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Lapland University of Applied Sciences

DEVELOPING DIGITAL STRATEGY FOR IMPROVEMENT OF CUSTOMER RELATIONSHIP MANAGEMENT

Case: Halonen Brothers Oy

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Master's Thesis
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Abstract of Thesis

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Despite the importance of digital strategy to the customer relationship management of retail firms, there are still limited exploratory studies for it in fashion retail's context. This study aims to explore the concept of digital strategy and its impact on fashion chains in Finland and the Nordic region. There are indications that emerging technologies have revolutionised the way enterprises engage and interact with customers globally. Halonen as a fashion retailer is conceivably exhibiting characteristics that leave room for strategy improvement in the scheme of digital ecosystem. The aim of this research is to provide an empirical explication for Halonen that helps close the possible digital divides.

This qualitative research encompasses analysis of data collected by reviewing relevant literature as well as empirical analysis of in-depth interviews of key Halonen representatives. This qualitative study was also carried out through ethnographic observation to be able to observe customers holistically and not necessarily to interact with them. Essentially, this integrated research process was carried out to help the case company navigate the strategy improvement roadmap by explicating contemporary digital strategy models.

The requisites of the case company to transform its business strategy into a digital advantage are vastly addressed in this exploratory study. However, the research findings are coordinated to facilitate a suitable framework that focuses on improving the case company's customer relationship paradigm.

This research posits that there are possibilities for improving Halonen's existing strategy. Furthermore, the research provides comprehensive insights, outlines opportunities of digital strategy and steers effective roadmap for strategy execution. Nevertheless, further studies regarding the key abstractions of this research are advised in order to locate the nexus between digital strategy and value propositions in other businesses' contexts.

Keywords: digital strategy, CRM, Halonen, digital channel, digital ecosystem, digital disruption

CONTENTS

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Tornio, Finland on the 10th of September 2017

Oladepo Olanrewaju

1 INTRODUCTION

The study deals with how a fashion chain can transform its business capabilities into a digital strategy to be able to future-proof its business model. As enterprises face complexities in decision-making, there is a need for making far-reaching choices on how it relates with customer and competitors. Technology plays a key role in the survival and transformation of business from being susceptible to disruption into becoming a disruptive force. This study addresses how the case company can improve its customer relationship management (hereinafter CRM) through digital strategy to gain competitive advantage.

The background and motivation of this research as presented in the following section are explained to show how the author arrived at the topic of this thesis and the choice of the case company. The background and the motivation comprise the case company's profile and brief description of the problems it is facing. The research objectives and questions are also discussed as well as the structure of the thesis.

CRM on the one hand, it is an organisation performance mechanism intended to gain customer loyalty and retain it. On the other hand, it can be regarded as later a business operations tool utilized by way of automation or software. Digital strategy on the other hand, in its expansive definition offers more than accumulation of technologies. Digitalisation is the application of information and technology to improve human performance (Mcdonald 2015). For clarity, human performance is the real essence of digital transformation. It is through human performance that revenue is increased and competitive advantage is enhanced. Strategy can be simplified as setting a direction, organising resources and making commitment (McDonald 2015). In other words, digital strategy explores what an organisation can benefit by using information and technology to raise human performance. Human performance comprises internal capacity and identifying unmet needs and goals of external stakeholders who are the users and buyers of Halonen products.

1.1 Background and Motivation

Despite the fact that disruptive innovation is an economic reality, many companies in Finland still do not believe they are susceptible to disruptive innovations (Accenture.com 2016b, 2). Surprisingly, those companies that appear less vulnerable to digital disruption are yet to attain digital maturity in certain aspects of their business models. To this extent, this study is developed to tackle the digital vulnerability of the case company. Beyond the Finnish market, disruption through technology has come as a global awakening. Core business operations are therefore required to improve and align digital innovations with organisational strategy in order for companies to remain competitive.

The quest for staying competitive in the fashion retailing industry has broadened discussions on how CRM can be improved. The global business trend has seen a phenomenal rise in the demand for technology as the driver of competitive edge. This digital leap has come to redefine ways in which businesses compete, collect information and deploy the information in order for businesses to achieve specific business goals. Businesses have endeavoured to consume tremendous amounts of data to ensure that their prospects run seamlessly. In a contemporary retailing enterprise world, data are analysed and applied in real time for numerous purposes in CRM (Shih 2016). For example, analysed data can be applied to predict the customers' buying behaviour. In addition to this, it can also be used to optimise purchase profiles and to choose which product gets shown as a potential customer scroll a webpage. (Shih 2016.)

In the traditional sense of retail operations, data are lumped, not refined and are entered manually into a database system such as CRM software. Additionally, apart from moving the data from a primary storage to the cloud, CRM has not experienced any radical change since introduction in 1990. (Shih 2016.) As this thesis reveals, CRM poses a challenge that requires a more comprehensive strategy than the rudimentary automation schemes the Halonen is presently implementing. Formulating a digital strategy becomes necessary since most

literature see CRM as overhead laden innovation and largely inefficient. In other words, CRM as it is widely understood, is dead because it has failed to fulfil its potentials. (Shih 2016.) This study also provides a spectrum of multichannel strategy for the improvement of the CRM of Halonen and transforms it into a digital cutting edge.

Regarding digital strategy, it is at first, a discipline of interest for the author for sundry reasons. First, it is relevant in the domain of contemporary discussions on innovation across business strategy and marketing literature. Second, it receives a prominent mentioning wherever business transformation strategies are being discussed especially as acknowledged by renowned strategists such as Bakers, Rogers, Bull and Mcdonald. Third is personal quest to study digital landscape of organisations to determine the strategic development of their performance in the future. While businesses focus majorly on customer attraction and satisfaction, digital strategy requires going further by incorporating customer advocacy, sustained market presence and leadership. For example, the social media offer phenomenal tools that need to be understood by retail businesses. Besides, retail businesses need to master and manage these tools to be able to get close to their customers in diverse ways and to deliver mutually rewarding digital experience.

As a student and a consumer of retailed products of choice in a global market, the author pursues a strategic contribution to the existing studies on the contemporary challenges on digital marketing and relationship management to be able to implement the result of this research. Moreover, the selection of the case company is as a result of the commitment to investigate a Finnish company with established market profile. This commitment is demonstrated by the study of the contemporary strategic issues in a pacy industry of fashion retailing.

Halonen Brothers Oy provided the author with the opportunity to implement the empirical research. Halonen presented its business model as an entity requiring strategic repositioning and digital transformation. Halonen exhibits all the major

attributes of a local brand with modest drive towards optimum digitalisation. However, it runs the risk of being disrupted by other internationalised fashion chains that includes, Jack and Jones, Espirit, Zara and H and M. Moreover, the presence of local department stores in the market such as Stockmann portends vigorous competition for Halonen. Many of the continental retail chains have adopted e-commerce approaches to retailing. Meanwhile, Halonen is presently absorbed in its traditional customer relationship model.

1.2 Halonen Brothers Oy in Brief

The commissioner of this thesis is Halonen Brother Oy, a Finnish fashion chain established in 1932. As a private equity firm, Halonen has its headquarters in Helsinki. It has grown in no time and owned a subsidiary Carlson Oy operating in eastern Finland with a related business model. With staff strength of over 450 nationwide, Halonen has boosted its competitive strength and the customer experience in domestic market (Kauppalehti 2015). As retail businesses face complex decision-making in today's competitive market, Halonen requires sustainable innovative strategy to remain competitive. This strategy will help Halonen maintain its competitive edge in a cutthroat world of fashion and consumer market.

Halonen was selected as the case company for this research based on its credibility, long history of market reputation and survival strategy (Kauppalehti 2015). Halonen's present CRM is sustained by traditional relationship model where its customer base is to a wide extent conservative and is based on brand goodwill. On this premise, Halonen is currently maintaining its customer retaining edge. Halonen has carved a niche for itself through its stock of clothing that targets 'price aware' customers. In a published interview translated from Finnish into English, Pekka Halonen, the CEO of Halonen Brothers Oy stated that, "We sell good quality products to Finnish consumers professionally and competitively. When a customer comes to the store, he is primarily looking to quality." (Kauppalehti 2015.) However, the promise of quality brand requires

a sustainable strategy backed by innovation and a constant customer centred improvement.

In its traditional CRM model, most customers of Halonen are understood to be loyal to just one channel which is making direct contact with the retail stores until the purchase was made (Straker, Wrigley & Rosemann 2015, 112). With the advent of technologies such as the CRM software, the customers' awareness of the retail store domiciled technology became a fad in the fashion business. This channel helps connect with the customers through specific online tools such as the e- mails as well as the telephone. It is however noteworthy that there is neither online purchase platform for Halonen through which it can reach its technology-attuned customers nor a digital channel where customers can search, enquire, interact, complain, buy and pay.

Customers loyalty is overrated and it is dependent on more that just goodwill. This statement supports the fact that competitors are entering the market with radical innovations that threaten business mind-sets that is dependent on longstanding goodwill. (Accenture Consulting 2016.) Disruption is inevitable and Halonen needs to decide whether it will be among the disruptors or it casualties.

During the interview with the author of this thesis, the marketing manager of Halonen made it clear that Halonen's hesitation to create technology enabled interaction with the customers is partly connected to the high salvage toll of the transaction system. In other words, the cost of returned items by dissatisfied customers has made the management to take a cautious review of the whole digital strategy prospect.

1.3 Research Objectives and Questions

This study explores and analyses Halonen's competitive strategy with a specific focus on developing digital strategy and ways in which it can help improve its

customer relationship management. This study tackles the different assumptions surrounding the implementation of digital strategy.

The first objective of this thesis work is to provide Halonen with theoretical explanation of the digital strategy and to facilitate the digital transformation of its business model. Stemming from this objective, this study elaborates the benefits of digital strategy through the analysis of existing relevant literature. This analysis is to assist Halonen on how it can best serve customers, attract and retain customer loyalty as well as to engage customers in a mutually rewarding way.

The second objective is to evaluate how digital revolution in businesses has impacted on Halonen from the viewpoints of its key representatives. Achieving this objective will help facilitate optimum implementation of customer-centric digital strategy. Besides, it will provide framework for creating new customer experience and steers Halonen momentum towards achieving competitive advantage.

In order to formulate a digital strategy framework for Halonen, the stated objectives of this study are addressed through the research questions discussed below. In the process of developing customer-centric digital strategy for Halonen Brothers Oy, the analysis of the findings focuses on addressing the research questions. These research questions are pivotal for achieving the research objectives as well as for harmonising the empirical process with the propositions of the research.

RQ 1: How can customer relationship management of the case company be improved through digital strategy?

This research question is formulated to help explore established perspectives on what digital strategy entails as well as to address longstanding misconceptions about digital strategy. There exist complementary dynamics between digital strategy and customer relationship management. Through the analysis of the

existing business model of the case company, this question is to address how the case company can transform digital capabilities and potentials into becoming a digital leader. Besides, addressing this question communicates ways in which a digital strategy can help provide Halonen with digitally driven competitive advantage and future-proof its business model.

