

# **IMPROVING CUSTOMER JOURNEY IN COMPANY X BY LOCALIZING ASSORTMENT THROUGH CO-CREATION**

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## Abstract

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Title of publication <b>Improving customer journey in Company X by localizing assortment through co-creation</b>		
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Abstract <p>The thesis studied the process of product requesting in Company X and related theory. Theoretical framework studied customer experience, retail assortment and co-creation. Customer experience was looked in the light of customer journey, where separate touchpoints along the way creates a path from initial inquiries to after purchase activities. Some of the touchpoints are controlled by the company, but many of them are at least partially out of control of the company.</p> <p>Assortment is one of the key components when customers choose their store. Retailers feel the pressure to make assortments vast to lure customers in, but also to keep the assortment low to gain better control over stock and space. Reductions in assortments can even lift the perceived assortment due to increased clarity but may lower it in the long run.</p> <p>Value creation is not something that only happens inside the company premises. A lot of the value is created by the customer, and by the customer and the company together. A product is only shaped raw material until it gets used, and it may be used in more ways than the producer meant through value co-creation.</p> <p>The empirical part of the thesis studied the product requesting process in Company X. An experiment was set up, where customers were persuaded to make place product requests via new website and platform. It was studied whether the new platform is appropriate way of collecting customer requests. Both the old and the new process were showcased, and their challenges and advantages were considered.</p> <p>The results were promising. The new platform was found suitable for collecting customers' product requests. The website and back-office tools were found working, and good set of marketing materials were found through testing.</p>		
Keywords assortment, co-creation, customer experience, customer journey, customer request		

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# 1 INTRODUCTION

## 1.1 Background

In this thesis it was studied how customers could be taken along in the process of assortment co-creation. There was a program where customers could wish their favorite products to be added to the assortment in their store of choice. The need for assortment localization had been recognized and project to improve it was set up.

Company X has several stores in Finland and abroad and their customers are both companies and private customers.

## 1.2 Objectives and problems

The project had many points of interest, as it was in the heart of customer centricity in an organization that had the good processes in the field of assortment and related logistics. It is not easy to suddenly forget the much-appreciated efficiency through centralized assortment planning and logistics, and suddenly make efforts to please seemingly small number of - and possibly only a few - customers.

The main object of the project was to create and experiment a new way of collecting and executing customers' requests. At the time, there were already some ideas of what and how the project would be run, but there was a lot of space for suggestions, and innovation even. Other key objects of the project were to find out what kind of marketing material would be needed, and how the requested products would make their way into shelves.

From these starting points and objectives, I conducted one main research question and five supplementing research questions. The first research question was:

1. Is Platform X the right way to collect customer requests?

Supplementing research questions were:

2. Is Company X's request process working both technically and user friendly to both customers and personnel?
3. What should the marketing material look like?
4. What kind of information is needed to make the decisions about product additions?
5. How are the participating stores able to fulfil customers' requests?

The project, and therefore the research questions too, consisted of several areas of business, such as software design, instore marketing, assortment building and customer

service. This amplified the challenge of narrowing the study into a suitable depth in each chosen fields. Another problem was to keep up with the reporting of the project. Developments tended to come faster than my reporting, so there was already a version 2.0 when I was still looking into version 1.

### 1.3 Theoretical starting points

Customer journey have changed in the past decades due to automation and digitalization, and it has changed the customer experience as well. One part of that experience is finding the right products in the store of customers' choosing. Assortment is said to be one of the key factors in retail business, and optimizing the assortment is essential on profit making. Requesting products to a local assortment has been possible in the past, and that process has been all personal service, no matter the result. As customers do nowadays much of their shoppings unassisted, making the product request process more automated and customer friendly, would enhance the assortment co-creation possibilities, and influence customer service.

Therefore, I will investigate the most relevant theory on customer experience, assortment and co-creation that are linked to my work on assortment customization through customer requests.

## 2 RESEARCH METHODS

### 2.1 Qualitative research

Qualitative research aims to answer the question “what?”. After we know what something is, we can conceptualize it as a whole and divide it into parts and look at their relations to each other. Qualitative research can also help us to better understand the context, consequences, and may help us to conceptualize the “how”, the process and temporal unfolding in time. (Wertz et al. 2011, 2.)

The information collected for qualitative research can be textual such as interview notes, visual materials such as photographs or video recordings, and it can be internet sites. Qualitative research can be used as an umbrella term for a large variety of methods for natural social life. (Saldaña 2011, 3-4.)

Qualitative research can aim at multiple goals, depending on the project at hand. Outcomes are mostly derived from key findings of data and can include: New understandings and insights about individual and social complexity, documentation of cultural observations, or assessments of effectiveness of a policy or a program. (Saldaña 2011, 4.)

