Mikko Bengts

The future of the retail industry

How the Nordic retail industry and marketing methods develop in the near future.

SEINÄJOKI UNIVERSITY OF APPLIED SCIENCES

Report abstract

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Author: Mikko Bengts

The future of the retail industry

Supervisors: Ville-Pekka Mäkeläinen

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This Master's thesis aims to gain a perspective of how the retail sector, especially the home appliance retail business, and its marketing methods will change in the near future.

The thesis includes a theory section where retail business, consumer behavior, and modern marketing methods are briefly explained. This thesis will also show the technological aspect with the introduction of how machine learning and artificial intelligence affect retail and marketing.

The research method for this thesis was to do semi-structured interviews with experts who work in the industry.

SEINÄJOEN AMMATTIKORKEAKOULU

Opinnäytetyön tiivistelmä

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Tämän opinnäytetyön tarkoituksena on selvittää, kuinka kaupan alan, etenkin kodinkoneliikkeiden ja niiden käyttämät markkinointiviestintäkeinot tulevat muuttumaan lähitulevaisuudessa.

Teoriaosioissa käsitellään kaupan alaa yleisesti, sekä lisäksi kuluttajakäyttäytymistä ja moderneja markkinointimenetelmiä. Tämä opinnäytetyö myös selventää sitä, kuinka uusia teknologia innovaatioita, kuten koneoppimista ja tekoälyä voidaan käyttää liiketoiminnan ja markkinointiviestinnän tehostamisessa.

Tutkimusmenetelmänä tässä opinnäytetyössä on käytetty osittain jäsenneltyä haastattelumetodia. Haastateltavat ovat alalla pitkään toimineita asiantuntijoita.

TABLE OF CONTENTS

Abbreviations

AI	Artificial Intelligence
VR	Virtual Reality
AR	Artificial Reality
IoT	Internet of Things
CEO	Chief Executive Officer
CRM	Customer Relationship Management
POS	Point of Sale
IMC	Integrated marketing communication
GDPR	General Data Protection Regulation
SEO	Search Engine Optimization
PR	Public Relations

FIGURES

1 INTRODUCTION

I've been working for a retail business that sells household appliances and consumer electronics for my whole adult work life. During those years I have seen the industry growing and changing many times. The things we did in our industry in 2010, can't be done today, as we couldn't be successful that way. Many competitors have fallen, as they were not able to adapt to the market. Retail business is a competitive industry. Retailers don't only compete on prices, but also on service and customer convenience. In this fierce competition, it seems that only the Retail Giants can survive in the industry nowadays. But even giants can fall, if they can't adapt to ever-changing business environment.

Predictions said that the brick-and-mortar stores will die, and people will go shopping online. E-Commerce sure has taken its piece of commerce, but brick-and-mortar type of stores are far from dead, especially here in Finland. The European consumer behavior seems to be quite a lot different than what it is in the USA or crowded areas of Asia. The industry here is changing, and it will keep changing and consumer buying habits will evolve and they will bring new challenges. Companies that can prepare for new habits and challenges have a vantage.

I've thought a lot about how much marketing communications (advertising) influence my daily work in the store. Even though our industry has changed a lot in the past years, the marketing communications we use to lure our customers to our store have been somewhat the same. We still use weekly physical paper ads and email ads to communicate our weekly offers to our customers. We have also started to use social media to get positive visibility among the consumers.

Companies have started to use more and more technology to gather more information about customers. This information can be used to create customized content and advertising to those customers. I also believe that in the future we will start to use more technological means for innovative advertising.

1.1 Goal of the thesis

Technology is developing now more rapidly than ever. Almost everyone lives in a digitalized world, which is evolving every year. In digitalization's first period communication revolutionized, then came social media, which evolved the means of communication even further and it also gave businesses new opportunities to communicate with their customers. Now we are living in a world, where we can read about privacy breaches almost daily and our view of digitalization is still evolving, and it will keep evolving as technology keeps opening new possibilities in good and bad ways. Simply put, technology is changing how we behave as consumers and how the commercial industry communicates with customers.

The goal of this thesis is to find out, how the retail and e-commerce industry can prepare for the next step of technological evolution and the next change in consumer behavior. Below are the two main research questions for this thesis.

RQ1: How is the retail business developing in oncoming years?

- How to prepare for the change in the retail business?

RQ2: How will the marketing communications develop in the near future?

- What challenges and opportunities it will bring?
- Challenges and opportunities of Big Data?

2 RETAIL BUSINESS

Retail business is currently ongoing changes as e-commerce has been strengthening for the past year. Brick and mortar retail is thought to be quite low tech type of business, especially when comparing to high tech online shopping platforms like Amazon, eBay, Alibaba, and so on.

2.1 Brief history of retail business

According to BBC History Magazine (HistoryExtra, 2015), Gordon Selfridge established one of the most innovative department stores of their time in 1909. The store was in London's Oxford Street and it was the department store that drove the whole retail industry ahead. Selfridge was the first store to introduce window displays to entice customers into the store. Windows displays usually showed the latest inventions and ideas (Rabon, 2015). During the 1940s a lot of people had a car of their own and this made it possible for them to move longer distances from home to do shopping. This change in consumer behavior made it feasible for huge shopping malls to arise. Some shopping malls rose to suburban areas where it was possible to construct a huge mall with a huge parking lot. Even nowadays, this kind of suburban shopping malls are a common view.

During the 1970s, competition between retailers got intense. Consumer behavior evolved quickly, and customers became more demanding. Competition over customers drove many retailers around the world to bankruptcy.

Computers revolutionized customer behavior completely as it slowly introduced e-commerce, which made it easier for everyone to do shopping. The world suddenly became smaller, as customers now were able to buy products easily from outside of the borders. In the European area, this was boosted by bringing a single currency to most of European countries in the early 2000s. With a single currency, doing business in the euro-area became less risky and more cost-effective. For

consumers, the euro encouraged cross-border trade as it made many things, like comparing prices of products between different countries. (European Commission)

Mobile connectivity revolutionized shopping even further as the line between online and offline shopping started to blur. Coming to brick-and-mortar stores has become more like a leisure activity. Also, when people go into stores, they can easily go online to check for more information about a product they hold in their hands in the store. This has also accelerated the price competition between retailers as consumers now can check the online price of a product. Consumers now require the same prices and experience no matter if they do shop online or offline. (Mi9retail).

2.2 Today's retail business in Finland

According to kaupanvuosi.fi (2017), the commercial business sector is the biggest employer in Finland as it employs about 300 000 people. The commercial sector also makes 9% of whole Finland's gross domestic product and it also is one of the biggest tax-paying sectors (Kaupan liitto). As seen in figure 1 below, the share of retail business is about 55% of the whole commercial business sector. Even though the retail business is the biggest employer, its share of turnover isn't the biggest. Retail business makes about 30% of the commercial sector's turnover. The biggest turnover maker is the wholesale business area. (Kurjenoja J. 2018).

Employment in commercial business sector
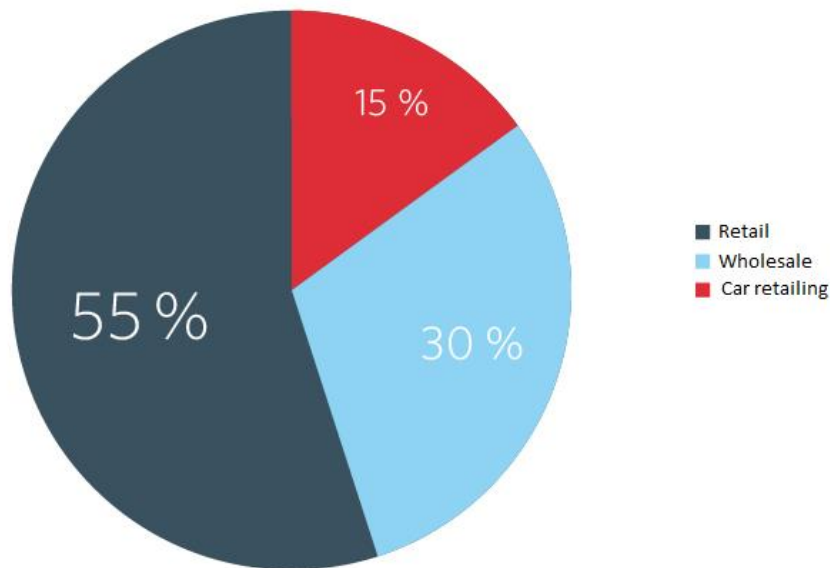
Figure 1. Employment in commercial business sector. (Tilastokeskus, Kaupan liikevaihtotiedot).

2.3 Future of Retail

The retail business in Finland is transforming. According to Kurjenoja (2018), the number of retail business companies is decreasing. It is not the problem itself that the amount of companies is decreasing as it is normal that ineffective businesses will disappear. Tightened competition has made it harder for ineffective businesses to survive, but it has also made it harder to establish new companies that would drive the whole business area forward. Because of this, the estimated yearly increase in turnover in the sector has decreased to 2%. Before, from 1995 to 2005 the turnover increase yearly was about 4%.

Comarch and Kantar (Comarch, 2017) surveyed in six European countries to find out the trends in retail in 2030. The survey shows that consumers believe that the future of shopping will be shifted more towards online, but the retail industry will stay relevant, only become smaller. According to the survey, 77% of consumers believe, that there will be fewer physical stores in the future and 50% of consumers expect

to still shop in physical stores. Survey also indicates that people will research across different channels especially when going to do the shopping offline in the physical store.

Survey also points out other substantive things about how the shopping experience will change in the future. Some of these things are presented below:

- 87% of people agree that physical stores will provide digital services to their customers
- 86% of people agree, that cashiers will be replaced with digital or mobile payment options
- 61% of people agree that store associates will be replaced with personal digital advisors
- 43% of people of all age groups are interested in personalized offers. Generally, the younger generations (18-44 years old) are more interested in personalized offers than the older generations. Between genders, there is not a big difference.
- 50% of people are interested in real-time personalized offers while being in a store.
- 49% of people want an in-store navigational solution to find desired products.
- Only 28% of people want real-time personalized offers to be provided when being nearby the store.
  (Comarch, 2017)

2.4 Development of physical retail vs E-Commerce

Retail and e-commerce are both very similar – they both refer to the process of selling a product to an individual consumer. In e-commerce, the selling process happens exclusively in the internet store, while retail can be understood in multiple ways. Retail business can happen in online stores, malls, grocery stores, in person-to-person sales, or even via direct mail. (Nguyen, 2018)

The shopping experience has changed a lot in the past twenty years. Universal internet access, online ads, smartphone applications, easily available online reviews, and cloud-based software solutions are some of the things that technology has made possible. While new technology has also helped e-commerce to grow rapidly, it doesn't mean that offline stores would go obsolete anytime soon. Online and offline retail are both still thriving. (Nguyen, 2018)

2.4.1 Finland – consumer electronics and household appliances

The market for consumer electronics and household appliances are getting bigger every year. According to Statista (2019), whole market revenue in consumer electronics and household appliances was 2805 million US$ in Finland in 2019 of which 72% were in consumer electronics. The market has grown slowly for the past several years and is expected to grow for the next few years. According to Statista (2019), the whole market revenue in consumer electronics and household appliances will be 2875 million US$ in 2023, which is 70 million US$ bigger than what it was in 2019.

The following figures show, what kind of shares online commerce has versus offline commerce in Finland and how those shares are supposed to be changing in the following few years.