RQ 2: How does digital transformation influence the strategy development of the case company?

In order to assess the present state of affairs of the case company, the traditional customer relationship management needs to be empirically examined. Additionally, multichannel framework can be formulated for Halonen to engage customers effectively, retain customer loyalty and gain competitive advantage. This study analyses the current strategic challenges in a fashion retailing company. By executing the strategic plans to be provided in this research, a small player such as Halonen can operate competitively. It can also achieve sustainable digital advantage by implementing a multichannel digital strategy and different digital operating models.

1.4 Structure of Thesis

The study is divided into eight chapters. Chapter 1 introduces the background and the motivation of the thesis, the company profile, research objectives and questions and the structure of the thesis. Chapter 2 overviews the research design, methodology used and its motivation. Chapter 3 provides the exposition of the theoretical framework that consists of the contributions by existing literature and the reviews. Chapter 4 discusses strategy development framework for the case company by analysing the current strategy of Halonen and proffers suitable customer-centric and network centred frameworks for the company. Furthermore, Chapter 5 presents the collected data from the viewpoints of key representatives of Halonen and provides analysis of the empirical interview as well as discusses the findings. Chapter 6 discusses the development and strategy

improvement plans from this empirical study. Additionally, it draws the conclusions based on the analysis of the theoretical and empirical findings from this research.

2   RESEARCH DESIGN

2.1 Single Case Study

This thesis uses qualitative methods of study, consisting of theoretical, empirical and the implementation part to explore the concept of digital strategy. Qualitative method has an established history in social sciences and education disciplines. This qualitative process of this study is utilising the case study research approach. This research is using the method without any recognisable metric or statistical technique or interpretation.

Exploratory process is considered suitable for this single case study. This is because the problems of digitals strategy have not been studied more clearly and the operational definition of the concept has not been developed (Shields & Rangarjan 2013, 109-111). Moreover, by using exploratory research, the author should be cautious in drawing definitive conclusion. Typically, an exploratory approach involves reviewing available literature and informal discussion with customers, employees, management or competitors. In addition to that, it involves formal arrangement through in-depth interviews, focus groups or pilot studies. (Shields & Rangarjan 2013, 109-111.) Meanwhile, an exploratory process simply explores the research question leaving room for further discussions or studies. However, the advantages of the exploratory study are first, its flexibility and adaptability to change. Second, an exploratory process lays the groundwork and suggests a need for future studies. Three, it is cost effective and often saves time. (Shields & Ragarjan 2013, 110-111.)

Single case study is an intensive study of a single unit with the aim to generalise across larger set of unit. The theoretical part of this thesis relies on the existing theories on digital strategy often referred to as secondary data. It is essentially applying exploratory techniques to examine the imperative of digital strategy in developing CRM.

Yin (2003) elucidates that case study approach should be considered in situations such as when the focus of the research is to answer "How" and "Why" question. Other situations where case study becomes necessary includes when author cannot manipulate the behaviour of those involved in the study such as the case company or its management. Furthermore, case study method is useful when the researcher wants to illustrate a contextual condition that is believed to be relevant to the phenomenon under study. It is also required when the boundaries between a phenomenon and its context are not clear.

The methodological purpose of single case study is the utilisation of an in-depth study of a single unit to explain the characteristics of a larger class with similar phenomena. It is noteworthy that case study is a way of defining cases and not a way of analysing cases or modelling a causal relationship. Nevertheless, case study is as much relying on covariation of evidence for analysis as non-case study. (Gerring 2004, 341; Ghauri 2004.)

This research methods and techniques investigate the dominant communication strategy in Halonen with a view to help navigate its challenges and limitations (Yin 2010, 11). Through the human-centred approach of qualitative research, the author recognises how a variability or lack of it is impacting on customer interaction with the business. The method often applies to what the interviewees point out as their impressions or viewpoints instead of metric or numerical data. Beyond that, the method also indicates that the interviewees are able to discuss processes rather than outcomes. (Mayan 2001, 5-6.)

Qualitative method is also applied in this thesis to address the theoretical gap existing within historical perspectives regarding the concept of digital strategy. In this single case study, both theoretical sources and the empirical findings are used to analysis the phenomena of a single organisation, which in this case is Halonen's digital strategy.

2.2 Multiple Triangulation

This study combines multiple methods to explore a single research problem. According to Jack and Raturi (2006, 1), "Complementary methods are deployed under the assumption that weaknesses inherent in one approach will be counterbalanced via strengths in another". This thesis presents several lessons learned in the course of completing the study of developing a digital strategy in a retailing chain.

Jack and Raturi (2006, 1) further elucidates that, "The fundamental tenet of triangulation is the application of several method-appropriate strategies for assessing the phenomenon". It is however most common that the purpose of triangulating in specified contexts is to secure confirmation of findings through the convergence of diverse perspectives. In other words, that point at which the perspectives converge is seen to represent reality. (Jack & Raturi 2006, 1.) In essence, empirical explanations are made through exploration, observations, and evaluation approaches in this intensive case study. This becomes necessary to crystallize the concepts introduced in this study as a pragmatic explanation for the strategy under study.

2.3 Data Collection

This research comprises the theoretical and the empirical parts. The theory aspect involves the collection and analysis of secondary data. Concepts are defined to facilitate understanding of digital strategy. This procedure implies that perspectives from existing literature are reviewed, and analysed to explain digital strategy and formulate development plan for the case company. Data collected for the theoretical part of this research are mostly from recent digital strategy literature. This became needful since the digital strategy is a novel concept in marketing and strategic communication spheres. The implication is that the more recent sources utilised the more useful it can be for consideration for analysing this study. The literature sources comprise printed textbooks,

online journal, online news magazines, online articles and organisations' websites.

The empirical part of this thesis is applying single case study that Yin (2009, 46) describes as collection and analysis of data "holistic single unit of analysis". This entails collection of data from key persons from a single organisation through in-depth interviews. Similarly, this approach is important because the set of propositions are mainly to justify, challenge and extend the existing discussion on digital strategy.

In other words, primary data are collected by means of in-depth interviews of the key representatives of Halonen while secondary data are derived from the review of an existing literature to examine the contexts that make the data less generalizable. The methodological triangulation requires that this study is implemented using parallel and complementary methods. On the whole, theoretical implication of consulting selected secondary sources for the purpose of conducting this study is to be able to provide theoretical support for the hypothesis instead of relying on self-navigating views. Jha (2009, 45) succinctly expresses the view that qualitative process involves interpretative and naturalistic assessment, which means, "attempt to make sense, or interprete phenomena in terms of the meanings people give to them". However, some questions can be deemed to be prying thereby incurring loss of interest by the interviewees. Interviewees are sometimes bound by internal policy on disclosure and publicity. It is expected of the interviewer to note when questions can lead to being given a cold shoulder by the interviewees.

2.4 Ethnography

Anderson (2009) expresses that corporate ethnography is a method that is used in market research as a key to strategic development. It further explains that ethnography is not for innovation alone, it is considered to be central to gaining a full understanding of a business customers and the business itself. The eth-

nographic work now precipitates functions such as strategy and long-range planning. The definition of ethnography is rooted in the disciplinary body of anthropology that also includes observation of customer behavior.

"Unlike traditional market researchers who ask specific, highly practical questions, anthropological researchers visit consumers in their homes, offices or shopping outlets to observe and listen in a non-directed way" (Anderson 2009). With this approach, it can be determined whether visiting retail outlets offers better option than panoramic exploit of exploring what Halonen offers online. Conclusion can also be drawn from the empirical findings concerning whether a characteristic observed requires Halonen creating new contents such a engaging, a brief product overview including reviews, creating visitors checklist and offering guidelines to support prices comparison.

Anderson (2009) further emphasizes that the goal of ethnographic technique is to see customer behavior on customers' terms and not on the observer's term. While this observational method may appear inadequate, it enlightens us about the context in which customers would use a new product and the meaning that product might hold in their lives. The reason for describing ethnography as a key to strategic development is that it indicates so much potential that an innovative strategy has. Besides, it may require companies setting up business units to concentrate on processors and platforms for customers' home use.

Observation in this research is to intensify the holistic and in-depth description of the characteristics of the Finnish consumers who according to Halonen form majority of its customer base (Kauppalehti 2015). Furthermore, the ethnographic technic allows the researcher to serve specifically in a "participant observation" in this empirical research. Participant observation is utilized to also examined what stakeholders especially interviewees expressed about themselves and the company (Kawulich 2005, 8-10).

2.5 Data Analysis

The analysis of Halonen's customer relationship strategy is based on its context and relevance to the research objectives and questions. The researcher approaches the interpretations of data methodically by evaluating the collected data in order to find connections between digital strategy and the research outcomes. Empirical data collected during interviews of the key representatives of Halonen was managed according to the research plan. Interview questions are logically, concisely and systematically conducted to detail the experience, viewpoints and knowledge of the interviewees. Therefore, the backgrounds and cooperation of the respondents are considered vital for collecting reliable data.

The researcher remains open to new possibilities and insights throughout the evaluation and analysis process. Through its multiple data collection and analysis techniques that characterize the case study method, the researcher is able to triangulate collected data in order to be able to strengthen the research findings and conclusions drawn from it. The procedures used in the analysis of the collected data are coordinated to strengthen the prospect of reliable findings. In a typical case study method, data are intentionally structured in several ways to "create new insights or deliberately look for conflicting data to disconfirm the analysis" (Klein 2012, 74-75).

 Klein (2012, 75) further maintains that researchers need to "categorize, tabulate, and recombine data to address the purpose of the study and conduct cross-checks of facts and discrepancies in accounts. Focused, short, repeat interviews may be necessary to gather additional data."

The empirical interview involves analyzing the current situation and formulating digital strategy for developing effective communication system for Halonen. The interview of key representatives began with the Managing Director who is responsible for the authorization of policy and strategy. The necessary interview paraphernalia such as the voice recorder, interview guide, note pad, pen and spare voice recorder were kept in place. At a separate occasion and venue, an

interview was also scheduled with the marketing manager. She oversees the entire marketing operations that comprise the marketing communication strategy, customer relations and marketing relationship. The selection of the second interviewee was to explore her context-specific competence in subject under research. Since there was no a prior briefing concerning the interview questions, the interviewees volunteered information in a semi-structured arrangement, Nevertheless, the interviewer prepared the interview guide on schedule.

The interview questions were kept as concise and keen attention was paid to them to avoid the use of verbosity during the interview. Questions that projected from the interviewer were carefully framed to generate and trap credible information. The two interviews were conducted on face-to-face basis and not through any technology-based platform such a Skype or telephone. This helped the interviewer to capture the body language and the mannerism of the interviewees. It also helped to degenerate into an animated conversation instead making up excessive formality. The interviews were wrapped up in 60 and 65 minutes with the managing director and marketing manager respectively.