Flick (2007, 6-7.) argues that even though overall principles can be identified, qualitative research is broadening and therefore may be more challenging to define. There are differences in the needs and preferences of different areas of business which adds variation to the basic study. Different areas of the world seem to have different thoughts on what qualifies as qualitative research, and different disciplines use qualitative research differently: Researchers in psychology have different problems and interests than the researchers in sociology.

### 2.2 Case study

There is not always agreement or consensus in the research methods literature, and case study surely is a good example of this. Farquhar et al. (2012, 6.) defines case study research:

*A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.*

Due to its versatile nature, case study is often considered to be more of a research strategy or approach instead of methodology or method. Case study is used in numerous fields of

science, with different starting points and different goals. Therefore, it is hard to give case study a solid, holistic definition. (Eriksson & Koistinen, 2014, 4.)

Eriksson & Koistinen (2014, 1.) defines case study's main objective to define, analyze and solve one or more cases. Thus, it is neither clear nor indifferent, how the case or cases are chosen, limited, and argued.

Eriksson & Kovalainen (2008, 115.) argue, that the construction of the case or cases is the key feature of all case study research. Therefore, the research questions are always related to the comprehension of the case and solving it. The main purpose of case study is to investigate the case in relation to its cultural, social, technological, economic, and historical context: what the case is about and what is there to learn by studying it.

According to Eriksson & Koistinen (2014, 5.), several research method guidebooks suggest, that case study could be the right approach, when one or more of the following list applies:

- Questions like what, how and why are essential.
- Researcher has only limited control over events.
- The number of empirical studies on the subject is low.
- The subject of the study is something connected to real life and real time.

Case studies can be divided into two different types: Intensive and extensive case study research. Intensive case study research aims to learn how does a specific and unique case work. The main idea of intensive case studies is not to produce generalizable information, but to explore and understand how the case at hand works. Extensive case study research, on the other hand, aim to investigate, elaborate, and explain a phenomenon, not the case itself. The empirical knowledge acquired from the cases is used to add something new to the existing theory, or even develop new theoretical constructs. (Eriksson & Kovalainen, 2008, 120-121.)

There are also limitations to case study research. Hodkinson & Hodkinson (2001, 8-11.) argue, that for instance, case study research tends to produce too much data for easy analysis. This is the situation especially when larger scale study is attempted, in which case the study becomes expensive too. Case studies are at their strongest when researcher expertise and intuition are most strongly utilized. This, on the other hand, causes problems with objectivity, as people are quite incapable of being totally objective in their work. Perhaps the most important limitation of case study research is that it cannot answer several relevant and appropriate research questions.



### 2.3 Case study research process

Eriksson & Koistinen (2014, 22.) define case study research process to consist of the following major stages:

- Designing the research questions
- Structuring the research settings
- Defining and choosing the case or cases
- Defining the theoretical aspects and theoretical concepts that are going to be used
- Clearing the logic in the dialogue between material and research questions
- Deciding the rules of interpretation and ways of analysis
- Deciding the way, the case will be reported.

### 2.4 Data collection and analyzation

Case study researchers can collect empirical data from various sources or combination of sources of their choosing. In-depth interviews are often the main source of data in business research, and other sources are considered complementary at best. There are, however, other sources that could provide better evidence of the case: Already existing sources, called secondary sources, such as media, diaries, reports and archives, e-mails, photographs, and memorabilia. Other sources that are produced for the project at hand, counted as primary sources, such as surveys, observations or protocols might be used as well. (Eriksson & Kovalainen, 2008, 126.)

In-depth interviews can be categorized into structured, semi-structured, unstructured, or open-ended, and there is not a clear line between the latter ones. According to Simmons (2009, 44-45.), there are four major purposes that in-depth interviewing has:

- To document the interviewee's thoughts and perspective on certain topic.
- A learning and engagement moment for both interviewer and interviewee when analyzing and identifying cases.
- The flexibility to broaden the view or to go even deeper in details as information emerges during the interview.
- The potential for observe feelings that would not come across in a structured interview.

Semi-structured interview may be seen as the easier way of interviewing as structured interview, but it actually needs the same time and effort in preparation, more discipline and creativity during the interview, and more time in interpretation and analysis afterwards. Therefore, it would be less time-consuming and cheaper to conduct the same number of structured interviews than semi-structured ones. (Wengraf, 2001, 5.)