Finland: Household Appliances – online vs offline
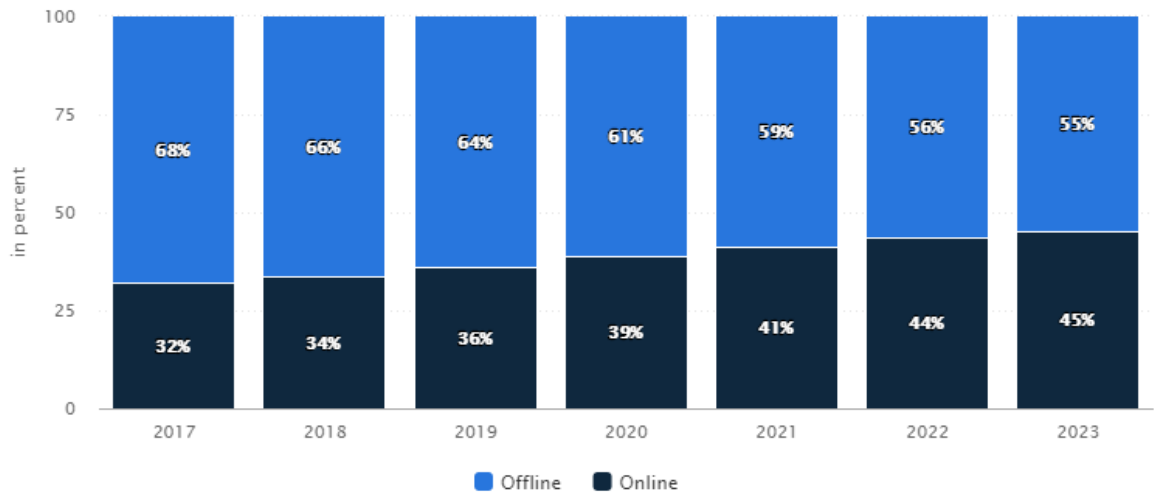
Figure 2. Household Appliances - Finland. (n.d.). Retrieved February 11, 2020, from
https://www.statista.com/outlook/16000000/135/household-appliances/finland

Finland: Consumer electronics – online vs offline
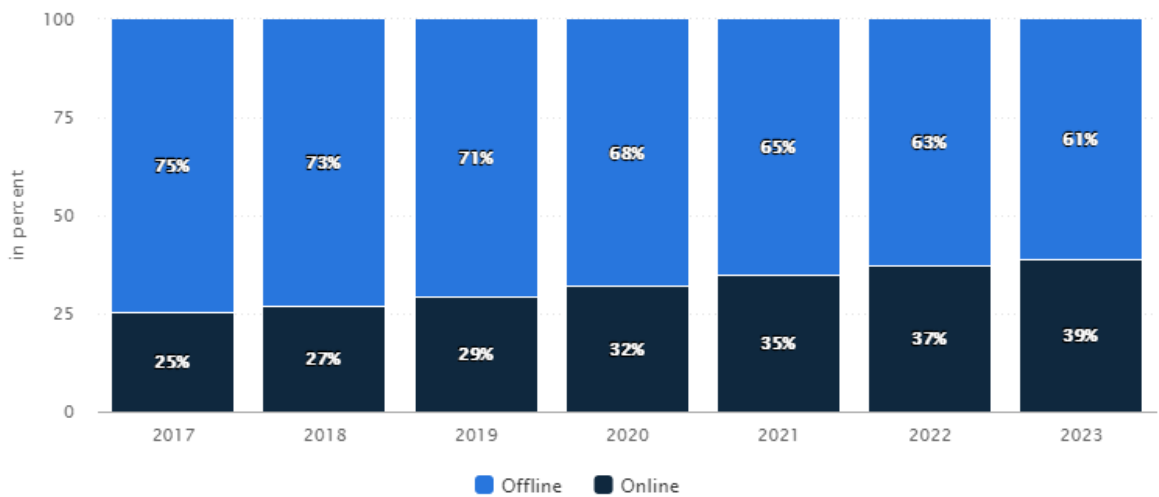
Figure 3. Consumer Electronics - Finland. (n.d.). Retrieved February 11, 2020, from
https://www.statista.com/outlook/15000000/135/consumer-electronics/finland

According to the figures above, the share of online sales in consumer electronics in
2019 was only 29% and the same share in the household appliance market was

45% (Statista, 2019). In the following years, e-commerce will gain some market share, but it won't kill offline commerce.

If the figures above were about the USA market, they would look completely different. For example, the share of online commerce in household appliances was 47% in 2019 and is expected to gain an 85% share of all commerce by 2023. For consumer electronics, the shares look similar, as 42% of all commerce was done online in 2019 and supposedly the share of online commerce will raise to 69% in 2023. (Statista 2019). This shows that consumer buying habits in Finland are quite different when compared to the USA.

2.5 Global trends in retail

The new technology of digitalization is bringing cutting edge technologies to consumers. This brings new opportunities for retail business. Below have been listed some of the areas that have been developing and will be developed further to bring real change into the retail business area. Most of the development will be related to personalization, omnichannel experience, and better and more accurate customer data utilization.

Personalization

Consumer experience becoming more personalized. Not only internet stores are interested in information about consumers, but also brick-and-mortar stores are beginning to use information about their customers to personalize the shopping experience.

Changes in payment methods

For decades, cashier routines have been the same. Amazon is the first company to change how cashing works in their own Amazon GO -stores. In Amazon Go – stores, a customer simply collects what they need and walk out from the stores, while an automatic system collects the information of what products the customer collected and uses that information to charge the customer from his/her Amazon account.

In China, Vero Moda and Jack & Jones brands also opened cashier-free stores. These cashier-free stores work with an AI-powered facial recognition system. Customers don't need cards, ID's or even cellphones with them when they do shopping. This Artificial intelligence-powered system also makes it possible for stores to know their customers better, which makes it possible for AI to offer a more personalized experience for their customers. (Ma, 2018).

Consumer experience in retail is changing

Not only do stores go cashier-free in the future, but the experience of how the store feels will change. Technology companies like Apple and Google have made changes in their stores. Even though the customer does not buy anything during the visit, they will have an experience, which is wildly different than what they are used to. Companies want to inspire their customers by bringing elements of nature to the experience. (Kaupan liitto, 2017).

Loyalty programs are evolving

Loyalty programs will collect more information about customers and use the data to offer a more personalized experience. Companies want to understand their customers and by gaining this understanding they believe they can make customers happier.

Consumers are mostly loyal to the price level. If a company can evolve its loyalty program to make it get customers to come back to the store, again and again, they will have a chance to get a better margin and make customers happier. (Kaupan liitto, 2017)

Internet of things is becoming more common

The Internet of things (IoT) is already influencing everyone's life. People use to have a lot of devices, that are communicating quietly with other devices. One example of devices like this are fitness bands, which uses sensors to collect data from one's body and then sends it to a smartphone, which also will send its data to the manufacturer's server, which in the end provides personalized data based on a comparison of one's body data and the BIG data. (Kaupan liitto, 2017)

IoT will also make it easier for stores to track their product logistics and make the processes more effective. IoT also makes it easier for stores to handle their stock.

Virtual and Augmented reality technologies are coming to stores

In the past few years, virtual reality (VR) and Augmented reality (AR) has evolved a lot. We now have a lot of different kinds of VR glasses we can use to feel new kinds of experiences. Also, AR is already in our smartphones. Maybe the most known app, which uses AR is the game called "Pokemon GO".

Ikea is one of the first retail companies to bring AR capabilities into their app as you can now preview a piece of furniture in your living room by watching it stand there via the screen of your smartphone. As VR and AR technologies become cheaper, companies will be able to use these technologies in daily store experience. For example, one kind of use would be a virtual dress room. (Kaupan liitto, 2017)

Omnichannel experience

True omnichannel experience means that the company has the means to communicate with its customers personally everywhere possible – physically and digitally. The Idea for omnichannel experience is to offer a seamless and effortless customer experience in all possible channels where customers might want to contact you. The biggest companies have already invested a lot in omnichannel experience, and it is considered to be important for their success. (Ward, 2017).

According to Walker (2018), 78% of all retailers believe that their customers are not having a unified brand experience and also 45% of the retailers say that the progress to make the experience truly omnichannel is not happening fast enough.

The biggest problems to make the omnichannel experience great are the following:

- Lack of internal organization (39%)
- Lack of customer analytics across channels (67%)
- Siloed organization (48%)
- Poor data quality (45%)
- Inability to identify customers across shopping trips (45%)

Convenience and speed are becoming more important

According to iVend Global Shopper Survey, 81.2% of European shoppers value quick and easy checkouts the most. Shoppers also want to be able to complete purchases anywhere in the store by the use of mobile devices. Also, according to the study, European shoppers are getting used to using Click&Collect options to make shopping quicker and to avoid shipping charges. (iVend Retail, 2019)

3 CONSUMER BEHAVIOR

The field of consumer behavior explains the interaction between consumers and marketing systems. The study of consumer behavior involves the processes of when individuals or consumer segments use or dispose of physical products, services, ideas, or need and/or desire satisfying experiences. There are also many kinds of consumers varying from a child to a corporate CEO. Also, as a field of study, consumer behavior unites with other disciplines such as psychology, economics, and sociology. There is not just one approach to consumer behavior as there are many kinds of aspects that must be considered when explaining the topic. (Solomon, Russell-Bennet & Previte 2013, 2-3).

According to Smith (2016), consumer behavior is the study of organizations and individuals from the point of view of how they select and consume products or services. Smith (2016) divides the study of consumer behavior into five different aspects, which are:

1. Study of how consumers feel and think about the alternatives of brands, products, services, and retailers.
2. Study of how and with what reasons consumers do the selection between different alternatives
3. Study of how consumers behave when doing product researching and shopping activity.
4. Study of how consumers are influenced by the environment
5. Study of how to design marketing campaigns that have maximum influence on consumers

(Smith, K. 2016)

The different aspects are influenced by the three different stages of the consumer behavior process and by the external factors influencing consumer behavior.

3.1 Stages of consumer behavior process

According to Solomon, Russell-Bennet & Previte (2013), the consumer behavior process has three stages. Marketers must understand all these stages of the consumer behavior process to understand the customers' needs and to create the right kind of value in each stage that will in the end influence customer's opinions, feelings, and actions towards the brand or product.

The three stages of the consumer behavior process are *pre-consumption*, c*onsumption*, and *post-consumption*. According to Kumar (2017), researchers have mostly focused on the stages of pre-consumption and post-consumption. This focus is because marketing managers' desire to influence consumers during the *pre-consumption* stage to purchase a specific brand and after they have bought the product (*consumption*), the marketing managers want to influence the buyers to buy their products again (*post-consumption*). In the post-consumption stage, the experience expectations made in the pre-consumption stage are mirrored to actual experience, which will or will not lead to repurchase decisions. Even though, if the post-consumption stage won't lead to a repurchasing decision, it is important to understand why it won't lead to repurchasing as marketers can then influence the pre-consumption stage or even the consumption stage to create an experience that matches the expectations. (Kumar, SK 2013, 37-38).

3.2 Factors influencing consumer behavior

There are multiple factors influencing consumer behavior. Consumer behavior is not decided by a single factor but interplay of multiple different factors. Companies work hard, that they can use the factors in their favor to gain an advantage over the competition.