In-depth interviews allowed the interviewer to explore issues from each interviewee's perspective. Typically, the data collected consisted of word for word responses to the interviewer's question that were designed to generate opinions, feelings and descriptions of personal behavior put in exact context. The contextualization is crucial to be able to understand how the responsibilities of the interviewees, their experiences and other elements are related to the research problems (Given 2006, 382).

Analysis of participant-observation helps minimize subjectivity in the data provided by the interviewees Halonen during the empirical interview. The researcher noted in writing the observation of transactional events with a measure of what may be considered as detachment or objectivity. For over three months, it involved occasional personal visit to selected Halonen outlets to observe the transactional events within the frame of behavioral analysis and interpretations of recorded data.

2.6 Limitations, Reliability and Validity

Critics have described case studies as lacking in scientific rigour and reliability. It has also been viewed as a method that is not capable of addressing the issue of generalizability (Noor 2008, 1604). In addition to that, generalizability of the findings and recommendations are the most conceivable limitations in single case studies because they are considered organisation specific. However, these common limitations may be shared by other organisation outside the case company. Data collected are by-products of the research design that consists of reading, collections of materials from established sources, drawing up of the interview guide, empirical interview and analysis of data. According to Noor (2008,164), single case study helps the researcher gain holistic view of a specific phenomenon. Another area of strength is that single case study can be useful in capturing the emergent of events as well as the ebb and flow of organisational activities especially where things are changing fast.

The objective realism applies to a situation where acute objectivity is considered challenging for researchers who after all are human beings. Nevertheless, the sanctity of a case study research should be guarded and trustworthiness is to be preserved. However, the methodological objection in a qualitative research does not necessarily indicate that it lacks objectivity while quantitative research has objectivity. The difference is that qualitative researchers typically, systematically acknowledge and document their biases instead of striving to beat a retreat. Rather than pretending that bias does not feature in this study and that a better research design can be imposed on the research, the author acknowledges it and embraces it as part of the investigation. (Given 2006, 379.)

Moreover, qualitative methods have their own means of evaluation that need to be addressed such as credibility, transferability, dependability and verifiability. Even though the criteria used to test reliability of quantitative data are no less rigorous, they are simply different and require different methods that includes but not limited to, peer briefing, prolong engagement in the field, persistent observation and triangulation of methods. (Given 2005, 380.) The dismissal of the

qualitative method as relatively minor methodology should not erode its importance as in-depth and penetrating method (Silverman 2013, 11).

One of the ways in which this single case study can be evaluated is through pattern matching (Yin 2009, 138-139). Pattern matching is applied in this research to address and sidestep rival interpretations. Not only that, it explains the relationship that exists between digital strategy and successful business strategy. Furthermore, pattern matching enables this study to compare the pattern exhibited in the empirical process with the theory. Moreover, since the exploratory scheme is guided by the theoretical position of this research, collected data are inevitably based on their relevance to the research questions.

3   THEORETICAL FRAMEWORK FOR DIGITAL IMPERATIVE

The chapter discusses the connection between enterprise, technology and people under strategic digital framework. These agents of digital transformation align and interact to communicate new ways of doing retail business in a competitive market. In today's fashion retail market, the impact of the interaction between technology, enterprise and people on an increasingly cutthroat fashion industry is unprecedented. Successful business model is now being redefined as businesses compete to deliver superior business models through multiple channels and disruptive technologies. Contemporary customer experience that occurs via digital touchpoints or digital channels is making business transactions to evolve into a phenomenon that is best labelled as 'digital experience'. Digital entanglement has created phenomenal evolution in the way humans relate with business created as well as a new market orientation often referred to as digital economy. In order to understand the framework of digital imperative as this chapter discusses, awareness needs to be paid to the following developments shaping retail business decisions worldwide.

First, customer engagement is growing digital. This "ecosystem of websites, mobile apps and social communities" according to Rymer and Gualtieri (2012, 10), will fit into the lives of present day consumer and help adjust the ever-increasing expectations of how businesses should engage customers. Retail system cannot afford to be relegated in the digital race. Likewise, the fear of saturation should not deter a business from healthy competition regarding digital engagement. The saturation of digital capabilities is a concern for most organisations with traditional business orientations that insist on minimising their risk exposure. However, this research is not about capabilities, it is about transformation of digital assets to improve competitive advantage.

Second, the threat by digital disruption is real. Companies with the new touchpoints threaten to make traditional business models that are slow in adaptation irrelevant by using digital initiatives to snatch customers (Rogers 2016, 194). The influence of digitalisation on the way enterprises, technology and humans

interact in the wider ecosystem is at a scale never seen before. Since digitisation is considered to be driving not only profitability but also sustainability, the emerging competition as a result of digital awareness is unprecedented. The primary goal of digitalisation is to empower businesses to be able to deliver superior experience to customer. The present warning for unsuspecting business models is to either disrupt or be disrupted (Rogers 2016, 195).

Third, digital channels can be used to create awareness campaigns that produce experiences that help bridge the digital gap from awareness to conversion, to long-term relationship. Similarly, digital ecosystem can yield huge returns from small amount invested in it. According to Skilton (2015, 29), "cognitive and co-presence are no longer just in the physical moment of human–to-human presence but can be created and held in virtual space through digital entanglement". Skilton (2015, 5) also describes, digital ecosystem as "a described boundary of a market and business activity that is using connected technologies to enable a new kind of market and business performance and user experience". There is a new growth model that defines competitive strategy across sectors and industries. Digital architecture can help transform how business optimise the use of technology to drive increase in return for customer, network partners and other stakeholders.

Fourth, there is a recorded explosion in the population of mobile users. The finding by Rymer and Gualtieri (2012, 10) indicate that the number of smart phones users will climb to 1 billion by the year 2016. A separate forecast by GSMA (2017) projects that the population of mobile users would surpass 5 billion by the middle of the year 2017. This projection also consists of consumers patronising diverse applications and software. The implication of this is that the interaction of the swearing ranks of mobile subscribers is producing wide-ranging opportunities for businesses to attract undecided consumers.

3.1 Digital Design Framework: Strategy, Capabilities and Culture

In order to remain at the cutting edge of the digital revolution that drives cost efficiency, innovation, engage customers and future-proof the business model, three indicators i.e., digital strategy, digital capabilities and digital culture need to be put in place. The digital strategy spells what digital undertakings means to your company and how it is aligned with the company overall strategy. Digital strategy requires looking at threats and opportunities and their potential scale and alternate responses. In essence, Halonen needs to look beyond the competitors patronising disrupters such as Amazon and decide if they are competitors, partners or both. (Saporito 2015, 46.) Digital capabilities on the other hand involve data "management, analytics and databases". According to Saporito (2015, 46), " You need the capability to address a myriad of data streams – social, machine generated, external, structured and non-structured –in real time".

Digital culture deals with the people and processes. This culture emerges when organisations adapts to a digital phenomenon by hiring, developing and evaluating digital talents. Furthermore, it is by "simplifying your processes and by ensuring the business is agile enough to adapt them as well as creating and monitoring digital key performance indicators." (Saporito 2015, 46.) The concept of digital alignment is reinforced by Kane, Palmer, Phillips, Kiron and Buckley (2016, 14), which hold the perspective that digital transformation is not only about the implementation of new and better technologies. It also involves digital compatibility through the alignment of company's culture, people, structure and tasks as Figure 1 shows.
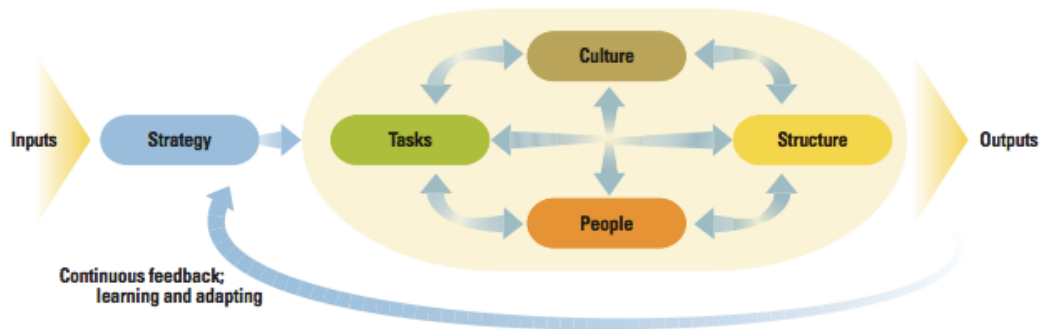
Figure 1. Alignment of Adaptive Agents with Strategy (Kane et al. 2016,14)

The prospect of business success is created when business adaptive agents such as business culture, structure, tasks and the people line up with the digital strategy vision of the business. As Figure 1 indicates, the result is that the output of the alignment is evaluated according to how it is based on its congruency with the overall business goal. For a business model to achieve this goal, continuous learning and adaptation need to be imposed in its processes to fulfil its business transformation.

3.1.1 Overcoming the CRM Blind Spots

The key variables in this study are the customer relationship management (hereinafter CRM) and digital strategy. Nevertheless, the shortcoming of the CRM is the basis for analysing digital strategy in this study. CRM is a concept that is often regarded as an offshoot of relationship marketing (hereinafter RM) across marketing and technology literature. At the heart of the two paradigms is communication (Rowley 2004, 149). The common keynote across experts' contributions especially in the IT and marketing literature is that CRM is RM enabler. CRM entails acquisition, analysis and use of knowledge about customer to sell goods and do it more efficiently (Bose 2002, 89; Bull 2003, 3). CRM is expanded to entail data-driven solutions acquired to improve business interaction with the customer. It is designed to "manage and maintain customer relationship, track engagement and sales, and deliver actionable data" (Microsoft.com/CRM 2017). CRM begins with an intense analysis of customer be-

haviours that can be synced with the data collected which can later be used to develop information needed to create more personal interaction with the customer. First of all, CRM is a customer-centric tool attributed to information age. Starting early 2000s, business orientation has shifted from classic models to customer-centred orientation. Starting from the 'production' in the 19th century, down to 'sales' in the early 20th century and 'marketing' from the mid 20th century, contemporary business goals is shaped by interactive and customer engagement paradigm.

Customer-centric businesses characteristically treat every customer individually and are based on the customer preference. This in accordance to basic feature of relationship marketing (RM) is to prioritise the development and maintenance of long term relationship rather than relying on a sequence of discrete unit of transactions.   Bose (2002, 9) confirms from the use of customer lifetime value (hereinafter CVL) that rather than assessing growth from the profit made from a discrete data, a business needs to consider the value of a customer based on long-term relationship with the business. It must be added that a contemporary business orientation that is strategically positioned consists of market orientation and technology orientation.