## 2.5 Triangulation

Originating from positioning, triangulation is a metaphor for research that consists of different data sources, theories, or methods, in pursuit of comprising a social reality. Farquhar et al. (2020, 161-163.) categorized the triangulation applications in qualitative case study research and found several categories of triangulation: Case study research can be triangulated through gathering data from similar data types and sources but also from different informants, situations or variations in time.

Adding another or more researchers in the research add more perspective into it, as do using more than one theoretical or disciplinary perspectives in research. Using more cases is a way of triangulating, although it may have difficulties in keeping the cases similar enough. The iterative way of triangulating is employing iterations systematically between literature, case evidence and intuition. One way of triangulating is using varieties of the same method used in study or using different methods in a study. In a strategic triangulation, multiple research strategies are used to gain a holistic perspective. (Farquhar et al. 2020, 161.)

### 3 CUSTOMER EXPERIENCE

In this section I am hovering above customer service. As it is broad subject, I am only focusing on parts that I see relevant to my main theme. First, I will look at customer experience in general and customer service experience. I will then study customer journey mapping and customer-centricity through my retail-painted glasses. Last, I will have a glimpse of customer satisfaction and the value of the customer.

#### 3.1 Definition of customer experience

Although customer experience is considered important now, its importance has been recognized a long ago. Abbott (1955) according to Lemon & Verhoef (2016, 70.) stated:

*What people really desire are not products but satisfying experiences.*

Becker & Jaakkola (2020, 637.) found in their paper that there are numerous definitions for customer experience in the literature that have a different meaning. Customer experience has been confused to satisfaction or value, or an autonomous attribute leading to satisfaction. Some studies even suggest customer experience to be more of a characteristic of the product, although experience should be viewed as a subjective perception of an individual. Becker & Jaakkola (2020, 638.) suggest resolving the confusion by defining the customer experience as:

*Non-deliberate, spontaneous responses and reactions to particular stimuli.*

Another producer of confusion in the literature is the assumption that good experiences are at least memorable, but even extraordinary. These studies usually do not measure customer's reaction to stimuli itself, but take into consideration the offering, and might compare river rafting to mundane offerings. In reality, customer can have an extraordinary experience towards a mundane offering. (Becker & Jaakkola 2020, 637.)

De Keyser et al. (2015, 13-14.) found three main principles of customer experience:

1. The interactional nature of customer experience.
2. There is a certain level of uniqueness in every customer experience.
3. Customer experience is multidimensional.

In the first basic tenet of customer service, the interactional nature of customer experience, consists of customer, experience, and interaction. They define customer as an individual who engages in a commercial interaction. The interaction happens between this customer and a market actor. The term market actor is intentionally left as broad as possible, as it

covers all variations of commercial and non-commercial producers of products or services. As experience as a term holds a lot of content, it was found that experience would consist of cognitive, emotional, physical, sensorial, and social elements. Therefore, De Keys et al. (2015, 14.) define customer experience as

*Customer Experience is comprised of the cognitive, emotional, physical, sensorial, and social elements that mark the customer's direct or indirect interaction with a (set of) market actor(s).*

### 3.2 Customer Service as part of Experience

Service Experience has grown into essential phenomenon of interest during the recent decades amongst service researchers and managers. The Service-Dominant logic emphasizes values' experiential character and has raised its importance. Above all, this phenomenological approach to service experience has shifted our focus from the production outcomes to how those outcomes are interpreted by the individual. (Jaakkola et al. 2015, 183.).

Jaakkola et al. (2015, 186.) propose service experience to be defined as

*Service experience is an actor's subjective response to or interpretation of the elements of the service, emerging during the process of purchase and/or use, or through imagination or memory.*

According to Helkkula (2011, 370-371.), there are three characterizations of service experience that are recognized in literature.

1. Phenomenological characterization. This characterization focuses on the individual experiences that are usually context-specific, event-specific, subjective, and internal. Although the focus has been on the individual, it is more and more recognized that because of the people not living in isolation, the experience is social, too.
2. Process-based characterization. The primary focus of process-based characterization of service experience is on the architectural elements of the process, often referred to as stages of phases. As in processes in general, the chronological order of the elements in hand is included in the characterization, and the subject of the service experience is often called customer.
3. Outcome-based characterization. Here, the focus is on the combined service experience of multiple respondents rather than on an individual person. The outcome consist of several variables and experience is one of them. The process is not in the focus, but the immediate results are.

### 3.3 Customer journey mapping

Customer journey mapping as a strategic management tool is appreciated by practitioners and academics for its help in understanding customer service of an organization (Rosenbaum et al. 2017, 2.). Customer journey mapping is a visual representation of series of events that customers may be in contact with a company during the entire purchase process (Rosenbaum et al. 2017, 3.).