It is commonly accepted that four main factors are affecting consumer behavior. According to Kotler, Armstrong, Harris & Piercy (2017, 140-153), the main factors influencing consumer behavior are *Cultural, Social, Personal, Psychological.*

Though, for example, Ramya and Mohamed Ali (2016) propose that there are fifth factors influencing consumer behavior, which is: *Economical*. The following paragraphs are still focused on the main four factors.

Figure 4 below presents the factors and the sub-factors that are influencing consumer behavior.

Factors influencing consumer buying behavior

Cultural	Social	Personal	Psychological
Culture	Family	Age	Motivation
Sub-culture	Reference	Cycle stage	Perception
Social Class	Role & Status	Occupation	Learning
		Economic Situation	Beliefs and attitude
		Lifestyle	
		Personality and self-concept	
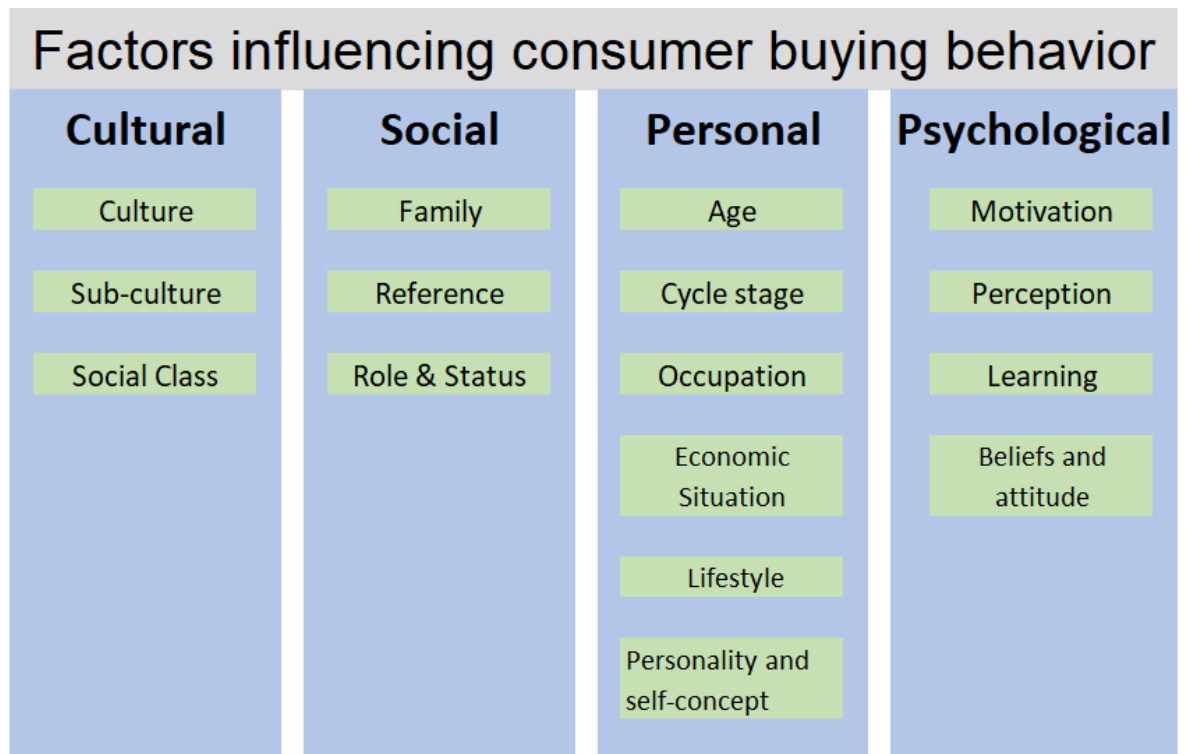
Figure 4. Factors influencing consumer buying behavior (Kotler et al. 2017, 140)

3.2.1 Cultural Factors

According to Kotler et al (2017), Cultural factors have a deep influence on consumer behavior, which marketers must understand. Cultural factors can be divided into three sub-factors, which are Culture, sub-culture, and social class.

Culture

Human behavior is mostly learned in a society, where one learns the basic value, perceptions, wants, and behavior from the family or other institutions. The values that European people are normally following are *achievement and success, freedom, individualism, hard work, activity and involvement, efficiency and practicality, material comfort, youthfulness* and *fitness, and health.* Knowing these cultural influences is important and even more important is to spot cultural shifts, so new successful products and services could be presented to the market.
(Kotler et al. 2017, 140).

Sub-culture

In each culture, there are smaller sub-cultures, which includes nationalities, religions, racial groups, and geographic regions. Sub-cultures can also include more specific groups like "gamers" and "athletes" If a marketer spots the special need of sub-cultures, they can tailor products and services based on a sub-culture's need. (Kotler et al. 2017, 140).

Social Class

Most societies have some kind of social class structure. 4 main social classes are identified by scientists. These social classes are lower class, working class, middle class, and upper class. All, but working-class, has two sub-classes, which are "lower" and "upper" -classes. Most of the European people are in the working-class or middle class (82% of the whole population). 16% are in the lower class and only 3% are in the upper class.

Social classes are relatively permanent, and their members share similar values, interests, and behaviors. In many cultures, the social classes are relatively fixed, and it is almost impossible for one to raise or drop between different classes. Though, in Europe, people can move up or down in social classes.

From a marketer's point of view, separating the social classes can be valuable as members of a social class usually show similar buying behavior.
(Kotler et al. 2017, 140).

3.2.2 Social factors

Social factors also influence consumer behavior. The social factors influencing consumer behavior are *small groups, social networks, family,* and *social roles and status.*

Groups and social networks

A group is formed when two or more people are interacting to accomplish individual or mutual goals. There are two kinds of groups, which are: membership group and the reference group. A membership group is the group in which an individual belongs and reference groups influence a person's attitudes and behavior via direct (face-to-face interaction) or indirect means. Marketers try to reach their target market by studying reference groups, that could influence the target groups.

Word-of-mouth is one of the most powerful influencers when a consumer is making a buying decision. 92% of consumers rather trust their trusted groups than commercial sources like ads and salespeople. Marketers want their brand to have positive conversations among consumers, so they can try to influence the word-of-mouth. Marketers also try to figure out how to reach the opinion leaders of the reference group as opinion leaders have a wider influence on membership groups. (Kotler et al. 2017, 144).

Online social networks

Online social networks are the communities where people communicate with each other remotely via the internet. One could say that everyone is nowadays included in some online social networks. Marketers have been using online social networks for years already, but they are still innovating new ways to use these social networks to communicate with customers. Marketers don't just only want to target ads to target groups, but also want to interact with the consumers in the network.

Even though online social networks have become a huge communication channel for people, still most of the brand regarding conversations are happening face-to-face. That is why marketers should focus on generating positive conversations about their brands online and offline.
(Kotler et al. 2017, 145).

Family

Families can be seen as the most important consumer buying organization. Marketers are especially interested in the different roles in a family and how to influence these roles. Marketers want to know, which one in the family is the purchasing agent of their brands. Traditionally it's been thought that men have decided the car purchases and women have decided the clothing and grocery purchases. But the roles are evolving and nowadays women might do the same decisions that have been thought to be men's job to do and vice versa. That is why, for example, consumer electronic companies are nowadays designing products that would interest the female buyers.
(Kotler et al. 2017, 146).

Roles and status

A person in each group has a role and a status. From the marketers' point of view, this is interesting as a person usually buys products that fit their status. A person could play different roles in different groups as a man can be a manager at work

and a husband and a father at home. At work, he might wear a suit and an expensive watch but at home, he probably likes to wear more comfortable clothing. Understanding that an individual might have multiple roles is important for those who might want to influence their buying decisions.
(Kotler et al. 2017, 146).

3.2.3 Personal factors

Age and life-cycle stage

People's buying habits change when they get older as their taste of food, clothes and all that change over their lifetimes. Buying habits also can change during the family life cycle, which usually involves demographic and/or life-changing events, like having a child or going through a divorce. In the hope of gaining an advantage over the competition, marketers are interested in life-cycle stages to develop products and services they can offer to each stage.
(Kotler et al. 2017, 147).

Occupation

A person's occupation has a major influence on buying decisions. For example, building site workers usually spend more money on rugged clothes and company executives spend more money on business-style clothing. Marketers can target their customers based on their occupation.
(Kotler et al. 2017, 148).

Economic situation

The economic situation always affects buying behavior. Marketers collect data about spending, personal income, savings, and interest rates. Companies shift their product development and pricing for the effectual economic situation to gain more market share. For example, a smartphone manufacturer might market premium

models for "rich countries" and more affordable models for developing countries. (Kotler et al. 2017, 148-149).

Lifestyle

A person's lifestyle is usually very individual. Lifestyle is the person's way to interact with the world. People spend money on products that help them to present their lifestyles and values. Some companies rely heavily on the customers who are loyal followers of their brand, because of the lifestyle value they can offer to them. Losing those customers could be critical for the company's success, that is why marketers want to focus to keep their loyal customers and research the ways they can mirror the right values of their customers.
(Kotler et al. 2017, 149).

Personality and self-concept

Each group and person have their personality and it can be described with simple traits, such as self-confidence, sociability, dominance, and so on. Knowing the personality can be valuable when analyzing consumer behavior towards a brand or a product. Brands can also have personalities with their mix of traits and consumers usually want to choose the brand that mirrors their personality.
(Kotler et al. 2017, 150).

3.2.4 Psychological factors

Motivation

Motivation is based on the needs that a person wants to satisfy. Two of the most popular theories of motivation are developed by Sigmund Freud and Abraham Maslow.

Sigmund Freud's theory suggests that a person's decisions are mostly influenced by subconscious motives that even the person is not aware of. A lot of companies

coordinate motivation research to find out what are the true hidden motives of why consumers buy or don't buy their products.

Abraham Maslow's theory is the hierarchy of needs where a person is driven by particular needs at particular times. Maslow suggests that human needs are arranged in a hierarchy, where a person is most interested in the needs of a particular level. When one level of needs is satisfied, a person can move to another. (Kotler et al. 2017, 150-151).
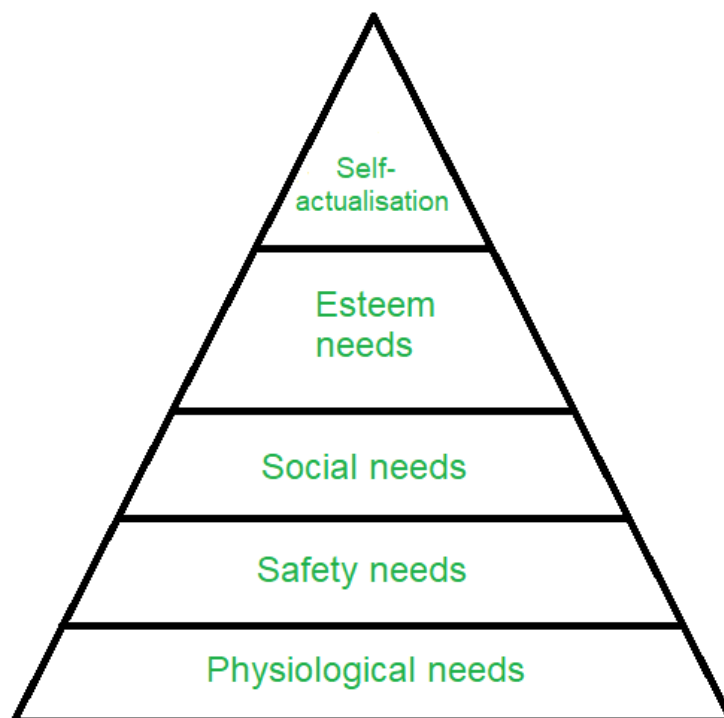
Figure 5. Maslow's hierarchy of needs.