Market orientation is believed to influence analytical, operational, collaborative functionalities as well as the enterprise-wide level of integration. Technology orientation (hereinafter TO) can be summed up as the influence evidenced by the acceptance and adoption of information technology solutions by a business. Essentially, market orientation has been shown to generate positive impact of the level of customer satisfaction. (Richard et al., 2005, 125.) In order to provide a smooth experience for customer, CRM can be fused with the other aspects of the business. Figure 2 as adapted illustrates the relationship that exists between firm orientation, market orientation and technology orientation.

```
┌─────────────────────────────────┐
│ Firm Orientation                │
│                                 │
│ Market Orientation (MO)         │
│                                 │
│ Technology Orientation (TO)     │
└─────────────────────────────────┘
```

```
+ve        +ve              +ve
    +ve        +ve              +ve
┌──────────────────┐  ┌──────────────────────┐  ┌──────────────────────────┐
│ CRM Technology   │  │ Relationship Strength│  │ Relationship performance │
│ Adoption         │  │ Trust                │  │ Customer satisfaction    │
│ CRM functionality│  │ Commitment           │  │ Customer loyalty         │
│ CRM acceptance   │  │ Communication quality│  │ Customer retention       │
│ CRM integration  │  │                      │  │                          │
└──────────────────┘  └──────────────────────┘  └──────────────────────────┘
        +ve                        +ve
                                                      +ve
```
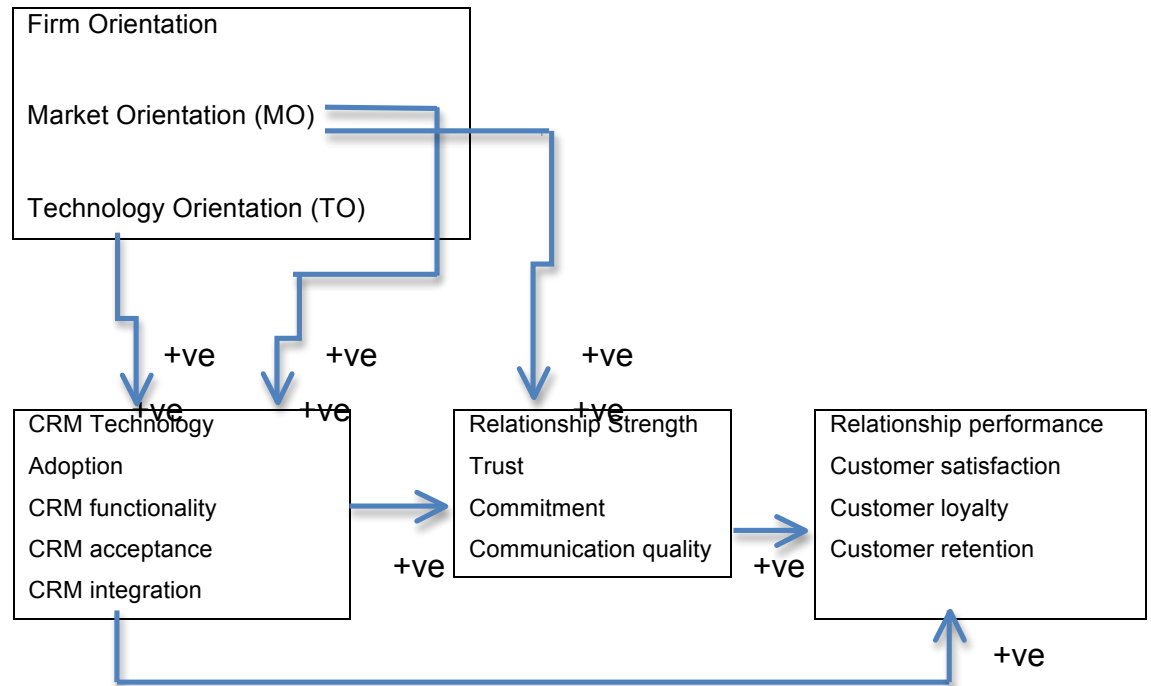
Figure 2. CRM-RM Conceptual Model (Richard et al. 2005, 128)

CRM system helps improve customer loyalty and increase efficiency of the business internal process. Within various marketing perspectives, it identifies and captures most loyal customers based on recency, age profiling, payment methods, purchase history, route of purchase, location, frequency and volume while helping to manage the marketing campaign through a clear goal and quantifiable objective (Xu, Yen, Lin & Chou 2002, 445; Bull 2003, 3; smartin-sights.com 2017). Even though CRM adoption has been found to be positive influence on relationship performance, the relationship strength measured through trust, commitment and communication may be independent of the vari-able as illustrated by Figure 3. Besides, the results from varying degree of suc-cess in the IT and marketing research indicate that the implementation of CRM may not actually assist in creation and maintenance of customer relationship. (Peter & Fletcher 2004.) The setting up of the CRM to enable and strengthened the RM is one out many ways digital strategy can transform customer relation-ship especially through engagement, interaction, dissemination of customer in-telligence (Rymer & Gualtieri 2012, 10; Saporito 2015, 46).

Businesses often introduce CRM when it comes to getting closer to customers by predicting customer behaviour and selecting which of the actions of the company will influence the customer in such a way that it will benefit the company. Besides, gaining customer loyalty has become the hallmark and focus of every digital environment and capability. Surprisingly, analysts regard CRM as one of the hottest enterprise initiatives today (Koh & Chan, 2002, 2). One of the solutions offered by CRM to be able to calculate the how profitable individual account is. Besides, CRM enables companies to build predictive model to retain best customers by identifying striking dissatisfaction and complaints. (Peter & Fletcher 2004; Rymer & Gualtieri 2012, 10; Saporito 2015, 46.)

Even though CRM is mostly technology driven, perspectives across literature have proven that it is not just about computer hardware and software alone. For most small businesses, CRM occurs naturally. Regardless of technological input that has come to define CRM, businesses will still gain loyalty and profitability from the longstanding relationship they have with the small community of customers they have. However, as the businesses expand, such degree of intimacy is no longer sustainable as it is difficult as much as it is not realistic and cost effective for big corporations to know each customer individually (Rowley 2004, 149).

3.1.2 Identifying Digital Values

Executives with digital acumen understand the importance of aligning the people, process and culture to be able to achieve the long-term digital success. Many firms are responding to the expanding digital environment fuelled by either digital imperative or fad by deconstructing traditional roles in other to make them appear to have digital orientations. (Kane et al. 2016, 1.) It is not easy to develop organisation process into digital success where people, culture and capabilities are synchronised towards achieving the overall organisational strategy (Saporito 2015, 46). It is important not to disregard the opportunity of knowing why a business needs to be digitally transformed.

A digitally transformed business is the one that create values and revenue from digital assets. Rather than relying on collection of process automation to transform business models, processes and customer experience by capitalising on the digital collection between system, people, places and items, a new digital paradigm is created. Technology such as smartphones, tablets, social media, big data, cloud computing, analytics, remote sensing as well as their derivatives interrelate to form a new edge. (McDonald & Roswell-Jones 2012, 10; North & Oliver 2014, 1.)

There is a need to pull a fine distinction between feeling digital and being digital when it comes to recognising digital value of a business. This is an area where Halonen is required to make a transition. Nicholas Negroponte (1996) provides a longstanding definition of being digital which coincidentally has same title "Being digital" as the use of technology to replace physical and analog atoms with digital bits. Most businesses focus their digital strategy on the automation of processes and substitution of physical resources for digital (Negroponte 1996; North & Oliver 2014, 1).

Few automation processes account for most of the Halonen business operations such as of CRM automation, loyalty cards and payment. These automated services still require customers' presence including the payment card.   Halonen believes these services will create convenience for customers and it will serve as digital substitution for traditional system of engaging customers.   However, digital substitution does not constitute sustainable digital edge as technologies preserves the fundamental current values, revenue and results (McDonald & Roswell-Jones 2012, 10).

3.1.3 Selecting the Digital Right Edge

An edge represents a line along where two facets of solid meet. It can also be described as a frontier or area outside the limit of a surface. Speaking business

wise, it represents where possibility meets opportunity and as rules change and the digital frontier is crossed, new way of thinking about relationship that exists between going digital and its requirements (McDonald & Roswell-Jones 2012, 11; McDonald 2012). McDonald and Roswell-Jones (2012, 11) also add that a digital edge requires framing a strategy and a roadmap to help navigate those relationships.

Physical resources refer to employees, equipment, facilities and other physical inputs. Digital resources consist of information, transaction and customer history, situation awareness and chip bearing paraphernalia to process information. Digital resources also include mobile gadgets, computers, sensors and other artificial intelligence propelled machines (McDonald & Roswell-Jones 2012, 12). Therefore, whenever digital technology is used in this study, it encompasses both digital information as well as equipment possessed by Halonen or any other organisation.

After studying a range of companies with a digital edge, (McDonald & Roswell-Jones 2012, 12) examine the interaction between physical and digital resources.   This study adopts the five process models of digital edge comprising ability to: automate, apply, accompany, augment and abstract to put in context the interaction between the two variables (McDonald & Roswell-Jones 2012, 12). Each model has a specified impact on a business. "Automation" utilises digital technology to raise capacity as well as the efficiency of physical resources. "Applying" digital technology to physical resources changes and may remove the capital and physical requirements.

The use of digital resources that "accompany" physical resources transverses channels and provides supports for the new levels of customer service and experience and integrity. "Augmenting" digital technology with physical performance help transform human and organisational capabilities and performance. Lastly, digital resources enables organisation to "abstract" information, insight and value through the interactions between digital resources and physical resources in support of the new strategies, products and services (McDonald &

Roswell-Jones 2012, 12.) Figure 3 depicts different types of digital edge with respect to the relationships between digital and physical resources.
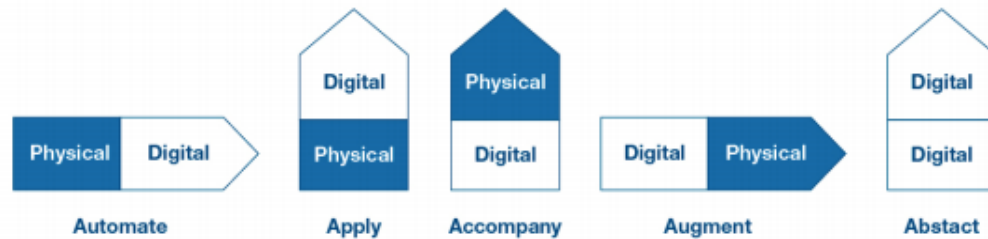

Figure 3. Five Models of Digital Edge (Gartner.com 2012)

The arrow shows the resource that spearheads digital edge. For example, in the "Automate" model, digital technologies represents primary source of competitive value. In the "Apply" model, physical resources provide support for digital resources, which is an inverse situation of "Accompany" model. "Augment" provides grounds for new customer experience and outcomes. McDonald and Roswell-Jones (2012, 35) state that "Abstract" model relies on a "digital on digital" relationship by displaying the creation and application of derivative information. McDonald and Roswell-Jones (2012, 35) also cite Facebook as an example of this model and testifying that it creates value from "building information from individuals into more valuable aggregate information", which it refers to as human graphic.