Lemon & Verhoef (2016, 76-77.) argue, that customer journey can be divided into three separate phases: Prepurchase, purchase and post purchase.

1. The prepurchase phase includes customer's interaction with the category, brands, and environment before the actual purchase. The line between prepurchase and purchase phases is thin and depends on which action are included in the purchasing process. Traditionally, such behaviors as recognition, search and consideration have been seen in prepurchase phase.
2. The purchase phase is characterized by behaviors like choice, ordering and payment. Due to the result of this phase, the purchase, it has been widely studied and various affecting concepts have been recognized. Especially in the retail environment such constructs as shopping experience, choice overload and decision satisfaction are to be considered.
3. The post purchase phase includes behaviors such as consumption and usage, service request and post purchase engagement. Like prepurchase phase, this stage intertwines with the purchase stage depending on which activities are counted in the purchase process. One of the more recent additions to this stage is loyalty loop, that would suggest that a customer may be triggered in the post purchase stage that would lead to customer loyalty, and in some cases, customer would thereby exit the post purchase stage and enter the prepurchase stage.

These three stages or phases include customer experience touch points. Lemon & Verhoef (2016, 76-78.) divide them into four categories. A customer can access in any of these types of touchpoints at any of the three stages:

1. Brand-owned touch points. These are interactions that a customer has with the company that are designed and controlled by the company. The media, websites, marketing, packaging, price, service, and sales force are all brand-owned touchpoints.
2. Partner-owned touch points. These are customer interactions, that are designed and controlled by the company and one or more of its partners. Examples of partners

are distribution partners and marketing agencies. In some cases, it can be hard to separate brand-owned and partner-owned touchpoints. Designing an app for smartphones, for example, can be done by brand but it may be affected by the updates the operating system company demands.

3. Customer-owned touchpoints. These touch points the company cannot control. They are overall customer experience that company, or their partners cannot influence in and they are most prevalent in the post purchase stage. One apparent example is instructional videos in YouTube that are made by users.
4. Social/external touch points. These touch points result from other people or independent information sources. We are constantly surrounded by these touch points that may influence the process, especially in the purchasing process or right after the purchase.

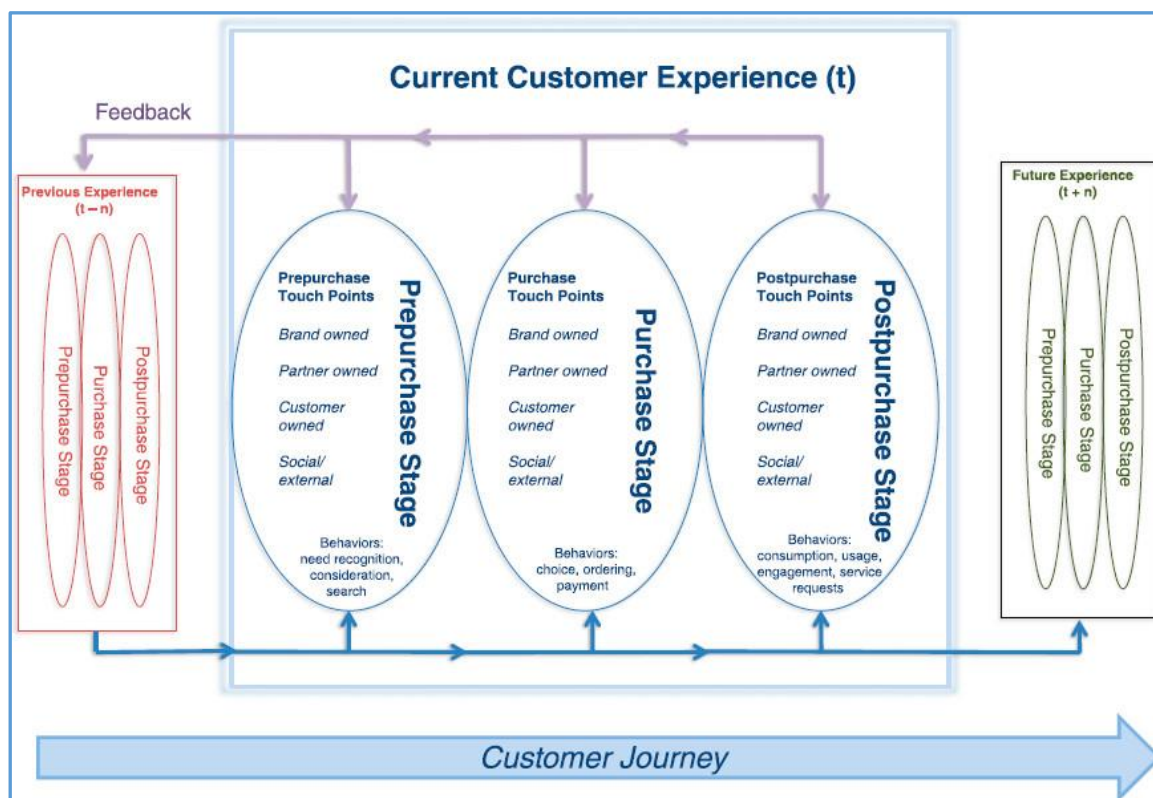


Figure 1, Customer journey, (Lemon & Verhoef, 2016, 77.)