Perception

The perception process is different for every one of us. Perception is the process of how people receive and handle the information they receive all the time. Three different perceptual processes define how people form perceptions. The perceptual processes are selective- attention, distortion, and retention. Selective attention means that people only give their attention to a margin of information they receive. Selective distortion means that people handle information in a way that supports their own beliefs. Selective retention means that people usually remember good

things about a brand they support but don't remember the good things of a competing brand. Marketers are interested in how to gain consumer's attention in marketing attempts and some consumers are worried if marketers try to affect consumers via subliminal messaging.
(Kotler et al. 2017, 152).

Learning

Human behavior changes over time. The changes happen because of the experience they have. This is called learning. Learning happens in the interplay of *drives* calling for action, *stimuli* that are the object of drives, *cues* that could be information of a product one might want to buy, *responses* to cues one has received, and negative or positive *reinforcement* to the decision she or he made previously. Most of the learning theories suggest that all human behavior is learned.
(Kotler et al. 2017, 152-153).

Beliefs and attitudes

By learning, people get beliefs and attitudes that might, in the end, have a great effect on people's buying behavior. Beliefs can be knowledge, faith, or opinions about certain products or services. Beliefs will define the product's or service's brand image that will affect buying behavior.

People also have attitudes regarding everything. A person can have favorable or unfavorable attitude feelings, tendencies, and evaluations of an idea or an object. As attitudes are hard to change, companies try to fit their products and services in existing favorable attitudes.

3.3 Coronavirus – A sudden change in consumer behavior

During the writing process of this thesis, a widespread outbreak called Coronavirus (COVID-19) became global a pandemic. The previous event with a similar magnitude was World War II (Walton, 2020). This event changed consumer

behavior in the quickest way ever. Because of this quick change in consumer behavior, businesses must become more flexible to stay relevant in the customer's everyday life.

Consumers have started to shop differently since the start of the pandemic. Online shopping has been surging rapidly and more and more companies have innovated and adopted new ways to deliver their products to customers. People have also started to order grocery products from stores to home and use more click-and-collect services. (Bedard-Chateauneuf, 2020). It seems that it has become easier to shop while doing social distancing and this trend will supposedly continue in the future because people have been forced to try different shopping methods and some people will surely notice how convenient it is not to go shopping in the grocery store, but instead, order the food home.

According to Yle (2020), Verkkokauppa.com has seen an 8% rise in sales during the coronavirus when compared to the last year of the same period. Right now, the online shopping business has about 12-13% rate of whole shopping in Finland, while brick and mortar stores have been performing strongly. Normally the online stores have risen 1% of the whole consumption rate in Finland and because of the Coronavirus, Verkkokauppa.com expects it to grow at a faster rate in the future.

Walton (2020), says that the coronavirus will have a domino effect on how it will change the whole retail business. Some of the changes can be seen right now, while some of the changes are still years away. Either way, the retail business sector will never be the same as it has been. Walton suggests multiple predictions of how retail is going to change, though he can't be certain when each one of the changes will occur.

Walton suggests five following things, that will be changed in retail because of coronavirus:

1. Direct-to-consumer grocery will become a norm

When governments started to instruct citizens to do social distancing and even staying sheltered in place, digital grocery boomed around the world. People have seen the benefits of ordering food to home or to pick-up points and people will likely keep using this kind of service even after the coronavirus.

2. Contactless payment will be used a lot more

Multiple retailers across the world have made contactless payments easier after the pandemic started. Credit cards and cash has been the most common way to do the payments, but mobile services like apple pay and google pay will become more mainstream.

3. Consumers will prefer check-out free shopping

Most of the retailers have already installed plexiglass shields at their check lanes to protect consumers and employees. Some of the retailers have gone even further, by removing the whole check-out experience. For example, in the USA, Amazon GO and Sam's Club -stores now offer a shopping experience, that is completely check-out free. Customers can simply use their mobile devices to scan the products they have taken from the shelves and use the same mobile device to pay for the products. Even though the check-out free experiences were already happening before the pandemic, now the pace for change will likely be faster.

4. "Buy online – Pick-up in the store" will have a new meaning

Nowadays, a lot of retailers offer an option where you can buy products online, just to pick them up from the store. Now, in the age of coronavirus, some of the retailers around the world have begun to offer pick-up only services in the store, where you can't go to browse product catalog in the store at all. Instead, you have to make the whole shopping experience in the online store and then you simply move to the store

to pick it up. Eventually, consumers might see these pick-up stores everywhere and the whole process would be automated to save labor and shipping costs.

5. Automation will do the whole job

In the future, with the help of AI, robotics, and drones could do the restocking and cleaning of the stores without any help from humans. When the whole concept is taken further, the robots could even handle the whole delivery process from store to home, all without any help from humans. This concept won't probably happen soon, but smart retailers are most likely considering and developing new possibilities to use robotics and automation to replace human workers. If this would become reality someday, some of the next pandemic's essential work could be done by robots. (Walton, 2020).

4 MARKETING INFORMATION AND MANAGEMENT

Planning for marketing requires marketing information. Information, which can be used to create better marketing campaigns. According to Kotler et al (2016, 105), companies don't need more information; they need better information and means to effectively analyze all that information they must have an output that can be used in marketing. Companies are already generating billions of bytes of marketing data, which is summed in the concept of "Big data". The only problem is, how to analyze this huge amount of data to make it usable in marketing efforts.

4.1 Big Data

During the years 2014 and 2015 more data was created than in the whole of human history before. And since then the amount of data that is being created has been accelerating rapidly all the time. Everything everyone does online leaves a trail of data and humans are also more connected to smart devices (mobile phones, IoT devices) all around us, which also creates more and more data by using different types of sensors. Almost everyone is somehow connected to the internet at all times. Right now, every single person is creating about 1.7 megabytes of data every single second. (Marr. 2016)

Big Data is a movement that is transforming society and businesses. It is already influencing everyone's life and its influence will only become more significant. Big Data movement simply refers to our capability to store and analyze the massive amount of data. Before the concept of "Big Data", the data was stored in individual locations, which limited the amount of how much of it could be stored and how much of it could be analyzed. The search giant Google innovated to create new technology to store and analyze data across multiple databases (Distributed computing). All the different locations of databases perform a small part of the analysis. For example, for or a single search query, Google uses about 1000 computers to find the right answer almost instantaneously. The analysis is done by using machine learning and artificial intelligence (AI). By using AI and other complex algorithms we can predict

the future more easily, which itself will bring a lot of new opportunities for business growth. (Marr. 2016)

4.1.1 Big Data in retail

Retail businesses, especially big stores, are constantly changing businesses with many individual subsystems. Also, the retail industry is fiercely competitive, which means that businesses must always seek to gain an advantage over the competition on how to keep the prices as low as possible, while also offering better service and convenience for customers. For this reason, it is only natural that big data analytics are applied to the retail industry.

For the retail industry, big data can be utilized five-dimensionally across customers, products, time, geospatial locations, and channels (Gangwar et al., 2017). Companies that can link all the data of the five dimensions together can do more targeted marketing strategies and also measure their effectivity in much more precisely. The five dimensions are described below:

Customers

Big data can be seen as data sets with a lot of rows. It can be said that one of the main missions of a company is to get more rows of data in a way of getting more customers and get more transactions per customer. Tracking technologies have been developing to a point where data analyzes of more specific targeting is possible. For retail, it is vital to have the ability to track new customers and follow each customer's transactions over time. Loyalty programs are one of the most popular ways to track individual customer, but tracking customers are often done in the following ways too; IP-addresses, credit card numbers, and registered user logins. Each tracking method gives more rows to overall data to make it richer and more nuanced. (Gangwar et al., 2017).

Products

Product information in marketing is usually defined by sets of attributes and attribute levels. However, as we have much more data available on products nowadays, we can see product information expanded in a two-dimensional way. Firstly, this information can be available for hundreds of thousands of stock-keeping units (SKUs) in the store, which means that data sets for products will have large amounts of rows in them. Secondly, the amount of data that a single product needs must not be limited to a small set of attributes, which means that every product can now have more rows of data. Products having more rows of data allows them to be categorized more easily into subcategories. Going forward, we'll see big data used to gain greater variation of product varieties that can be used to do micro-targeting towards consumers. Also, big data analytics allows companies to understand products that were not previously modeled, had too many rows of attributes, or too complex attributes. (Gangwar et al., 2017).

Time

Adding the time factor to the large sets of data already gathered by-products and customers -dimensions, the amount of data will be multiplied. Before, the historical data of the retail business was collected weekly or even monthly and then analyzed. Nowadays big data allows retailing to have continuous measurement of customer behavior, product assortments, stock-outs, in-store displays et cetera. Using a time-related database of customer in-store movement being connected to their purchases could answer the questions of how long customers spend time in a location, how changing a product placement affects customer flow, and which items customers put into their basket and in which order. Real-time information flow tied to the POS system and CRM database allows retail businesses to do better daily decisions about inventory levels, re-stocking, orders, and so on, and also some of the processes can be more easily be automated. (Gangwar et al., 2017).

Location

With the help of big data, retail marketers, and now able to use customer's spatial location at any time to do more effective marketing. Also, when a customer's geospatial location is tied to the CRM database, can a retailer effectively hyper-target physically nearby products based on the customer's purchase history. While hyper-targeting can be a very effective way to maximize short-term profit, it can bring ethical and privacy issues as it can be seen as an illegal way to track customers and invade their privacy. Also, hyper-marketing can bring a lot of unwanted publicity, which in the end can weaken the brand. (Gangwar et al., 2017).

Channel

Consumers have a lot of channels through which they can now access product, experience, purchase, and post-purchase information. Consumers also tend to do research shopping by accessing information in one channel and doing the purchase from another channel. This has made it possible for businesses to collect customer information from multiple channels. This kind of omnichannel collection, integration, and analysis helps retailers in many ways. For example, based on analyzed data, retailers can better allocate marketing budgets between channels and track and understand customer journeys through channels. The fact that information gathering and purchasing may happen at different points of time and that consumers often require help in making the purchase decisions has brought new ideas like showrooming and webrooming. Showroom means that customers can go to experience the products in a physical location and do the purchase later online. Webrooming is the exact opposite of showrooming.

4.1.2 Stages of Marketing

According to Asensio (2019), we are now in the third stage of modern marketing. There have been two stages of marketing before, which are (1) The age of Mass Media and (2) AdTech Digital Media. The first and second stages of marketing

includes all the history in marketing from paper only marketing to digital marketing across smart devices and social media. The third stage, which we are now in, can be described as data-driven, where data is used to define the best and most efficient way to distribute ads to customers. (Asensio. 2017. p. 3-5.)

The third stage of marketing is driven by marketers' requirements of transparency and accuracy in marketing processes. Consumers inhabiting the digital world now require more personal communication to a point where digital marketing can become conversation-style contact with the consumer. Right now, the content of the ad is not fixed anymore, and it can be changed to something more personalized just in milliseconds, by taking a look at the customer's profile. (Asensio. 2017. p. 5-6).

4.2 Trends in marketing

The ways of marketing are changing, now that the technology for marketing communication is evolving rapidly because of machine learning and AI. New technology, new consumer behavior, and even new consumer generations can alter everything. There are a lot of marketing trend predictions available for marketers to pay their attention to, but most of the predictions are proposing the same things. According to Patel (2018), there are at least 10 marketing trends that are coming to prominence in 2019 and will keep staying relevant for the next years.