3.2 Becoming Digital Organisation

Becoming a digital organisation is mainly due to the awareness of digital imperatives. While many businesses still lack experience in using emerging digital technologies, it is necessary to understand that the transformative effect of new technology takes time, effort and willpower. In a study involving Fitzgerald, Kruschwitz, Bonnet and Welch (2013, 4), there is a positive correlation between adopting new technology and efficient management with the results such as profitability, competitiveness and growth. High tech, banking and retailing industries such as Halonen can be categorised under the "Digitarati" according to the

outcome of the survey conducted by Westerman, Tannou, Bonnet, Ferraris and McAfee (2012, 9).

In order to attain digital maturity, Westerman et al. (2012, 6-9) identify four phases of digitalisation with respect to different organisation adopting new technology. "Beginner" companies use email, Internet and various kinds of enterprise software including CRM. However, they are slow to adopt or are sceptical of more advanced digital technologies such as social media and analytics as the Halonen's case might later reveal. "Conservative" businesses deliberately maintain restraint when it comes to new technologies, even though, like Halonen the management has a vision and efficient structure in place to oversee the adoption of such technology.

"Fashionista" are the aggressive type of companies especially when it comes to embracing emerging technologies. They are credited to either harmonize channels well across departments or have a plan in place for dealing with various outcomes relating to digital business. "Digirati" businesses have the management that share a strong vision of what emerging technologies can bring by investing in them. Besides, they also manage digital technologies quickly and productively, and gain optimally from the digital transformation process.

Halonen is considered to be at level of "Learner" company at the time that this research is being conducted. This implies that Halonen should be experiencing digital transformation into cross-channels and analytics. Due to what can be considered as lack of motivation, Halonen belongs in the same "Beginner" group as the manufacturing, pharmaceutical and consumer package goods (CPG) companies. Despite the fact that digital transformation is rapid in some industries than others, Westerman et al. (2012, 9) maintain that digital maturity matters in every industry. As digital density continues to rise exponentially in foreseeable future, companies that attract massive revenue turnover are the one willing to move beyond mere process of automation and are willing to "ex-

plore" how to combined digital and physical resources in an innovative and customer-centric ways.

Therefore, the correlations between various levels of digital maturity can be expressed in two broad dimensions. The broad dimensions are digital intensity and transformation management intensity as Figure 4 illustrates.

DIGITAL INTENSITY

Technology-enabled initiatives in:

- Customer Engagement
- Internal Operations

Location-based marketing

Connected products

Digital Design

Real-time monitoring of operations

Mobile sales

Optimized Pricing

Communities in social media ...

TRANSFORMATION MANAGEMENT INTENSITY

Leadership capabilities including:

- Vision
- Governance
- Engagement
- IT-Business Relationships

Vision of the firm's future

Cross-silo coordination

Evolving the culture

New skills ...

Figure 4. The Dimensions of Digital Transformation (Westerman et al. 2012, 3)

Most businesses concentrate their digital strategy on digital transactions that substitute physical resources for digital automation. Digital substitution only creates virtual copies of existential events by further creating e-channels, e-stores and other e-replacement for physical processes. Moreover, substitution does not amount to sustainable digital edge as it only sustains the fundamentals of current values, revenues and results. (McDonald & Roswell-Jones 2012, 10.)

There are possibilities for Halonen to transform its business model into a digitally maturing organisation that nourishes culture and develop talent even though Westerman et al (2012, 9) point that such maturity is gradual. A digitally transforming enterprise needs to admit that creating effective digital culture is an internal effort. Besides, a maturing business needs to ensure that efforts are being channelled towards strengthening risk taking, agility and collaboration. Moreover, top-level management appear to be more committed to digitally maturing enterprises and invest in their own talents. Maturing businesses also possess soft skills and valuable technology knowledge in driving digital transfor-

mation. Finally, maturing businesses need to ensure that its digital transformation is guided by digital compatibility. In essence, maturing companies needs to embrace what is referred to as congruence that takes place when culture, people, structure and tasks align with one another. (McDonald & Roswell-Jones 2012, 10.)

3.2.1 The Benefits of Digital Transformation

Sundarajan (2016) attributes the lack of preparedness of businesses to a physical world mind-set. According to Sundarajan (2016), "Many business leaders believe that if your product exists in the physical world, you can't be digitally disrupted" Sundarajan (2016) buttresses, "That is the wrong attitude. Any responsible company today should view digital technologies as oppotunity to create a more efficient organisation or a different form of customer engagement, irrespective of how physical the product may be." To justify his position, this study facilitates the understanding of the benefits of digital transformation in fashion retail chains. According to a survey conducted by Fitzgerald et al. (2012, 6), it is common to see how digital technologies help businesses transform their operations and customer experiences. What is difficult to experience is the business model transformation that is less pervasive.

Fitzgerald et al. (2013, 6) in an integrated report emphasise that, Digirati, which are the best companies at managing digital technology, get the best performance results indicating revenue creation, profitability and market valuation. The survey analysis further highlights and expresses the key improvement areas. Many respondents acknowledge that there have been remarkable improvements in the customer experience. They also identified formidable customer relationship through the adopted digital technology as the factor responsible for the improvement. This area of improvement is sustained by overall customer experience, followed closely by improving product and services in customer-friendly ways. Respondents of the survey also recognised rapid improvement in

internal communication especially through the use of social media as the direct effect of their companies' operational improvement. (Fitzgerald et al. 2013, 5.)

Lastly, a quarter of the respondents express as their opinion that the potential for digital technology to create new business is real. This according to the respondents is expected to lead their companies to launch new products and services. Apart from all aforementioned benefits of digital transformation, it must be added that customer experience is rapidly and increasingly relying on digital support. It has also made business model disruption an inevitable exercise as the phenomenon has boosted digital consumption and escalated the sales of mobile devices globally. (Sundarajan 2016; Bose 2002, 89; Rymer & Gualtieri 2012, 10; McDonald & Roswell 2012, 10; Fitzgerald et al. 2013, 5.) Figure 5 illustrates the transformative effect of digital initiatives on customer experience, operational efficiency and business model adaptations.
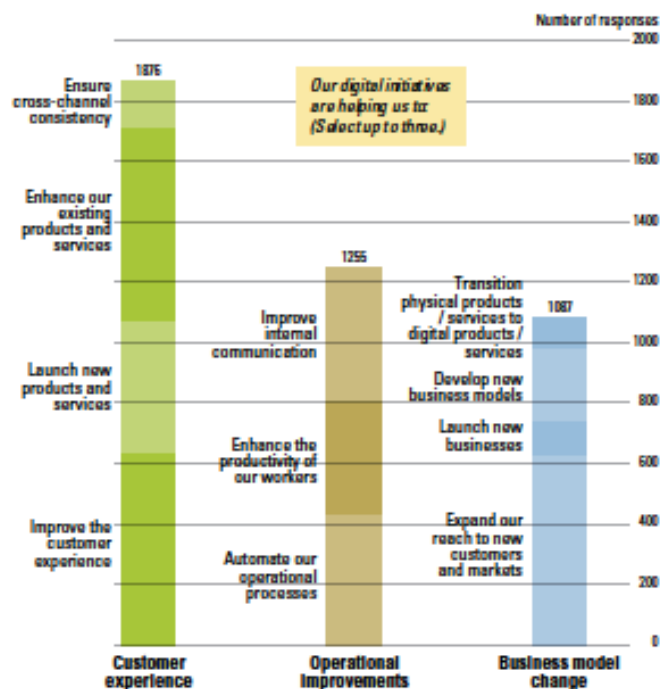

Figure 5. Transformative Effect Across Dimensions (Fitzgerald et al. 2013, 6)

3.3 Designing Digital Channels

Digital channels have been described as routes of communication between an organisation and its customers (Edelman 2010). Explicitly, digital channels are defined as technology-based platforms that use the Internet to connect customers, provide a range of different content for various purposes and facilitate communication with a range of various interaction levels (Straker et al. 2015, 114). From the evolutionary technologies such as social media and mobile Internet have emerged technology-based communication channels often referred to as "digital channels". Besides, digital channels have contributed largely to the body of innovative discourse by providing round the clock online connectivity and by playing a huge role in digital transformation (Straker et al. 2015, 111). Digital channels are redefining how businesses engage and interact with customers by creating new online orientation and communication platforms as emphasised in the work of Straker et al. (2015, 112).

By engaging customers actively through digital channels, customers are able to contribute to design strategy, seek assistance, lodge complaint, voice their concern and most importantly, being empowered to debate and publish their perception of values with or without permission of the company (Kietzmann et al. 2011). In order to identify the number of digital channels available for a retail chain such as Halonen, an analysis conducted by Straker et al. (2015, 111) produced 34 digital channels otherwise referred to as touchpoints. In addition to that, four-channel typologies based on shared features among typologies have also been created. The appropriateness of the typologies prescribed by Straker et al. (2015, 111) require that touchpoints adopted be defined by objective of the individual company and the need of the customers.

3.3.1 Typologies and Digital Touchpoints

In a content analysis study conducted by Straker et al. (2015, 113), hundred companies were selected to represent a spread of companies based on the in-

dustry, sector, size, age and location. The staff strength of the selected companies ranges from 50 to 10,000+ employees. Age of the business in reference to the year of establishment varies too, with the oldest established in 1809 and the youngest 2012. As a result of this Nickerson, Varshney and Muntermann (2012, 338) explain that the development of classification involves determining the characteristics of the objects of interest. As a result of this, meta-traits of digital channels form typology as adapted and indicated in Table 1.

Theme	Category	Description
Content displayed	Information	Includes basic company information: store locations, opening hours, careers, including contact and company history.
	Promotion	Content design for attracting customers through promoting new products or services, support content included customer services.
	Support	Support content includes customer service
	Revenue	Revenue channels involves digital channels through with customers can make purchases.
The purpose of use	Functional	Functional channels are those channel used for a clear company or customer objective for example, online stores are for purchases.
	Diversion	This relates to the ability of customers to participate in recreational or social activities.
	Interaction	Promotion of channels that allow two ways communication with company by community of customers or individual customer.
Direction of communication	Simplex	One way communication for example business to customer through report or customer to business through feedback forms
	Duplex	Ability for prompt two way communication business and customer
Interaction rank	Low	Limited or no interaction between business and customer required or possible.
	Medium	Interactions between business and customer required but not daily.
	High	Interactions between business and customer highly required but not daily.

Table 1. Meta-traits of Digital Channels (Straker et al. 2015, 114)

From the study conducted by Straker et al. (2015, 114), data collected for company began with search of each company's website, annual report and other publicly available information. The appropriateness of using content analysis for explaining the meta-traits for classification therefore offer a systematic and objective approach for evaluating large sample of data. Since the majority of the companies under reference according to the study conducted by Straker et al. (2015, 115) fall into retails industry, Halonen can adopt same typology to justify the use of touchpoint.