On the other hand, Aunkofer (2018, 56.) argues, that the old way of thinking customer journey with process orientation and phases and touchpoints is outdated. The new way of thinking customer journey is infused with Internet of Things (IoT) and is not funnel-like, organized process, but more of a chaos-like ecosystem:

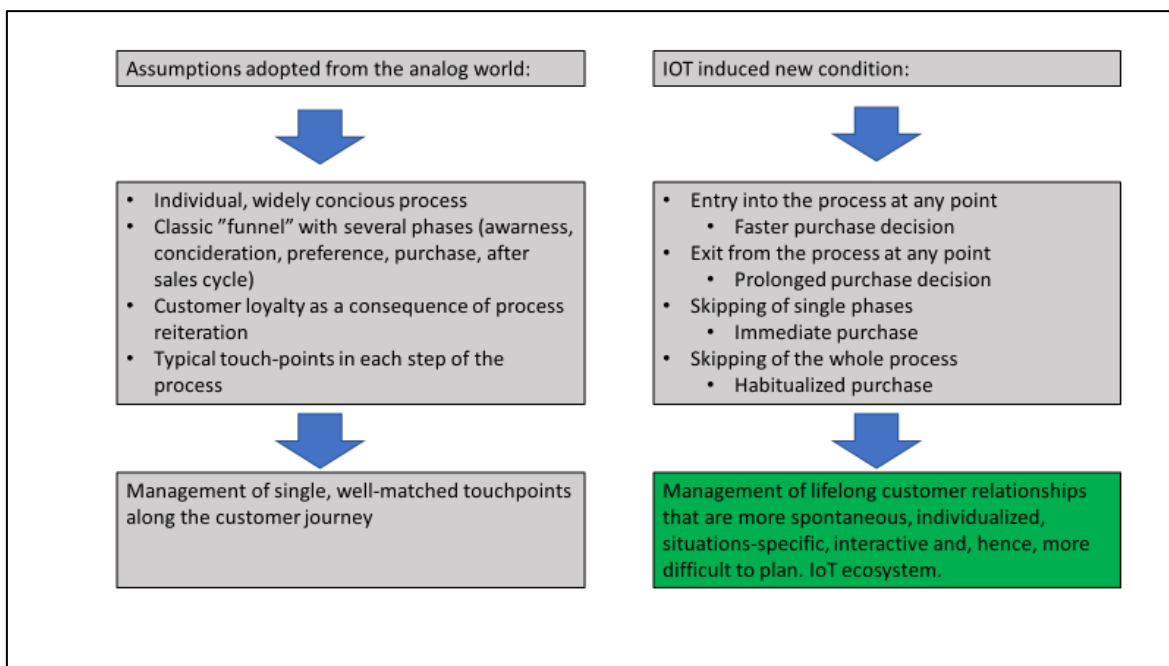


Figure 2. Customer journey – learned assumptions versus new reality, Aunkofer (2018, 56.)

IoT will generate diverse data massively and this data can be accessed quickly and easily from anywhere. This information creates unforeseen transparency and has enormous effects on customer journey. The old way of thinking customer journey with only added digital touchpoints is not what customers want. Customers want simplicity in buying, usage and maintenance over the lifecycle of a product. Instead, companies have been concentrating on offering smart devices like smart washing machines with wide array of programs that of we only use two. Companies should concentrate on lifelong customer relationships instead of individual touchpoints. (Aunkofer, 2018, 55-56.)

### 3.4 Customer centricity

Putting customers in the center of business is not new idea, it has been around from the 1950s's. Still, even today for many people it means that doing some minor adjustments in the customer service is customer centric. Customer centric company does not try to maximize their profits but tries to maximize customer equity through customer lifetime value. In customer centric thinking profits does not come from certain business actions but from nurturing the relationship of the customer over a lifetime. (Parniangtong, 2017, 91.)