1. **Shifting marketing funnel**

   Instead of creating content for "everyone", businesses start to create content to target niche audiences, who might be more interested in businesses' brand. Consumers want to have a genuine relationship with their trusted brands.

2. **Content promotes interaction**

   Nowadays marketers know that their content must appeal to the emotions of their audience. Content creators will want people to engage with it and to share it with their social networks. Videos can become a way to start an

interaction with the consumers that might build trust between the consumers and content creating businesses.

3. **More and more companies will start using chatbots**

   Customer service is vital for businesses. This is where chatbots come in. Some businesses are already using chatbots to help their customers with simpler requests. Soon the chatbots market will become much bigger, than what it is right now. This way the customer service becomes more cost-efficient, but it also creates a possibility to offer better customer service for those who are not comfortable talking with a real person.

4. **AI will make marketing more efficient**

   Artificial intelligence will make data analysis more efficient as it can perform tasks much faster than humans do. Also, AI can make it easier to monitor consumers and their behavioral patterns to, for example, create more targeted advertising. From the consumer's point of view, this could be seen as a non-ethical way of advertising, now that consumers are becoming more and more privacy-conscious.

5. **Consumers become more interested in data security**

   In Europe, companies are already bound by law to take the security of personal data more seriously. Still, there has been a lot of security scandals lately and people have started to notice, that their data might not be handled as well as they might want to. Companies that can prove, that the data they have stored about their customers are stored in a safe place, where no one but the customer can have access, will have an advantage when trying to win customer's trust and loyalty.

6. Voice search via smart speakers becomes more common

Voice search revolution is driven via smart speakers, that can be easily activated by your speech and are also customized based on the information you have shared with the service provider. Reducing screen time has become a trend lately and using smart speakers can help one to do that. In English speaking countries the smart speakers have already become a common view. In Finland, it still might take some time before consumers start to buy smart speakers because the speech recognition systems still don't understand the language so well.

7. Vertical video is becoming a standard

Mobile devices as smartphones are usually used in vertical mode, which makes it only natural that videos are shown on the screen also become to be shot in vertical mode. This is especially true for mobile-first social media, like Instagram, and recently launched IGTV.

8. Generation Z start to become a buying power

Generation Z is getting older, so they will soon enter the workforce. Generation Z will possess buying power and for that reason, companies must start to pay attention to them. Generation Z has a different kind of value when compared to previous generations. Gen Z will be interested especially in brands that embrace ethicality and ecology.

9. Visual search technology will become more common

Reserve-image search technology is nothing new, but new camera technology enhanced by AI will enable search services to find search results based on just a picture of something in the real world.

10. Anyone can be an influencer

Influencer marketing is a common social media strategy and it will stay to be one. Usually, only celebrities would be chosen to be an influencer, but now even normal people (micro-influencers) can become marketing partners with

companies. Micro-influencers can be seen as truer and more honest to their celebrity counterparts.

(Patel, D. 2018)

5 DEVELOPMENT OF MARKETING COMMUNICATION

According to Yohn (2015), the simple definition of marketing is the process of developing, promoting, selling, and distributing. Kotler et al (2016) say that modern marketing must be understood as a "sense of satisfying customer needs". Riet (2017) states that marketing is simply an art of communicating products, services, and brands to customers.   Still, people often think that marketing is simply advertising. Advertising is part of marketing as advertising is just a form of marketing communication that is used to persuade possible customers to buy your products.

American Marketing Association collected over 25 different definitions of marketing and from them, they compiled the most widely accepted definition of marketing, which is explained below:

1. Marketing is a purposeful management process, whose goal is to design, enforce, and monitor.
2. Marketing is customer-oriented and customer need-based
3. Marketing is a comprehensive and profitability oriented
4. The Marketing Mix (product, price, place, promotion, people)
5. Marketing is to do marketing research and environmental analysis to have information about demand, customers, competition, and calculated the return of investments in marketing operations.
(Anttila et al. 2001. p.13)

5.1 Inbound marketing is taking the lead

Inbound and Outbound marketing can be identified as two main approaches in marketing. Outbound marketing is the traditional way of doing marketing, by focusing a lot on pushing products to customers. Outbound marketing can be often perceived in an intrusive manner. Many marketers feel that outbound marketing is becoming old. Fortunately, inbound marketing is already replacing outbound

marketing. (Opreana et al. 2015). The main differences between these two types of marketing can be seen below in figure 7.

	Inbound Marketing	Outbound Marketing
Definition	Focuses on crafting high-quality content that organically attracts people.	Uses traditional non-digital strategies and jargon-filled messages to draw attention.
Examples	Blogs, SEO strategy, keyword targeting, social media, etc.	TV commercials, billboards, direct mail, newspaper and magazine ads, etc.
Audience Engagement	Permission-based and relevant.	Interruption-based and often disassociated.
Brand Positioning	You're always the main headline.	Stand out or you won't be seen at all.
Marketing Strategies	Integrated, cross-channel strategies.	Linear strategies with limited marketing avenues.
Messaging	Educational, specific, useful.	Broad, forced, complicated.
Distribution	Continuous and iterative.	Inconsistent and varied.
Data & Attribution	All digital and quantifiable.	Immeasurable and hard to track.

Figure 6. Inbound Marketings vs. Outbound Marketing. Reprinted from vtldesign.com. Gregg, Z. 2020.

The Internet has brought an evolution in marketing. Among the many types of marketing, we can easily recognize email marketing, blog marketing, viral marketing, content marketing, and social media marketing. Inbound marketing is about understanding the customer's needs and to offer a solution at the right time. (Opreana et al. 2015).

The idea behind inbound marketing is that a company shouldn't buy consumer's attention, instead, it should earn the attention. Inbound marketing brings several real benefits when compared to outbound marketing. Zagg (2020) brings up multiple benefits of inbound marketing, which are described below.

- Inbound marketing is permission-based, which means that people who are potentially interested in your products, will be marketed to, and will much more likely convert into buying customers. The rate of which audience coverts at, is 750% higher rate than in interruption-based marketing (outbound).

- With outbound marketing, you are always forced to stick-out, or you will not be seen at all. But with inbound marketing, you will be seen, because you offer relevant and valuable content and educate your audience, and also, your audience will get spoken to where they want to and how they want to.

- Inbound marketing is more holistic than linear. Inbound marketing means the simultaneous use of many marketing channels, while also creating new content, improving web-services, and having on-going development of strategy.

- In outbound marketing, the message you sent to your audience is often too cluttered, because the audience is too widespread. In inbound marketing, the message is meant to be specific and useful. It is made of quality content that engages the audience. You don't want everyone to visit your website, you want the visitors to be people who are most likely to become leads. You do this by attracting the customers with relevant content at the right time.

- In inbound marketing, you own your distribution. By doing good content and stay relevant among your audience, you stay on the top ranking of product-related keywords in search engines. You will also gain a following in social media and you can easily build a subscription-based email-list.

- With inbound marketing, everything is digital and is much more quantifiable than in outbound marketing. In inbound marketing, it is easy to find out if your strategies are working and whats the return of your investments (ROI). You don't have to move blindly with your marketing campaigns and you can build much better strategies.

5.2 Changes in marketing communication

Marketing is always evolving, but marketing communication is now changing faster than any other area of marketing. Companies today face new kinds of marketing communication realities, which can become a real challenge or can create new kinds of possibilities (Kotler et al, 2016).

According to Kotler et al (2016, 409-411), several factors are influencing how marketing communication is changing. Technology is giving consumers new tools to be better informed of their possible purchases. For example, consumers can now use the internet and social media to find more information about brands and products that they are interested in, so they don't have to rely on marketer-supplied information.

Also, marketing strategies are becoming more focused, as mass marketing is slowly losing its dominance. Instead of investing all marketing budget in "old-school" mass marketing channels, companies are moving their marketing methods to new-age media (online, social, and mobile media). Especially marketing strategies nowadays are more and more focused on building better relationships with customers in defined micro-markets.

Technology also changes how companies communicate with their customers and vice versa. New tools for getting information and making communication (mobile devices and internet-based services) makes it also easier for companies to reach smaller consumer communities in more innovative ways.

Traditional mass media will most likely keep its dominance in marketing methods for some time and eventually marketing communication will become a mix of traditional marketing and new kind of social, mobile, and internet-based marketing. The idea is to integrate the company's brand message in all possible channels to engage customers more effectively and to create a better brand experience for customers.

Instead of just making TV ads or Facebook display ads, marketers want to create content that they can share with consumers in multiple channels to create a conversation with and among the consumers in a mix of shared, earned, owned, and paid channels. (Kotler et al, 2016). This multiple-channel thinking is what leads us to integrated marketing communication.

5.3 Online marketing

The concept of online marketing started with the digital revolution, which was the birth of the Internet. Internet has since gone through many stages of evolution, of which most notably stages has been the so-called Web 1.0 and Web 2.0. During the stage of Web 1.0, communications were mostly one-way and not interactive. Marketers were able to communicate their advertising to consumers through the web, but there was no data collection or any other means of making a personal ad-experience. The stage of Web 2.0 officially started when the internet evolved to the point where real interactivity was possible through more user-friendly web browsers, powerful search engines, and other web technology. Some experts argue that the age of Web 3.0 started with the rise of social media platforms, which connects millions of consumers and businesses with each other. Still, most of the experts say, that Web 3.0 is truly defined by the rise of artificial intelligence and machine learning, which has already started a few years ago and will keep becoming relevant every year. (Shiihan, B. 2010. p. 10-11)

5.3.1 Communication models

On online marketing, there are two different kinds of communications models: traditional and interactive communications model. The traditional communications model is linear and simple, while the interactive communications model represents the idea of communication interactivity between a consumer and a marketer. Figure 7 below shows the communications models.

Traditional communications model

| Sender | ⇨ | Channel | ⇨ | Receiver |

Noise   Noise

Interactive communication model

| Sender | ⬄ | Channel | ⬄ | Receiver |

Noise   Noise

Figure 7. Online marketing communications models.

As seen in the figure above, every communications model is impacted by *noise.* Noise in this context represents anything that interferes with the marketing message while it is being communicated to the intended receiver. Noise can be created by many things, such as cluttered advertising, inattention by consumers, or by some earlier negative publicity. Still, the most common cause of noise interfering with the marketer's message is consumer's confusion about the communicated message. Noise is especially problematic in online marketing because communication between consumer and marketer is continuous and as dialogue continues, the risks of miscommunications also rise. (Shiihan, B. 2010. p. 10-12)

Social networking introduced a new kind of noise for marketers, called simply "buzz". Buzz can either be positive or negative and doing active monitoring of buzz and doing actions that do influence the buzz, can be hugely rewarding if done right.

5.3.2 Search engine marketing

There are many search engines to be found online. Google is by far the market leader in this area as over 80% of all online searches are done via Google's search

engine. Other relevant search engines are Bing, Baidu, and Yahoo (reliablesoft.net). Search engine marketing is done by these online search engines.

There are two ways to do search engine marketing (SEM): natural search and paid search. Natural search is the free function of the search engine, which is powered by complex algorithms to list a result of pages, which are possibly relevant to the person who searched. Natural search is free for marketers, so increasing the possibility of your site being found by searches can be very profitable. For this reason, only, companies have started to employ a significant amount of resources to amplify their presence in search engine results. The process of improving your company's visibility in natural search results is called search engine optimization (SEO). (Shiihan, B. 2010. p. 37-38). Search engine optimization usually takes a longer period to start working as it should. It often takes at least six months to see an increase in webpage visitor amount.