3.3.2 Cross-Channel Design and Digital Intelligence

It cannot be denied that in the recent years, there has been major shift in customer behaviours. As of 2014, there were approximately 3 billion Internet users across the world, a figure that is continually rising, raising the number of digital channels and routes for communication (Internet World Statistics 2014). Power and Rymer (2012, 10) in his report titled, "Unify the Digital Experience Across Touchpoints" affirm that "Unified experiences across touchpoints demand improved yet common designs, common content assets and application code, and delivery processes tuned for speed and harmonised skills and roles." It further advised, "Separate, disconnected digital experience for these several touchpoints will be unsustainable in the long run, and in the short term, harmful to your organisation's brand" The report further opines, "The vast majority of companies don't yet have the design disciplines, technologies, and organisations to support the contextual, unified digital experiences" (Power & Rymer 2012, 2, 6.) In an added development, there should be a move toward contextualisation engaging customers with focused experience. Contextualisation utilises greater coverage of the customer's personal information such as current location, social information, past purchases, languages, past behaviours, and device used for example (Klie 2012, 12). Meanwhile, Power and Rymer (2012, 10) concerning CRM maintain that by insisting that digital intelligence should aggregate data from multiple channels and touchpoints and must deliver operational insight that can be incorporated into day-to-day business decisions (Klie 2012, 12). Power

and Rymer (2012, 10) conclude that even leading businesses acknowledge that their digital orientation are limited, primitive and are "oriented towards Web metrics only, ultimately inadequate".

In a related development, Straker et al. (2015, 112) maintain that no channel should stand alone as customer loyalty is often overstated. The study maintains that businesses still approach digital channels same way as traditional communication by treating each channel in isolation rather than connecting to trigger communication across each other. According to Percy (2008, 8), "Too many companies still practice vertical rather than horizontal management, which means department are too unlikely to even talk to each other let alone walk together". This often lead to rapid accessibility to digital that can lead to excessive, uncoordinated online company presence with no or limited implementation of digital channel strategy (Straker et al. 2015, 113; Newbery 2010, 37).

3.3.3 Categorising Touchpoints into Typologies

Grouping digital channels that share common attributes found in meta-traits of each digital touchpoint forms these typologies. As outlined in Table 1, it is found that some of the touchpoints could have and share multiple contents and purposes such as information and support that are common to all touchpoints in "Social" typology. (Newbery 2010, 37; Straker et al. 2015.) It is found that there are associations between touchpoints within typology. The typologies are functional, social, community and corporate, and the detail of each typology is outlined as follows:

Functional: the very purpose of these categories of touchpoints is shared between diversion, functional and interaction. Most touchpoints are simplex; therefore communication is directed as business to customer (B2C). The two touchpoints that feature frequently under the typology are email and website which is the traditionally the first point of interaction with a company according to the study by Straker et al. (2015, 114). The displayed content usually vary

from Website to Website, however, most retail website including fashion chain display locations, opening hours, contact details, customer service options and careers. Some business use email to remind customers if they have items in the shopping bag or if a "wish list" goes on sale. The frequency of delivery of email is another factor to be considered on this touchpoint as high frequency for instance, more than one email delivery per week can lead to customer unsubscribing. However, if it is offering an exclusive promotion to the customer, it can lead to the customer staying subscribed. The constant interaction between website and email should be used to drive traffic to the website delivering exclusive promotions or information to subscribers.

Social: these classes of touchpoints are those run by an administrator with the ability to delete messages and block users (Straker et al. 2015, 116). All social touchpoints are duplex in communication, meaning they have ability to post, review and respond directly to comments in real time. Low rate of response from companies can lead to high level of customer created content. Under social typology, touchpoints encompasses Facebook feedback through comments, Twitter news and complaints platform, Instagram updates through photographs and Pinterest moodboards for inspiration. These mentioned social touchpoints offer value by providing relevant customer contents. As a part of its findings, Straker et al. (2015, 116) states that, "companies are present on an average of four or more social touchpoints however, their engagement on these touchpoints is mostly limited." It is also been observed that most comments are usually in connection with the product, service and complaint resulting from inadequacies or inconsistencies discovered in the information provided. Other features of social touchpoints are streams of advertisements linked through slogan such as "Like us", or by allowing synchronisation such as linking an Instagram posts to other platforms, for example, Facebook. Also, this social typology also lead to competition driven interactions by asking customers to "tag", "like" or "hashtag" to enter or participate which in turn keeps customers engaged and also helps raise traffic between touchpoints. (Ouellette 2013, 16; Straker et al. 2015, 116.)

Community: they run and rely on a group of users. According to Straker et al. (2015, 119), community touchpoints run and rely on a group of users with the ability to remove contents if they violate copyright materials or deemed inappropriate. You Tube, Blogs, Forums and Vimeo are notable examples of community touchpoints with features that allow customers to make extensive comment, rate posts while interaction spot is created for providing more in-depth information and communication in specific area of interest. Other features of these touchpoints are that, rather than creating physical communities, businesses create digital communities via a delimitation approach. Besides, like-minded users engage and interact through community touchpoints by sharing tips, providing mutually supporting ideas, sharing photos and creating customer contents via customer touchpoints (Ouellette 2013, 18).

Corporate: all touchpoints in the corporate typology are regarded as simplex that require low to medium interaction and have a clear functional purpose. This single direction interaction is either business to customer (B2C) or vice versa but are devoid of cross interaction with respect to B2C. Frequently asked questions (FAQ) in the findings of Straker et al. (2015, 120) had the highest percentage of use attracting 55 per cent use. Other types of corporate touchpoints are promotions, corporate reports, membership and loyalty programmes to mention few. Corporate touchpoints are characteristically leading supportive touchpoint in the sense that they provide access to in-depth company information leading to company transparency (Straker et al. 2015, 120).

4 CLOSING THE DIGITAL DIVIDE IN DOMAINS OF EXCELLENCE

Even though there is no consensus on the definition of digital strategy across experts' opinions, there are ideas that appear to resonate across literature. Generic terms such as technology, information, planning, competitive advantage and alignment are generally built around perspectives on digital strategy. Since no individual exclusively defines the concept, it is important to embrace a definition relevant to this research. Kubrick (2012) holds the view that "digital strategy is the process of identifying, articulating and executing on digital opportunities that will increase organisation competitive advantage".

In the Nordic market where Halonen is established as a fashion chain, vast numbers of companies including fashion retail businesses are presently found to have digital strategy in place (Accenture.com 2016b, 2). Many companies in the Nordic countries recognise the strategic importance of digital strategy and have invested substantially in its execution. However, there are equally large numbers of companies that are yet to convert to digital operating model but are struggling to turn their business strategies around through digital transformation. In the traditional business strategy, data can be expensive to obtain, difficult to store, less efficient to distribute and more demanding to utilize. Management of data requires than an enormous IT systems be acquired and be maintained (Rogers 2016, 4).

Traditional business innovations are expensive, detached and their stakes are high. Besides, testing new innovation in a traditional business model sense can be costly, discrete and constraining. Companies relied on managers to suggest what to incorporate in products before they are launch in the market. The biggest challenge today is transforming the massive data in such business model into valuable information. (Rogers 2016, 4.) In today's digital affairs, prototypes can be built for small amount of money and be tested quickly with a community of users. Today's digital culture is therefore adding constant learning, prompt iteration in the product lifecycle to its functionalities in order to justify the need to bridge the digital divide. In line with the approach of Westerman et al. (2012,

14), this study intensively look into how digital transformation is challenging the strategic assumptions of retail businesses that are yet to figure out their digital prospect in these different domains as Figure 6 shows.
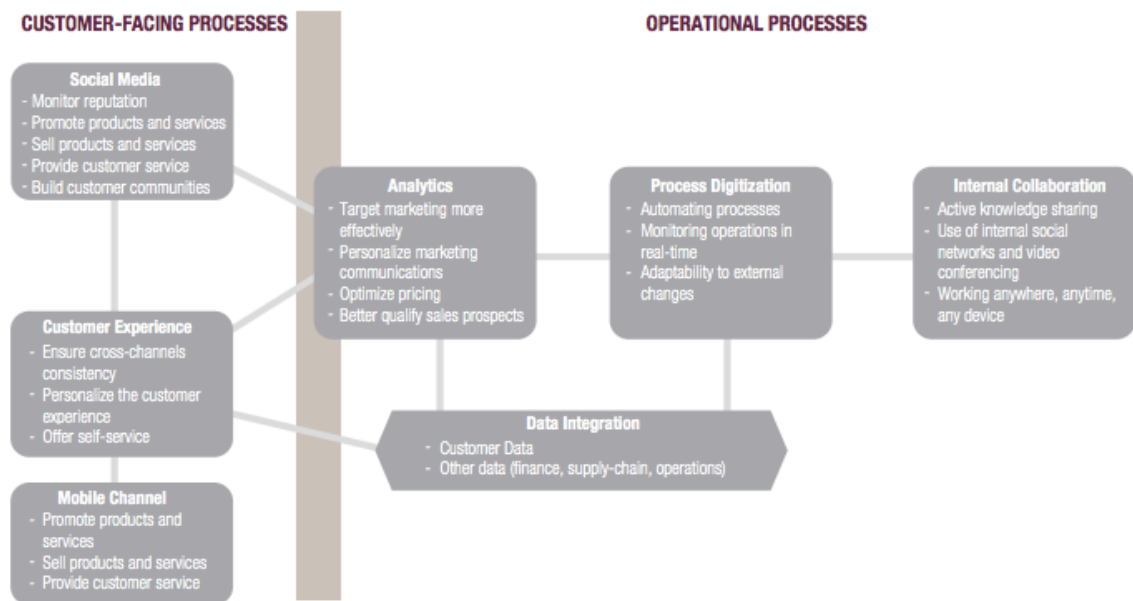

Figure 6. Nexus of Digital Domains of Excellence (Westerman et al. 2012, 14)

Whether it is long-running multinationals or new seed-funded start-ups, even though their leaderships face diverse challenges, same strategic principles apply to all. Across organisations, the principles of customer experience, innovation, internal collaboration, data, competition and value resonate. However, the paths to implement these principles are different and that is why this research focuses on an enterprise founded before the advent of the Internet. This chapter gives few examples of such companies that successfully transformed themselves to operate by the principle of digital era.

4.1 Practical Framework for Digital Development

The essence of formulating this framework is to highlight different strategy models and their applicability towards providing Halonen with efficient and cost

effective choices. It is to this end that a coordinated approach for operating a remodelled CRM through digital strategy is formulated for Halonen.

The various strategies formulated here are concisely explicated for Halonen to embrace the possibility that its current business model requires self-disruption in order to forestall being disrupted. Besides, the ultimate goal of presenting Halonen with the following strategy choices is to be able to make an informed decision and future-proof the business.

4.1.1 Network Strategy

The primary purpose of deploying this strategy is for Halonen to be able to harness its customers' network effect. Today, a customer wants to remove all barriers to self-defined interactions by fighting to communicate efficiently, buy conveniently, share their experiences widely and influence satisfaction innovatively. Nowadays, customers behave less like detached stakeholders and more like connected networks. Every organisation needs to learn to take advantage of the power and the potential of customers' networks. This implies companies should learn to engage, empower and co-create with customers beyond the point of initial purchase. (Rogers 2016, 11.) Leveraging on customers' networks means harnessing new business opportunities created as happy customers' influence and drive competitive advantage.