The rapid development of information technology in the end of 20<sup>th</sup> century made enormous progress in collecting, storing, analyzing, and transmitting huge amounts of information. People were talking about customer relationship management (CRM), and software for that use was developed. Some companies were able to take advantage of this new situation,

but most companies did not have the needed customer orientation to realize the benefits of the new wave. (Shah et al. 2006, 114.)

Shah et al. (2006, 116.) explains the main differences between customer centric and product centric approach:

<b>A Comparison of the Product-Centric and Customer-Centric Approaches</b>		
	<b>Product-Centric Approach</b>	<b>Customer-Centric Approach</b>
Basic philosophy	Sell products; we will sell to whoever will buy	Serve customers; all decisions start with the customer and opportunities for advantage
Business orientation	Transaction-oriented	Relationship-oriented
Product positioning	Highlight product features and advantages	Highlight product's benefits in terms of meeting individual customer needs
Organizational structure	Product profit centers, product managers, product sales teams	Customer segment centers, customer relationship managers, customer segment sales team
Organizational focus	Internally focused, new product development, new account development, market share growth; customer relations are issue for the marketing department	Externally focused, customer relationship development, profitability through customer loyalty; employees are customer advocates
Performance metrics	Number of new products, profitability per product, market share by product/ sub brands	Share of wallet of customers, customer satisfaction, customer lifetime value, customer equity
Management criteria	Portfolio of products	Portfolio of customers
Selling approach	How many customers can we sell this product to?	How many products can we sell this customer?
Customer knowledge	Customer data are a control medium	Customer knowledge is valuable asset

Table 1. A comparison of the Product-Centric and Customer-Centric Approaches (Shah et al. 2006, 116.).

Customer centricity has been linked to significantly and positively affecting company sales in highly competitive markets (Pekovic & Rolland 2006, 2177.) and improving customer loyalty (Homburg et al. 2009, 808.).

Following the rules of customer centricity all the time, however, may be unrealistic in a business context. This may have affected business world in a way that customer orientation has been left aside as a too ideal concept and the benefits of it has not been used. While customer is important, focusing on only one stakeholder of a business might not be advised. In current business status, for example, shareholder value is over emphasized, and every investment should have almost immediate positive effect on short term metrics such as share



price. This view in general will not result good long-term customer satisfaction. (Gummesson, 2008, 315, 328.).

Adopting customer centricity can come with a substantial price tag; investments in IT such as sales force automation and building up knowledge-sharing networks, human resource costs such as training and hiring of more skilled people, and investments in production flexibility. It can be even more expensive to convert the whole supply chain to be more flexible, as customers' diverse needs are taken care of, and economics of scale are partially lost. (Lamberti, 2013, 606-607.)

Gummesson (2008, 329.) argues, that a multi-party focus, a balanced centricity, could be the answer. In balanced centricity the well-functioning markets and long-term relationships should meet the wants and needs of many stakeholders, such as customers, employees, suppliers, and media. Although taking all of these and more into consideration at the same time would be beneficial, it may be too theoretical. In reality, managers are forced to focus on just a few stakeholders at a time.

One way to look at this matter is Cube One framework. There, a company's practices are placed in a three-dimensional space according to success in customer-, employee-, and productivity related practices. According to this view, customer centricity is one third of the job, and all these three are needed to succeed. (Kopelman et al. 2012, 20.)

### 3.5 Customer satisfaction

Schiffman & Kanuk (2004) according to Torres & Kline (2013, 643.) define customer satisfaction as:

*The individual's perception of the performance of the product or service in relation to his or her expectations.*

Customer satisfaction can have an impact directly on repurchase intention and have an impact on customer trust which can, too, have consequent impact on repurchase intention. Customer satisfaction also has positive influence on word-of-mouth. (Rita et al. 2019)

Torres & Kline (2013, 656.) studied customer satisfaction in hotel industry and found that a higher level of customer satisfaction is when customers are delighted. This customer delight occurs when customer satisfaction has exceeded customers' expectations. This can be achieved through charismatic and professional abilities and paying attention on customers' physical and psychological needs. They suggested that traditional customer satisfaction metering just is not enough in hotel industry, the aim must be higher.

Lim et al. (2020, 25.) studied customer satisfaction's impact on the future costs of selling and found that the cost of selling is lower when perceived customer satisfaction is higher. They found, that on top of the direct savings in persuading customers, there are intermediate cost savings in convenience.

Customers' dissatisfaction can lead to complaints. In general, complaints have been linked to negative word of mouth, but there are opportunities in them also: if customer sees the handling of complaint positively, it could have strong impact on repurchase intention and loyalty of the customer.

