delivery options	Cheaper prices
7. What is your opinion of online grocery?	Positive	1	17	9
	Negative	0	1	1
	Never used it	3	11	22
	No opinion	2	9	1
Total		6	38	33

		9. Where do you think e-grocers should focus on?		
		More exotic food items	Other	
7. What is your opinion of online grocery?	Positive	4	5	36
	Negative	0	0	2
	Never used it	7	5	48
	No opinion	2	0	14
Total		13	10	100

3. How often do you buy foodstuff online? * 7. What is your opinion of online grocery?

		7. What is your opinion of online grocery?		
		Positive	Negative	Never used it
3. How often do you buy foodstuff online?	Daily basis	0	0	1
	Weekly basis	4	1	0
	Monthly basis	7	0	1
	Only for special occasions (Christmas or national holidays)	13	1	1
	Never	12	0	45
Total		36	2	48

		7. What is your opinion of online grocery?	
		No opinion	Total
3. How often do you buy foodstuff online?	Daily basis	1	2
	Weekly basis	1	6
	Monthly basis	0	8
	Only for special occasions (Christmas or national holidays)	4	19
	Never	8	65
Total		14	100

Appendix 6: Descriptive tables of chi-test for goodness of fit

- **Descriptive Statistics**

	N	Mean	Std. Deviation	Minimum	Maximum
I would trust the quality of online grocers if they have Finnish certified suppliers.	100	3.60	.899	1	5
I will buy from the same shop if the service and products meet my expectations.	100	4.07	.844	2	5
I always look for the ecological labels when I am doing online groceries.	100	3.15	1.149	1	5

I would trust the quality of online grocers if they have Finnish certified suppliers.

	Observed N	Expected N	Residual
Strongly disagree	3	20.0	-17.0
Disagree	3	20.0	-17.0
No opinion	41	20.0	21.0
Agree	37	20.0	17.0
Strongly agree	16	20.0	-4.0
Total	100		

I will buy from the same shop if the service and products meet my expectations.

	Observed N	Expected N	Residual
Disagree	5	25.0	-20.0
No opinion	17	25.0	-8.0
Agree	44	25.0	19.0
Strongly agree	34	25.0	9.0
Total	100		

I always look for the ecological labels when I am doing online groceries.

	Observed N	Expected N	Residual
Strongly disagree	10	20.0	-10.0
Disagree	16	20.0	-4.0
No opinion	36	20.0	16.0
Agree	25	20.0	5.0
Strongly agree	13	20.0	-7.0
Total	100		