Paid search, on the other hand, means that the marketers pay the search engine providers to have a guaranteed place on search results. Search advertising gives the largest return of investment when comparing to all other marketing methods (Shiihan, B. 2010. p. 38). Surveys suggest that many searchers can't tell the difference between paid search and organic (free) search. According to Ofcom (2016), only 49% of people can identify sponsored search results. This means, that most of the consumers trust paid searches as much as natural searches. Paid searches are the fastest way to get your page on top of the search result list and as consumers can't tell the difference between paid and non-paid searches so easily anymore, it is no surprise that paid searches have become much more popular lately.

5.4 Marketing communication mix

According to Kotler et al (2016, 408), a company's marketing communication mix is a mix of advertising, public relations, personal selling, sales promotion, and direct

marketing tools. These tools are used to engage consumers, communicate the value that a company can offer to a customer, and build customer relationships.

Kotler et al (2016, 408-409), defines the major promotion tools in the following way:

- **Advertising** can be defined as any non-personal paid form of presentation and promotions of services, goods, or ideas made by an identified company.
- **Sales promotions** are short-term incentives that encourage people to buy or sell goods or services.
- **Public relations (PR)** is about building a good corporate image.
- **Direct and digital marketing** is to directly engage targeted individuals or customer communities to gain an immediate return of investment and to build customer relationships.

5.5 Integrated marketing communications (IMC)

Integrated marketing communication has been developed to simplify and to unify all the communication a company has with its customers. Nowadays, companies' different marketing channels message a different story to consumers. Usually, this happens because the company has separated its different communication channels to different departments within a company. One department could be in charge of PR and one could be in charge of social media and so on. Companies often feel that in this age of numerous digital channels, marketing communications become too complex and fragmented. This complexity and fragmentation are the reason why more and more companies are looking into the concept of integrated marketing communications theory (Kotler et al, 2016).

Integrated marketing communications is about integrating and coordinating all the communication channels where a company has touchpoints with its customers. The goal is to deliver a clear, consistent, and positive message in all channels, where customers might confront the company's communications (communication mix). Companies making use of IMC are, for example, now planning their video ads to be

delivered across multiple viewing platforms, which offers the possibility of better targeting, interaction, and engagement. (Kotler et al, 2016, 411).

IMC is also being affected by technological advancements. New technologies enable truly one-to-one, interactive, and instantaneous marketing communications systems. In the future, IMC is based on algorithms that follow consumer behavior patterns across different consumer-focused platforms to be able to learn their behavioral patterns and respond in real-time to customer needs. Being able to respond instantly to customer needs will increase the relevancy of integrated marketing communications and enhance the relationship with a customer. (Schultz, D. 2018).

5.5.1 IMC is the future of marketing communication

This paragraph explains why integrated marketing communication is the future of marketing. Kantar Millward Brown (2018) made a study to find out how integrating marketing communications benefit companies. In their "The art of integration" - report, they show multiple numerical facts, why integrating marketing communications is the best way to do marketing communications. Below are listed some of their findings in the research.

- Integration and customization of ad campaigns boosted the effectiveness of the campaign by 57%
- Integration and customization become more important when a marketing campaign involves more media channels.
- Without customization, integrated campaigns are still 31% more effective in creating a better brand image.
- 89% of marketers think their marketing communications are well integrated, while 58% of consumers see it that way.
- 26% of all the measured campaigns were poorly integrated, 29% were integrated, but not well customized and 46% were well-integrated and customized.

- The strongest synergy of communication channels are with **TV + Facebook** and **TV + Outdoor campaign** combinations.

- Campaigns that had a strong "central idea" remained more integrated and had better performance across all channels.

- Consumers appreciate more those campaigns that use the same cues and slogans across all the content.

- Consumers more often recall negative online targeting experiences than the positive ones

  (Kantar Millward Brown – The art of integration. 2018)

According to Hyder (2018), using an integrating marketing communications approach is quickly becoming more common among marketers. Hyder also suggests that the enemy of integration comes within the company itself as different divisions inside the company are usually competing with each other, instead of embracing the ways of collaboration. When competition decreases, collaboration increases, and when collaboration increases, organizational integration, and customer orientated actions also increase.

6 GENERAL DATA PROTECTION REGULATION

Retail businesses will use more and more customer data every year to get to know their customers better and learn how to make the relationship with customers more profitable. However, things changed in 2018 as the General Data Protection Regulation (GDPR) came into effect.

GDPR means privacy by design. All organizations in the European Union that collect, store, or process personal data must comply with GDPR. Principles about processing personal data are the following:

1. Data must be processed lawfully, fairly, and transparently.
2. Data must be collected only for specific, legitimate purposes.
3. Data must be adequate, relevant, and limited to what is necessary.
4. Data must be accurate and kept up to date.
5. It must be stored only for as long as is necessary.
6. You must ensure appropriate security, integrity, and confidentiality.

Also, organizations must be able to demonstrate that they are following the personal data processing principles mentioned above. (Champion, 2018).

6.1 GDPR in retail

Companies must comply with new rules of GDPR or pay the penalties for not doing so. In a situation of infringement, a firm must pay fines based on infringement. There are two levels of fines: lower lever and upper level. Both levels have two options of fines and the higher option will be always issued. **Lower level** fine is either a payment up to 10 million euros or 2% of the worldwide annual revenue of the prior fiscal year. In the upper level, the fine will be double when compared to a lower level. (GDPREU.org).

In a situation when a firm does not comply with GDPR, the following fines can make the company go bankrupt. GDPR is good for consumer privacy, but it can also be good for business. As businesses become more dependent on data, GDPR could mean, that company's data will be in the best shape, causing data to be more accurate.

Consumers know that companies must now use their data respectfully and they also have more control over their data. GDPR makes data usage more transparent and it can make consumers trust companies more than before. According to the Boston Consulting Group, generating trust among consumers can increase the access to consumer data at least five times. GDPR generates trust among consumers, but a company can become even more transparent by developing better tools for customers to access and modify their data. Giving customers access to their data will also mean, that data will be updated more often. (Business Guru).

6.2 Big data and GDPR

Because of GDPR, companies can now collect just the minimum amount of data from customers that they need to business with them. While Big Data is all about collecting more data about customers, GDPR will add some limits to it. Every single business must designate a data protection officer (DPO), that oversees GPDR compliance and the company's data security strategy and while data breaches are becoming more common, has customer data protection become more critical than ever before. Especially when the penalties of non-compliance are very tough for any size businesses. (GDPREU.org).

7 THE RESEARCH

7.1 Qualitative interviewing as a research method

The biggest difference between qualitative and quantitative interviews (qualitative & quantitative research) is the fact, that the qualitative interviews contain open-ended questions, which lead to a conversation like interviewing, where the researcher leads the conversation with a goal in mind. Qualitative interviewing is nowadays one of the most popular ways to do qualitative research in human and social sciences. This is because the conversations can be a very rich source of knowledge. It helps researchers to understand and explore opinions, behaviors, and personal experiences. The most basic qualitative interviewing definition is that it is a face to face verbal exchange, in which, the interviewer tries to receive information or opinions from another person or persons. Still, nowadays there are many different schools of qualitative interviewing who have modified the basic model in many different ways. (Holland & Edwards, 2013)

According to Gill et al (2008), there are three different types of research interviews, which are; structured, semi-structured, and unstructured.

- **Structured interviews** are verbal questionnaires, in which predetermined questions are asked with almost no variation and without follow-up questions. Structured questions are easy to administer, but they don't offer deep insight into the subject.

- **Semi-structured interviews** have several key questions, which define the area of research, but they also allow to diverge from key questions to get more deeply into the idea or response, which occurred during the interview. The flexibility of this kind of interview allows the discovery of information, which has not been previously thought by researchers or participants.

- **Unstructured interviews** are usually only used if there is no prior information about the subject area. Unstructured interviews start with very open questions, in which participant and researcher delves deep into. Such interviews are very time-consuming and even one interview can many hours and can be also very hard to manage.

When designing the interview it is important to come up with open-ended, neutral, sensitive, and understandable questions that will likely yield as much valuable information as possible. Usually, the first question in the interview should be easily answered to put participants at ease and build up their confidence. Also, it is important to keep in my mind that interviews should last 20-60 minutes and not longer, because in longer periods of conversations the quality usually decreases. (Gill et al, 2008).

7.1.1 How to conduct the interview

Before the interview, participants should be made aware of the details of the research and also given assurance of ethical aspects. The interview itself should be conducted in an area that is free of distractions, for example at the participants home. Instead, the interview should be conducted somewhere where the participant could relax as this can make the whole interview more productive. Nowadays distant interviews have become more common because of the development of communication technology. (Gill et al, 2008).

According to McNiff (2017), all of the following things should be done before doing a single interview:

- Study and gain an understanding of the field of area
- Understand and choose the right methodology for the research
- Think of focused, but flexible research questions
- Do the paperwork to get the research approved
- Manage the timetable and possible team members

- Design the research
- Recruit and manage the participants.

7.2 Interviewing themes

For this Master's thesis, I will use semi-structured interviews. The goal for the interview questions were to make them challenging enough to make the interviewees to think about their answers. The interviews are built around the following topics and questions. The themes with explanations of questions presented to interviewees will be available in the appendix of this thesis.

1. Which retail sectors will change the most and how would you describe those upcoming changes?

2. How consumer behavior will change along these following factors? (cultural, social, personal, and psychological factors)

3. Will GDPR continue to change the retail industry and what other possible coming regulations and laws might influence the industry?

4. Development of marketing communication in the future. Will inbound marketing kill outbound marketing completely? Or will we meet something completely new in future marketing communication methods?

5. Computer science has given us Big Data, Machine Learning, and AI. These new technologies are disrupting the traditional ways of doing business. How do these new technologies continue to change the retail and marketing environment? What new applications of these technologies we shall see in the near future?

8 RESEARCH RESULTS

Five people from different positions were interviewed for this thesis. People to interview were chosen by their position in their workplace and all interviews were conducted virtually by using Microsoft Teams and Zoom. To protect the privacy of interviewees, their real names have been replaced with fictitious names.

Interviewees		
Interviewee	Position	Industry
Jani	Assistant Director	Retail stores and e-commerce
Pekka	Marketing Manager	Furniture Retailer
Antti	Sales Manager	Home Appliance business
Jussi	Marketing Manager	Home Appliance business
Petri	Managing Director	Home Appliance business

Figure 8. Interviewees.

Following subheads are following the same structure as interviews. In those subheads, I have analyzed the interviews and pointed out the main themes that were surfaced among all interviewees.

8.1 Changes in the retail sector in the future

Small niche retail businesses are dying. According to interviewees, small businesses that operate in a niche sector might die off sooner and later. Big online stores will take this market for themselves. Digitalization and coronavirus epidemic are both already heavily affecting on small retail businesses.

> *"Trend seems to be that technological advancements and online-shopping will reach all the retail sectors, which means that specialized*

brick-and-mortar stores might vanish – not all, but most…" –
Interviewee Jani, Assistant Director

Online businesses are growing fast. All interviewees pointed out that the rising curve of the online market isn't flattening anytime soon. Interviewee Petri says that home appliance retail stores have also been able to raise their operating profit for the past few years, the online growth has been dramatic and it has exceeded the growth of 50% for the past few years.