Typical ways to measure customer satisfaction are interviews and questionnaires. One of the often-used ones is SERVQUAL, which aims to detect gaps between perceptions and expectations in the service, and draw conclusions in customer satisfaction. Another popular questionnaire is the ECSI model, where customer satisfaction and loyalty are measured through correlations and consequences of satisfaction. One way of measuring customer satisfaction is Net Promoter Score, or NPS. There, quite simply, a result is calculated based on the percentage of promoters and critics of a company. (Biscaia et al. 2017, 1512-1513.)

It is worth noticing, that there lies a "satisfaction trap" in measuring customer satisfaction; When organization is pursuing customer satisfaction as a separate attribute, it can achieve just that, but lose something else. Studies indicate that 60-80 per cent of customers, that are no longer customers of that company, were in fact satisfied with the company. (Biscaia et al. 2017, 1512-1513.)

### 3.6 Value of a customer and value to a customer

Customers can be seen as an asset to a company. Nenonen & Storbacka (2016, 141-142.) argue, that customer asset management combines customer information and can exhibit a measurable value, which can be particularly useful when demonstrating this value to shareholders. This value formation may be divided into four categories:

- Reducing customer related risk, which mainly consists of the risk of the termination of the customer relationship.
- Optimizing asset utilization. Customer relationships can be seen as investments, that have capital invested in them. This capital should be optimized, as is the case with business volumes with relationship investments.
- Increasing revenues from customers, that can be achieved through finding more customers, selling more and pricier products to existing customers, and taking care of future earnings by innovation.

- Decreasing customer-related costs, for example by lowering the cost of acquiring new customer.

According to Nenonen & Storbacka (2016, 140.), to be able to create shareholder value, companies have adopted various concepts to manage their customers as part of the company's value:

- Customer Lifetime Value (CLV). It is most commonly defined as the present value of the customers' expected revenues with the cost of selling subtracted. The CLV models of today mostly have three basic elements: Revenue from a customer, the costs of selling to this customer and customer retention rate.
- Customer Equity (CE). As a concept, Customer Equity is strongly linked to Customer Lifetime Value, as the definition of Customer Equity is the whole customer base's lifetime value summed up.

When assessing the value of a customer, the largest amount of value is generally thought to be in the customers' future contributions. Customers can bear risks and opportunities, and therefore the value of a customer can vary strongly. Estimating the future value of customers, a company may be able to target their messages more efficiently and allocate resources more wisely. (Kumar 2018, 8.)

One mechanism to assess the future value of customers is Customer Valuation Theory. There, the future value of a customer is measured in three elements, according to Kumar (2018, 7-8.):

1. Direct economic value contribution. This is straight forward economic value measured as the customer contributions' margin or net profit. When included in the decision-making process, it helps computing a customers' future profitability and to optimize marketing recourses, and therefore increasing the return on marketing invest.
2. Depth of direct economic value contribution. This is the intensity of customers' direct value contributions to the company. It may be calculated as a portion of customers' portion of selling company's purchasing.
3. Breadth of the indirect economic value contribution. These indirect measures may include a customers' impact on other customers, their value as a reference, or even further their influence on salespeople productivity.

These theories and mechanisms are seeing customer as an object, and a subject of actions like marketing. Customer value can be seen in a broader light too, and especially from the customers point of view.

Leroi-Werelds (2019, 651-652.) found six foundational characteristics of customer value:

1. Customer value involves an interaction between the customer and an object, such as product, restaurant, supermarket, co-production, or gamification.
2. Customer value includes a trade-off between benefits and costs. Benefits are positive outcomes and costs are negative consequences of encountering service or visiting a store etc.
3. Customer value is experiential. The value is not in an object as such, but in the experience that is derived from the product. Customer may, for example, gain from useful information in the company website that saved time searching a product, and that experience is valuable. Value is not created and delivered by the company, but experienced.
4. Customer decides if and how a product is or is not valuable. Customers' personal values affects on the value of a product.
5. Customer value is dependent on situation. It can be affected by time or location.
6. Customer value consists of multiple types of value and can be therefore described as multidimensional.

## 4 ASSORTMENT

### 4.1 Assortments in general

In grocery retail business, one of the most essential strategic decisions is to determine the assortment. Consumers' demands should be met by balancing between the variety and the number of items of a product. Narrower assortment offers more shelf space per product, but limited assortment could alienate customers. (Hübner, A, 2011, 71.)

Assortment is one of the key components of which customers choose their store, others being price and location. Price is ever present, but with hard competition it is difficult to compete with prices. Location is more significant. Location can be seen assortment dependent, as people are willing to go further for certain assortment such as fresh vegetables. In order to please the customer with a desire in large assortment, retail store compromises the effectiveness of reduced assortment. Therefore, knowing the right products to add in assortment is essential. (Berkhout, 2019, 40.)