Taking advantage of customer networks may involve direct collaborating with customers. It may also involve making customers' networks share their experience by behaving like media advertisers. Cosmetics giant L'Oreal qualifies as an example of marketing opportunities being spread by customers' networks. Creating efficient customers' networks is contingent upon the understanding that customers' networks are strategic assets and route to market. The five core attributes of customers' networks are accessing, engaging, customising, connecting and collaborating.

4.1.2 Technology Strategy

Strategy can scarcely be sustained if it is not strengthened and well positioned in the broader ecosystem. Businesses must understand and master data created by asymmetric challenges arising from reshuffled roles of competition and cooperation in every industry (Rogers 2016, 11). They must also accept the imperatives of strategies that allow them to build platforms rather than just products. Becoming an effective digital platform takes being trusted as intermediary that brings together competing businesses. Example of platform is how Apple brought together App Store and Beat earpiece device. Another example is how Wink brought together Honeywell, Phillips, Schlage and Lutron. Platform may require bringing products of complementary values together to create a new business by partners. Fashion business is not left out in the platform trend. Shopify is an example of platforms that combine traditional and conventional platform models. It leverages the platforms for supply chains and distribution networks. The case company can channel its resources to this digital innovation to cooperate, collaborate, compete and extend its direct and indirect effects with other firms.

Halonen can also secure its foothold in the Nordic market and in the broader ecosystem by collaborating with the network of companies, individual contributors, institutions and customers that interact to create mutually complementary values. According to Dreischmeier, Close and Trichet (2015, 4), "Digital ecosystem are disrupting businesses in almost every consumer-centric industry through close collaboration among partners, institutions and customers. Ecosystem players join forces with external companies working toward a common goal and achieve complete alignment of the value chain". Collaboration across broader ecosystem gives businesses the new opportunities, potentials and capabilities to attend to customers' needs.

4.1.3 Data Strategy

The strength and secret of this strategy lies in the ability of the case company to create value out of data. It is interesting to know that data in a digital age are readily available, surplus and often free. The imperative for the case company is to learn to turn it into truly strategic asset (Rogers 2016, 12). This entails assembling the right data and applying it effectively to generate long-term business value (Roger 2016, 12; Skilton 2015, 139). Building a strong and right data may begin with harnessing effective collaboration with data partners. For example, Amazon partnered with 10 most prominent fashion retailers regarding selling their products on Amazon market place (Ryan 2017).

In order to put in place a good data strategy, four templates comprising data value creation, new sources capabilities and analytics, the role of causality in data-driven decision-making and risk analysis need to be put into consideration. The risk element may include data security and privacy. Digital transformation offers new possibilities to secure sustainable competitive advantage from data assets and to create new revenue models, business units and structures. For example, according to Dreischmeier et al. (2015, 4), "Verision's Precision Market Insights service offers access to anonymize data about shopping habits, interests, travel and mobile browsing derived from a sample of the company's more than 86 million wireless customer".

4.1.4 Social Business Strategy

Business strategy in a digital age without a capacity to engage and interact with customers may be portraying poor ability to attune the business model to stark social reality. Social business involves the use of social media tools and practices to support external customer engagements such as crowdsourcing ideas for product development and internal employee collaboration (Kubrick 2012). Evolving a retail business into a social business presumes that such business has a foundation in social media engagement. With such foundation, the busi-

ness can facilitate employee-to-employee otherwise referred to as enterprise social media networks. In addition to that, it can focus on customer-to-customer digital interactions.

Social business strategy is harnessing these interactions and defining the dimensions along the major directions of 'internal', 'external' and 'between' stakeholders' engagement. The 'internal' engagement involves the interaction between employees. The 'external' engagement involves the interaction between the business and its community and firms of mutual values. Lastly, the 'between' engagement relates to how customers interact with one another through social media by sharing their experiences, opening up on their complaints and extending the customer advocacy. Kubrick (2012) holds the view that, at the highest level of maturity, a social business "steps out of the equation entirely and enables its customers to support one another without the company needing to broker the conversation".

 4.1.5 Prototypic Strategy

This strategy is formulated to enable the case company to constantly benefit from innovation through rapid experimentation. Due to the fact that in digitisation, it is so easy, fast and inexpensive to test ideas, today's fashion retailers need to learn the art of rapid prototyping. This entails an entirely different approach to innovation based on the need to constantly validate new ideas through rapid and iterative learning (Rogers 2016, 13). Rogers (2016, 13) emphasises that "Just as Rent The Runway practised ahead of its launching of online fashion service, prototyping should involve testing of an innovation's assumptions". Digitally mature companies should prototype products and strategies in close collaboration with customers at a rapid pace (Dreischmeier et al. 2015, 1). Halonen's goal should be to digitise and strengthen customer relationships across channels by building simpler and more personal relationship with its brand. The moment an idea has been validated through an experiment, it requires careful piloting and rollout (Rogers 2016, 14).

Furthermore, a retail business needs to understand the two basic experiments in order to catch up with the innovation drive of the digital era. The convergent experiments present the valid samples, test groups and controls while the divergent experiments design for open-ended enquiry (Rogers 2016, 14). In order to secure fruitful result in the market, the case company needs to understand and embrace both experiments.

4.1.6 Corporate Governance Strategy

It could be significantly made clear that there is a possibility for digitising the core business from an astute corporate governance point of view. Businesses must learn to continuously adapt their value proposition to the digital possibilities. In order to realise this, a retailing business needs to go beyond value proposition of the current business models and zero in on how it can best deliver on promise to customers as new technology reshape needs and opportunities (Dreischmeier 2015, 3). Top management need to think end-to-end to ensure agility, leanness and cost efficiency of the digital capabilities. Halonen needs to "adopt the agile techniques and standardisation of several core processes to accelerate execution and inject more flexibility into strategy". (Dreischmeier 2015, 3.)

The structure and culture of a retail business should support digital initiatives with governance, incentives that promote rapid experimentation, risk taking and structural frameworks rather than kill a disruptive idea before it takes off. The corporate governance requires that the top management ensure continuous reconfiguration and review of its strategy that leads to discoveries of new business models, customers and applications for its current value proposition.

4.2 Developing Digital Operating Models

There is a need to examine the key choices available to Halonen and in which strategy context. Outcomes of strategy can be evaluated based on the context specific design and performance of the digital enterprise. Skilton (2015, 20) defines a digital enterprise as "A form of organisation structure with a legal basis, enabled by technologies to provide physical or virtual products or services in one or more digital ecosystem". In addition to that, digital enterprise physically and virtually carries out monetization mechanisms in order to be able to "generate social and financial value and worth in one or more digital economies" (Skilton 2015, 20).

4.2.1 Creating Digital Workplace Strategy

Digital workplace can be described as the natural evolution of the employee's technology enabled working environment. If the risks generated by Halonen's inaction are not sufficient motivation, the benefits of adopting a digital workplace strategy "make a compelling business case" for Halonen (Deloitte.com 2017).

According to a survey conducted by Deloitte (2017), 64% of employees would consider a lower paying job if they could work away from the office. It is also found that companies with strong online social networks are 7% more productive than those without. It is further revealed that organisations with social media tools internally found 20% increate in employees' satisfaction. More over, when employee engagement improves, there is a corresponding increase in retention rate by almost 87%. Employees prefer newer versions of communication tools, especially instant messaging to traditional ones like e-mail or team workspaces.

Taking into account these discovered benefits, more commitment need to be made in terms of budgetary allocations by the case company to support digital workspace strategy that delivers measurable results. This strategy encom-

passes knowledge sharing across organisation, increasingly productive business relationship and increase in measurable results as illustrated in Figure 7.
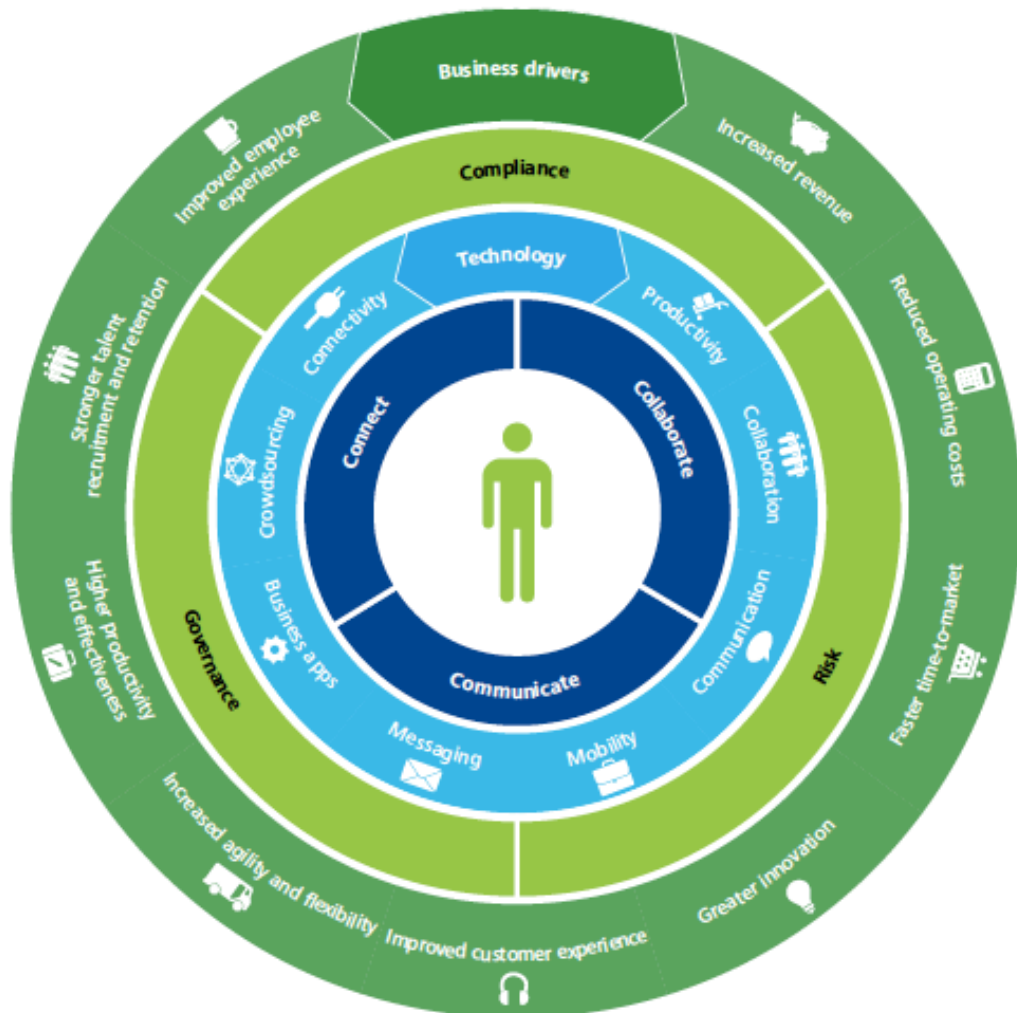

Figure 7. Digital Workplace strategy (Deloitte.com 2017)

Nonetheless, it is more useful to consider the relevance of this strategy in terms of its context design impact on the overall performance of the fashion retailing industry. Contextual conditions are enabled by how these categories of business are supported by digital workplace. Besides, it involves how specific conditions enable customers, employees, partners or other outcomes can be contextually relevant to the situation in the case company. The contextual framework as presented by Figure 7 is carefully opted for as the most suitable in design for Halonen's natural workplace while the researcher was carrying out an observa-

tion. The overriding benefit of implementing this framework is to support the enterprise, customer and the wider environment in order to engender measurable effective outcomes. Corporate leaders of Halonen need to start taking developing their employee's digital IQ seriously.