"Now I think that online will grow – no matter what we do. More and more people will shop online…We have been seeing 50% rate of growth in our online sales, but we expect to see that curve flatten at some point." Interviewee Petri, Managing Director

The Hybrid business model is becoming a norm that the ongoing pandemic has sped up. Three of five interviewees suggested that for the online and offline retailers the hybrid business model is becoming critical for their success. Brick-and-mortar retailers already see that "click-and-pick" types of orders are becoming more common. Customers can search, browse, and order products online and they can then pick the product from the nearest store.

"Most of the retailers seeing that it is important for consumers to be able to buy from home and still get the product fast via "click-and-pick" or maybe with fast same-day delivery from the local store." Interviewee Antti, Sales Manager

Big retailers who have stores around the country can use their stores as "transportation hubs". In Finland the distances between bigger cities are long and often the cities are not big enough for big central warehouses. Petri pointed out that they could use their stores as transportation hubs, from where customers could order products to be delivered straight to home during the same day. This would eliminate the central warehouse need around the country. The products that are not

available in the specific store, would need to be delivered to the customer from the bigger warehouse.

> *"It could be that the stores in a way work as a transportation hub, because what we see is that more and more people want the products really fast. And that's difficult if you don't have kind of hubs in every city – but if you have stores in every city, you can use those stores as transportation hubs to get products delivered to customers quickly"*
> Interviewee Petri, Managing Director

Showrooming is becoming more and more important. All interviewees agreed that showrooming is becoming an important aspect of retailers to stay relevant. Brick-and-mortar stores should be able to offer experiences and real-life demonstrations of how the products work. Those retailers who can offer the most memorable experiences in their stores will have success in their online-counterpart as a lot of customers won't make the buying decisions during their visit to the store, but they could later decide to buy the product from the online store. According to Antti and Petri, the showrooming in retail will bring more and more innovative store layouts and experiences in the future.

> *"In the near future, we will see that retail stores in a much bigger degree – they will focus on user experience more than just the products on the shelves…It will be less room for products on the shelves but it will create more reasons for people to come and experience the products".*
> Interviewee Petri, Managing Director

Easy and fast! Big players in the retail sector are constantly developing their processes so the buying process for a customer will be as easy as possible and the delivery to be as fast as possible. four of five interviewees pointed out that easiness and fastness of the whole process of buying and getting delivered will be critical for businesses to be successful in highly competitive fields of business. Businesses are constantly offering new ways to pay for their services and products and at some point, retailers might start to offer ways for customers to finish the buying process

at the entry point where a customer first saw the product (in an ad in google or in an ad in social media, etc.).

> *"I see that easy shopping generally will become the most important thing for retailers to be able to offer for their customers. Including delivery speed, support services, and payment methods.."* Interviewee Pekka, Marketing Manager

Rise of new kind of services and possibilities for customers. Jussi and Antti pointed out that we will see new kinds of services in the future, made possible by technological innovations. Home appliance businesses are already started to offer private leasing possibilities where people don't own the devices anymore. People will lease the product for its lifespan and after that, he will replace the product with a new one with the same leasing option. This will also have an ecological aspect, where retailers and manufacturers will take care of the "aftermarket" of products, whether it is recycling or reusing in different geological markets. Also, as products become more complex and people are getting more and more used to have their set of products preinstalled, the installation and guidance services will keep growing.

> *"People might not own the products in the future. Consumer leasing options are coming to more product categories. Meaning that one could buy a product and replace it with a new one after few years according to the leasing deal and then the retailer or manufacturer would handle the whole recycling process of that replaced product."* Interviewee Antti, Sales Manager

Huge global retailers will keep gaining dominance. Interviewees pointed out, that unless there will be new regulations that would limit the growth of huge retailers to gain a dominant part of the retail market, the future retailing will be dominated mainly by "big players" and smaller, less effective, retailers will die. For example, Amazon is currently entering the Nordics and that will have a huge effect in those markets.

"I think that the retail industry in the Nordics will change when more global operators like Amazon enter the market. Amazon already entered the Swedish market and it will be interesting to see what happens there. That will surely give ideas what will happen in Finland sooner or later." Interviewee Pekka, Marketing Manager

"Those smaller retailers that sell easily comparable brands, will die because bigger global retailers can sell the same products at cheaper price". Interviewee Jani, Assistant Director

8.2 Changes in consumer behavior in the near future

Ecological and ethical thinking is gaining ground among consumers. Interviewees see that the eco-ethical point of view in all business models are becoming more and more important. While right now, being able to be an "ecological consumer", requires one to be more wealthy as often ecological products are more expensive, it will become cheaper when more and more companies start to do the mass-production in a more eco-ethical way. Consumers are already shifting their behavior to be more eco-ethical.

> *"Ecological and responsible thinking is gaining momentum among consumers. Big super brands are already using ecological angle in their marketing… Right now, being able to buy ecologically requires wealth, but as ecology becomes more common, the price rates of ecological products will decrease."* Interviewee Antti, Sales Manager

People want to express their social status with the products they buy. High-status products are not going anywhere. Status-products change overtime along the on-going trends during different times. Apple has been one of the most successful lifestyle and status brands and other brands are interested to gain similar status among consumers.

The era of status products won't be over anytime soon. I believe that in the future, people will still want to buy status products that only a few percentage of people can afford. Status products are mirrored to the on-going trends at any time" Interviewee Jani, Assistant Director

Consumers are interested in a longer product lifespan via better repairability. Nowadays devices designed for consumers don't have a very long lifespan, but this might be changing soon. Consumers want their products to be easier to repair, and that might soon be affecting their buying decisions. This also brings new opportunities for companies to offer better and more affordable repair services.

Consumers trust their influencers on social media. Influencers can have a bigger effect on buying decisions than any other way of marketing. Even though, Jussi points out that as influencers are becoming more and more marketers, people might soon start to consider them as such and that might have an effect on how people trust them. The number of influencers is rising, which leads to the simple fact, that there are too many of them. This will lead to the point where consumers only take notions from the few super influencers in the future, while the rest might simply vanish.

"Trustworthiness of influencers has been high for a long time. Again, if influencers keep increasing the amount of paid marketing they do in their content, it might lead to a situation where people don't trust these influencers so much anymore. Also, the amount of influencers has been growing rapidly. I believe that in the end, most of the influencers will lose their relevance and few will gain huge power and trustworthiness among consumers." Interviewee Jussi, Marketing Manager

While technology is becoming more complex, consumers seek more help from their trusted advisors. According to interviewees, the role of a salesman being a trusted advisor for a customer becomes more clear. A lot of people still have tech-wise friends or family members, but also, more and more people seek help

from the company that sells the product. The service business is booming as more and more people are ready to pay for the help they need.

> *"Technology is like a jungle for a customer and that is why we need salesmen and support personnel to help our customer to find the right solution and help up with the set-up process"* Interviewee Petri, Managing Director

Because of an on-going pandemic, people are more used to telecommuting and staying at home. This will have a lasting effect on consumer behavior. People will want to stay at home more and they are getting more used to do their shopping from home.

> *"People's motivational factors have been challenged because of this pandemic. People's beliefs and thoughts have been challenged and people are now used to different kinds of work conditions and the change will likely be permanent."* Interviewee Jussi, Marketing Manager

Consumers appreciate easiness and quickness in buying- and delivery-processes. As companies are constantly innovating to make the lives of their customers easier, the consumers are getting lazier. This behavioral change in consumers is critical as people might be ready to pay slightly more for faster deliveries.

8.3 Development of regulations and laws that will influence the industry

Interviewees have mixed thoughts about GDPR. Two interviewees say that GDPR hasn't changed the retail environment a lot because businesses still can collect data of their customers if they only get consent from them and if they have secure databases to keep the data protected. According to Petri, 99% of consumers give consent without a second thought and he believes that consumers will want

more relevant ads (made possible with the collected data) if companies explained how the data is collected and how it is used.

Few interviewees believe that the GDPR is only the beginning of a more tightly controlled future by the European Union and its states. Governments are still studying where they should draw the line and Big-Tech companies will try to influence regulators to draw the line there where it goes along with their interests.

> *"In my opinion, GDPR hasn't changed the retail industry. How I see it, it is more about taking care of the security around the customer data we collect. And we are still allowed to collect customer data if the customer approves…99% of people give consent without thinking it twice and I don't see it changing in the future"* Interviewee Petri, Managing Director

According to interviewees, the ways how data is collected from customers and how businesses contact their customers will change. Also, GDPR and the rising amount of serious data breaches have raised and will keep raising the people's awareness of privacy and the importance of the data that must be kept safe from prying eyes. As awareness rises, the consumers will know to demand more from companies and from governments to do actions to keep their data safe.

> *"There will be big barricades to be built between consumers and businesses…It might be that companies must start to pay money to their customers to gain access to their data"* Interviewee Jussi, Marketing Manager

8.4 Future development of marketing communication and it's methods

Interviewees agree that the new technologies are coming to disturb the methods of how businesses handle their marketing communications. Inbound marketing is already taking share from outbound marketing methods and new technologies will help businesses to smarter and more effective inbound marketing. In marketing, the

most efficient (low-cost) way to gain sales via marketing communication is the best way. In the end, inbound marketing seems to be the most effective way to do marketing, and as interviewees point out, it seems to have the superior return of investment (ROI). Traditional direct marketing will change with the means of inbound marketing. Inbound marketing methods make it possible for direct marketing to be more "meaningful" and relevant for customers, making it less obtrusive and at the same time - more efficient.

> *"I believe that there will be a mix of inbound and outbound in the future. We need both, but inbound will be bigger and more important than outbound. We need to build up our registries and the inbound method works best when you already have a customer database"* Interviewee Jussi, Marketing Manager

Pekka and Jussi, both being marketing managers, point out that there is, and there will be still more room for outbound marketing. Outbound marketing helps to raise general awareness of a company and its products among consumers. Outbound marketing can also be a good way to create a wanted brand image among consumers. For example, big home appliance retailers want to be seen as the cheapest place to buy electronics.

> "We need to be able to get into people's coffee table discussions and for that we need outbound." Interviewee Jussi, Marketing Manager

Inbound marketing is only good when a company has built a customer base. A large customer database makes it possible for a company to learn about their customers and from that learning process to get a better view of their different customer target groups. Loyalty programs are a good way to gain a better customer database, and because of tightening privacy ruling, loyalty programs are becoming more and more important ways to gain customer's consent on data collection. Also, loyalty programs make it possible to reward customers (discounts, etc.) to motivate them to give their data for companies to use. Antti states that the focused customer base makes it possible for companies to do "secret marketing", which means that the competitive

company doesn't know about the marketing communication (deals, discounts, etc..) that customers are getting via personal channels. "Secret marketing" can contain price war among competitors.

Traditional printed ads have already decreased as companies have discovered more ways to contact their customers. Previously, if a household appliance retail business didn't do a printed ad in one week, they saw a direct decrease in the sales during that specific week. Nowadays, according to Jussi, printed ads doesn't have such an effect on sales. During the weeks where there are no printed ads, the company will use digital methods to do marketing communication. In the future, printed ads might vanish completely as there is also the ecological point of view how that makes a lot of paper waste. Printed ads also might not serve their purpose in the future, when there are new technologies that make it possible to do carefully targeted marketing, and when companies can use digital-only channels to do mass-marketing.