4.2.2 Choosing Operating Models for Strategy Execution

In choosing the best digital operating model, certain points of reference may be considered such as the degree of centralisation, level of maturity, role of digital migration in future operations and digital execution capabilities (Accenture.com 2016b, 7-8). It can be said that the degree of centralization that a company adopts for its digital operating model depends on certain factors such as its priorities, level of desired control, geographical coverage and level of common interaction from the customer's perspective.

Level of maturity evolves, therefore committing to a model is not irreversible. Halonen need to take objective assessment of its customer relationship operation to determine which operating model is suitable for its business model. Additionally, Halonen needs to consider to which extent each model can help develop skills, introduce new value proposition and promote cost effective rapid prototyping. Regardless of the model chosen, Halonen will need to develop a pragmatic execution plan across its business units. These digital strategy execution capabilities should include innovation, strategy and governance, execution and expertise, digital foundation, digital management, change management and knowledge management (Accenture.com 2016b, 7-8). Digital retailing entails establishing an integrated retail-to-supply chain enterprise (Skilton 2015, 83). The workplaces for retail business comprises of digital shops or outlets, digital supply chain and digital marketing otherwise referred to as e-retail.

Accenture (2016b, 7) identifies five broad types of digital operating model that Nordic companies have in place today. These operative functions vary accord-

ing to their centralisation certain functions or devolution to individual Business Unit (hereinafter BU). Leading businesses relevant to achieving business's digital goals in the Nordic is identified to be operating the Centre of Excellence (hereinafter CoE) model. This model offers practical support for digital business as against 'digital only' business model. In the same study by Accenture (2016b, 7), almost half of the surveyed companies in the Nordic region indicate that they will be satisfied having the CoE model as their future operating model. However, responses differ according to industries. Even though there is no correlation between the retailing industry and progress made due to the lack of implementation of the targeted model, companies at a vantage point to take advantage of digital opportunities are inclined to adopt the CoE operating model. It is however in considered interest of fashion retailers also to look into its current strategic position and context before choosing a specific digital operating model among the cast of choices as illustrated in Figure 8.
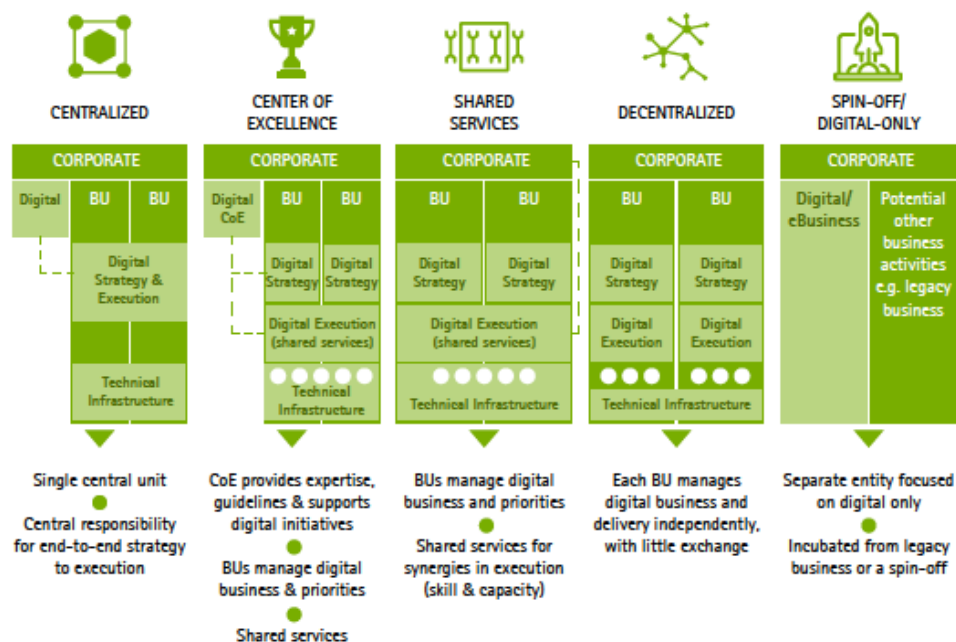

Figure 8. Digital Operating Models (Accenture.com 2016b, 7)

Moreover, the relevance of each model depends on overall corporate governance i.e. to understand whether the business units (BU) are centralised or decentralised. Additionally, it depends on the stage of the development of the

business towards digital maturity. According to Figure 8, the shared services execution in CoE model is reintegrated into digital CoE. Nevertheless, choosing a suitable digital operating model is not strategy execution. Identifying and having the optimal operating model is essential but it is part of strategy (Accenture 2016b, 11). Having strategy is necessary but it is not sufficient to precipitate successful outcomes and digital transformation. In order to attain digital maturity and success, there is a need to develop irrefutable approach to executing that strategy. This approach entails making some critical structural changes.

According to Accenture (2016b, 11), the strategy needs "balance speed so that digital idea have the greatest change of reaching the market as sustainable commercial products and serves". Furthermore, regardless of the operating model chosen by Halonen, it should be backed by right capabilities and relevant resources including a defined set of priorities for pursuits within the ambit of digital projects. Capabilities refer to the personal or business competencies to perform an activity in order to achieve an outcome (Skilton 2015, 155-156). Figure 9 represents a layout of the elements of digital strategy execution providing critical opportunity for monitoring and for taking corrective actions.
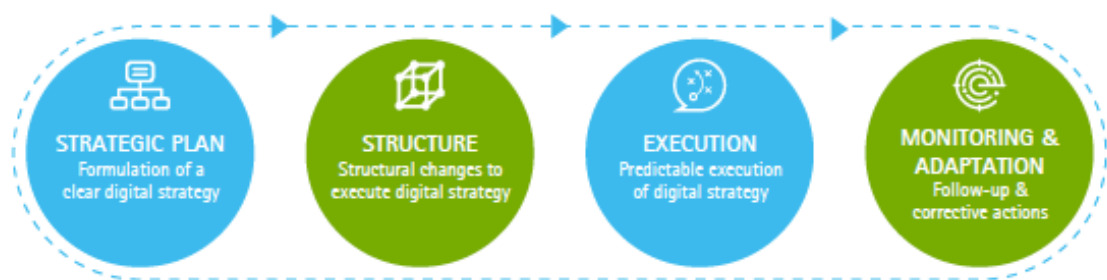

Figure 9. Elements of Strategic Execution (Accenture 2016b, 11)

Strategy execution is essential for a business that is vulnerable to disruptive activities provided fortifying itself with clear understanding of the concept of digital strategy as well as right mechanisms and incentives. However, with the execution in progress, strategies necessitate constant monitoring and adaptation to achieve digital strategy success. This is possible especially in an industry considered to be dynamic such as fashion retailing where digital disruption is a reality.

5 EMPIRICAL FINDINGS AND ANALYSIS (CONFIDENTIAL)

This chapter expounds and examines data collected from the in-depth interviews to reflect areas requiring strategic development in Halonen's strategy. The data collected is to provide empirical support and explanation for the research questions. The prospective interviewees have indicated that the topic of the discussion aroused their interests and consequently, they granted express approvals to the interviews. The two interviewees responded by sharing their managerial and professional perspectives on marketing, strategy and CRM related issues.

However, due to the case company's directive regarding the subject, the remaining information in this chapter are hereby classified as confidential. Therefore, this chapter will not be visible nor will it be accessible through the Library Database of Lapland University of Applied Sciences.

6   DEVELOPMENT PLAN AND CONCLUSIONS (CONFIDENTIAL)

The objective of this study is to provide Halonen with the interpretation of digital imperatives and to facilitate the digital transformation for its operating business model. In line with the objectives regarding Halonen's current customer relationship, this research articulated the benefits of digital strategy in a fashion retailing industry.   The main objective is to provide new framework for Halonen to improve the current strategy that is fettered by refractory concerns for digital transformation. The present CRM of Halonen was set up to serve customers, retain customer loyalty as well as relate profitably with customers. This plan has been found to be yielding suboptimal performance in terms of Halonen's potential and how the management perceive its competitive advantage.

In accordance with the case company's instruction, the remaining information in this chapter are hereby classified as confidential. Therefore, this chapter will not be visible nor will it be accessible through the Library Database of Lapland University of Applied Sciences.

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APPENDIX 1

Halonen Interview Guide

1. As one of the Chief executioners of strategy, and based on the background to this subject that was shared with you, to what extent would say your organisation has a clear and coherent understanding of digital strategy?

2. As you may have noticed, your website is to connect you with the existing or potential customers and possibly the first contact point to many others. Would you regard your customer relationship in terms of their digital contact with Halonen as competition driven and sustainable?

3. Would you say that your leadership has sufficient knowledge and ability to lead Halonen to implement digital strategy based on the definition provided in e-mail?

4. Would you say also that your employees have sufficient knowledge and ability to execute digital strategy based on the definition provided in e-mail?

5. Do you believe digital technology will disrupt your business model and what are you doing to forestall or limit the impact?

6. Would you say: My organisation is adequately prepared for the disruption that is projected to occur in the fashion retailing industry due to digital trends?

7. Would you say that your current level of digitisation is sufficient for your organisation overall strategy?

8. What is the biggest obstacle to your organisation from taking advantage of digital trends and development?

9. Do you expect demand for your organization's core products or services to increase or decrease because of digital trends and development in the next 3 years?

10. Is it likely your organization will develop new core business models in the next 3 to 5 years in response to digital trends?

11. Do you see Halonen establishing more and/or stronger relationships with external partners as a result of digital trends?

12. Would you characterize your organization's decision making process as either instinctive or data driven?

13. Is it important to you to work or lead an organization that is digitally enabled or is a digital leader?

14. Do you agree that your company needs significantly new or different talent base to compete favorably in a digital economy?

15. Is your organization planning to strengthen digital innovation capabilities such as software, applications, and websites?

APPENDIX 2 (CONFIDENTIAL)

In accordance with the case company's directives, the data in this section are hereby classified as confidential. Therefore, this section will not be visible nor will it be accessible through the Library Database of Lapland University of Applied Sciences.