According to Petri, the most important way to do mass marketing online is doing search channel optimization (SCO). Petri wishes that there would be more competition in the search channel in the future. Right now, Google is dominating that market. Also, Jussi says that Google's market share among search engines is way too big and he expects that in the future new competitor will raise with unknown technology that might disturb the domination of Google. It also might be possible that regulators might force more competition in the field of search engines because a lot of companies and regular people already consider google as a monopoly in the search engine market. Around the world, monopolies are illegal.

Jussi says that AI will most likely help the marketing team to see the exact path how customers ended up buying a product. Being able to analyze this customer path, which might include TV ads, search engines, social media influence, will help marketers to do more effective marketing.

Pekka and Jussi both state that while the tools for marketing have been radically becoming better during the past few years, they both still expect that in the near

future there will be better tools to get better data about the success of marketing. Especially B2B-market has some real potential for inbound marketing as companies are not so tightly tied to rules of GDPR when dealing with other companies.

Interviewees also state that customer made content are becoming an important way for companies to gain trust among their customers. Some companies already ask their customers to review their purchases on social media and they might add those reviews to their marketing feed. All of the interviewees said that customer made content has huge potential in marketing as it is a very low-cost method to do gain positive awareness among consumers.

8.5 Technological innovations that will influence the industry

Interviewees see that technological innovations will affect all the aspects of doing business. Among the interviewees, the importance of artificial intelligence (AI) development surfaced the most. Jussi points out that the AI will refocus the tasks that are usually made by humans. AI won't necessarily decrease the number of jobs, but it will create new ones. Jussi sees that the AI won't be replacing humans, but it will act more as a tool for humans that further helps humans to become more efficient in their existing jobs and their new jobs. The final decision making will be made by humans with the assistance of AI. Petri says the most important thing that AI does for salespeople is that it helps the salespeople to find the right customers for your products - customers that are interested in what the salespeople are selling. This will save a huge amount of time because there won't be so much useless customer contacts that won't generate sales.

> *"Artificial intelligence and machine learning will mean that the work people are doing will be changed. I think that the need for human employees won't decrease. Instead, the AI will work as a tool for humans and in the end, the final decision will be made by humans."*
> Interviewee Jussi, Marketing Manager

Interviewees also point out that AI changes the field of marketing. AI makes it possible to analyze a huge amount of customer data in seconds, that can be used to super-efficient targeted marketing. AI can also create previously impossible predictions of upcoming trends and phenomenons that marketers can use to be in the right place, at the right time, and with the right message. Predictive AI also makes it possible for retail companies to have the right inventory value and extend at all times, making old (dated) stock to become a smaller problem.

> *"The artificial intelligence will make it possible for us to predict the upcoming trends and that is simply unbelievable. It will help us to be more efficient in our business model."* Interviewee Jani, Assistant Director

Most of the interviewees also stated out that the retail experience might see new technological innovations in the near future. Petri says that the stores could screen their present customers (if regulations allow) making the store experience to adapt differently for each customer. For example, stores could use adapting signs to lead customers to correct salespeople or products by using the information that the company's AI had gained by collecting customer's data when he or she browsed to company's internet store. Also, different customers could see different ads on the store's billboards based on the same data collection.

> *"Consumer screening could be more efficient. Maybe, when a consumer walks into a store, the screens inside the store would automatically start to offer products that he might be interested in according to the data that had been previously collected from other sources like social media"* Interviewee Petri, Managing Director

8.6 Most important themes based on the results of empirical research

While the interviewees introduces many different points of view, some aspects were raised above all else. Below are listed the most important aspects that surfaced during the interviews.

Huge global retailers will dominate the market around Europe, while at the same time, most of the smaller specialized shops will vanish. Huge retailers can offer a wider selection of products in their online stores and with lower prices. Also, some of the bigger retailers will dominate locally with their big brick-and-mortar stores. For big retailers, brick-and-mortar stores will also function as a local warehouse for same-day home deliveries that customers have ordered from the internet store.

Consumers respect quickness and easiness. It seems to be more and more important for consumers that companies can do customer's life as easy as possible. Consumers want their complex new devices ready-to-go installed for them and whenever order products online, they want it fast! Consumers are also willing to pay for speed and services. Because of this on-going trend, retailers will offer more services for their customers and because of that, the quality of service design is becoming increasingly more important.

The ecological and ethical aspects are very important for any business in the future. Consumers want their products to be produced ethically and ecologically. While ecological thinking is going mainstream, ecological products won't soon be premium-priced anymore. Companies and retailers will have to show how their businesses work eco-ethically and some of the businesses will find ecological thinking as a way of doing some kind of differentiation in products or services.

Privacy is more and more important for consumers, and because of that, it has become more important for businesses. Companies will have to invest in customer data protection and those businesses that fail in that will have hits in their reputation and will suffer severe penalties. It is still unclear if regulations will have major effects on how companies can collect data and how marketing tools (AI) can be used.

Both – inbound and outbound – marketing methods will stay relevant in the future. Inbound marketing becomes more important for any kind of retail business as it is often more effective to gain the attention of customers that might be interested in specific deals and it also is less obtrusive from the customer point of view. Technological advancements, especially AI, will help companies to do more effective inbound marketing.

From a technological point of view, artificial intelligence seems to be the most important general technological advancements for any kind of business. Companies are only starting to see the real benefits and ways how AI can help them to make their business models more effective. AI is coming everywhere – it will be a tool for marketers to do better marketing, for salesmen to find the right customers and for customers to find the best solutions for their problems. Maybe the biggest advantage of AI is that it could make it possible to predict the upcoming changes in consumer behavior and trends.

8.6.1 Can retailers prepare for the future?

Due to the predictive nature of this thesis, it is impossible to certain how somethings might or might not change in the future. It is obvious that there will be upcoming changes in the retail industry. The retail industry is becoming a playground of global big retailers and the smaller ones will have a hard time keeping their business alive.

The world is changing faster than ever before. Climate change, rapid technological advancements, still on-going globalization, the current global pandemic and the rise of tech-savvy younger generations are changing how consumers behave generally. Companies are limited to what extend they can influence consumer behaviors, but it's obvious that the retail businesses that can make the lives of consumers easier, will have a huge benefit in competition.

According to interviewees, companies are already doing a lot to be prepared for the next wave of changes coming for the industry. The development of AI seems to be the biggest thing for every business in the retail sector. Those retailers who have started to invest in the development of AI and are successfully implementing the AI in their processes will most likely keep staying successful among competitors. The development of AI can also be an issue for smaller retailers that don't have the resources to do the necessary investments for the technology and stay healthy in the competition. Also, those retailers that can increase the value they give to their customers are in a more healthy position in competition

Consumers often aren't very loyal to their retailers, and they will consider the most important thing to be the value they gain from a retailer. Fortunately, the value given by retailers isn't only the price or the speed the products can be delivered. Value to customers can be increased in multiple ways, explained below:

- **Being a trustworthy dealer**
  - having a reputation of delivering what promised
- **Being a safe place to buy**
  - Having no issues with privacy or with any other security-related things
- **Being fast and easy**
  - To be able to deliver quickly and to make the process of buying as easy as possible: "less clicks -> more sale!"
- **Helping customers to buy the right thing!**
  - Sales reps are always needed! Even though consumers are quite product aware nowadays, still a lot of consumers don't understand the complexity of the products they are buying.
- **Offering the "full-experience" with services**
  - As consumers will need help with buying the right product, they will also need help to set up and install their complex systems. Being able to sell different services will also be beneficial for businesses because service sales usually have a better profit margin.

Not all retailers can be equal in everything. Big home appliance retailers will be seen quite similar from the customer's point of view. Smaller retailers must differentiate with things that their customer segment values the most. For example, small-town people could appreciate the locality of smaller retailers and the personal help they get from them.

9 CONCLUSION

The retail industry is facing challenges that require actions from all the retailers in the field. Retailers do not only need to be more competitive but at the same time, they will have to become more eco-ethically friendly. Therefore this thesis tries to give perspective to the issues that the industry is facing right now and future. This perspective can be made us of for the changes that must be done for any home appliance retailer to stay competitive.

I had a great vision for this Master's thesis in the beginning. During the writing process, I did encounter quite many problems with the object I had put for this thesis. The research area of my original plan was way too wide, and in my opinion, it would have required multiple thesis works to be handled properly. Therefore I had to narrow down my object for this thesis and do better focusing. Still, during the writing process, I experienced my focus shifting quite often, while at the same time I studied the subject and learned new things about it. The subject area was heavily complex and it required a shift in focus at times to keep the flow of text logical and narrowed down that it wouldn't literally explode into a work that has hundreds of pages of text.

All of the interviews lasted about one hour. Interviewees commented that my structure for the interview was quite challenging and required a lot of thinking on the subject. Some of the interviewees praised the interview because of the challenge it gave. I purposely tried to make the interview structure challenging enough for my interviewees to make them consider their answers to get the best possible outcome. Three interviewees had to cancel the interview because of their busy schedules. This resulted that I had fewer amount of interviews than I was intended to.

I feel like there would be a lot more depth on this topic. For example, one could write a whole thesis about the issues of regulations that could affect the retail business or about the development of Artificial intelligence and what kind of specific possibilities it offers for retailers.

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APPENDICES

Appendix 1. Interview themes.

Questions/Themes.

1. **Which retail sectors will change the most and how would you describe those upcoming changes?**

Technological innovation and changes in consumer behavior have been the cause of changes in the retail business. Some sectors have changed more than others and there has been a lot of speculations of which sectors will continue to change.

2. **How consumer behavior will change along these following factors?**

According to multiple theories, consumer behavior is influenced by the following factors.

Cultural

Cultural factors are the behavioral models that are learned from the society. For example, European people recognize the followings values that are achievement and success, freedom, individualism, hard work, activity and involvement, efficiency and practicality, material comfort, youthfulness and fitness, and health. Cultural influences are strong and there seem to be on-going cultural shifts going on that change the values of new and existing generations.

Social

The social factors influencing consumer behavior are *small groups, social networks, family* and *social roles and status. 92% of all consumers trust their own "trusted groups" rather than ads and salespeople when making a buying decision. People are also hugely influenced by social networks, the opinion of their own family, and*

also their own social role and status. For example, high-status individuals are more likely to buy premium products etc.

Personal

The personal factors influencing consumer behavior are age- and life cycle stage, occupation, economic situation, lifestyle and personality, and self-concept

Psychological

Psychological factors are motivation, perception, learning and beliefs, and attitudes.

3. **Will GDPR continue to change the retail industry and what other possible coming regulations and laws might influence the industry?**

GDPR and other privacy-protective laws and movements are changing the retail business field and also consumer behavior. Consumers are more aware of their own privacy and they want it to be respected. Big tech firms are monthly being in the news because of bad protection of their customer's data. Countries around the world are exploring new possible laws and regulations of how they can protect the privacy and rights of their citizens.

4. **Development of marketing communication in the future. Will inbound marketing kill outbound marketing completely? Or will we meet something completely new in future marketing communication methods?**

Inbound marketing seems to be the current trend in B2C marketing. Previously outbound marketing was the dominating method of doing sales. In outbound marketing, the company aggressively pushes it's products or services to customers who often feel that outbound marketing methods are obtrusive. In contrast, inbound

marketing methods are more customer need focused. In inbound marketing, the company creates content and experiences that are tailored to a customer's needs. The whole idea is to build trust and to be known as a "trusted advisor" among customers.

5. **Computer science has given us Big Data, Machine Learning, and AI. These new technologies are disrupting the traditional ways of doing business. How do these new technologies continue to change the retail and marketing environment? What new applications of these technologies we shall see in the near future?**