The aim of assortment planning is to find an assortment through various constraints, that maximizes sales or gross margin. Constraints can be numerous, and can include limited shelf space, limited budget for purchasing products, or a desire to have more than one producer's products for each type of products. Assortment planning is practiced among retailers frequently, because assortment needs to be regularly revised. New products are introduced, seasons of the year will generate different needs, and consumers develop desires for new tastes. (Kök et al., 2008, 2.)

There are great benefits to be achieved through store-level assortment optimization, and it is what many retailers aim for. It is in contrast, however, to the administrative and logistic efficiencies that can be achieved through chain-level assortment. (Rooderkerk et al. 2013, 700.)

Typical way to segment the stock keeping units (SKU) they have, is to divide SKUs into groups called categories. These categories, such as personal computers, have subcategories, such as laptops and desktops. Constant worry for a retailer would be the allocation of shelf space and purchase budget between categories and subcategories, rather than spending time thinking of which particular models to have. These allocation decisions are based on trends, past sales of those categories and subcategories, and information from producers and other external sources. (Kök et al. 2008, 2.)

In retail world, assortments are often organized at least partly by grouping complementary products from different product categories, such as a shirt is paired with a pair of pants. The

alternative is grouping products by their type, for example shirts together by themselves and pants together by themselves. It is more laborious to maintain a complement-based assortment than substitute-based assortment, and subsequently there is pressure to favor the latter. There is a difference in the effects of perceptions of customers in the organization format depending on whether customers have a utilitarian or hedonic focus. With a strong hedonistic focus, customers have more positive assortment perception with complement-based assortment. On the other hand, customers with utilitarian focus find substitute-based assortment as more attractive and easier. (Diehl et al. 2015, 1.)

Sarantopoulos et al. (2019, 469.) found that while organizing items according to complementary options is more laborious, the effort may pay off as it may provide the needed nudge that leads to purchase. Complement-based organizing offers the advantage that customers can visualize the products used together. In their study, Sarantopoulos et al. (2019, 460.) found that a market changing from substitute-based assortment organization to complement-based one increased the number of items customers bought and subsequently increased the profits earned.

#### 4.2 The bigger, the better

Iyengar and Lepper (2000, 316.) found in their experimental studies that having more choices is not necessarily more motivating for people than having fewer choices. They found participants to experience greater satisfaction with assortment when they only had small range of 6 choices to choose from and to be more likely to purchase gourmet products amongst smaller set of jams and chocolates. In case of too many choices, people aim to end the decision-making process by finding any suitable product and stop looking for the optimal one.

In case of a large assortment, customers can experience feelings of overload and anticipated regret, which often lead to delaying or avoiding the decision: Although customer might think they can find the best option from a large assortment, they simultaneously are staggering whether they are able to make an advantageous decision. Retailers should consider not marketing their assortment as the largest possible, as large assortments can cause negative expectations through overload. Instead of offering everything there is or perfect match, retailers could emphasize their access to everything the market has to offer, thus manage the expectations of a customer, and reduce anticipated regret of a poor decision. (Diehl & Poynor, 2018, 321.)

### 4.3 The long tail

Hypermarkets, or big box stores like Wal-Mart, for example, often offer seemingly large assortments of nearly everything. Actually, they typically have broad assortment of product categories, but within the category, they only have the highest selling products present. The Pareto Principle, or 80/20 Rule is usually in the table when hypermarket assortment and sales/profit division is discussed. Although it might be closer to 80/10, the main idea is that 20 or 10 percent of the products account for 80 percent of the sales. These 20 or 10 percent are the ones hypermarkets aim to have in their shelves. But nowadays when product varieties are broad, and especially due to much easier searching options, the least selling 20 percent of products has become more interesting and available to the customer. And since the least selling end is now easier to search through and find, the 20 percent might be much more interesting to customers and therefore retailers. The 20 percent is also known as the long tail. (Andersson, 2009).

The long tail can be indeed long. Andersson (2009) gives an example of music business: Back then a Wal-Mart would have assortment of 4500 unique CD titles, the online music retailer Rhapsody would have 4 million tracks. While only a few hundred of the Wal-Mart's CD assortment would cover more than 90 percent of the sales, there is demand for the long tail products as well. This demand is possible to meet with online categories and digital music products. Today, Spotify has 50 million (Spotify, 2020) tracks and Apple Music over 60 million (Apple, 2020).

More recently, Hoskins (2020, 10.) building on Andersson's (2009) work, discovered the long tail theory to be important in 2020, and to have possibilities in brick-and-mortar too. He found out that sales growth is greater over time with the products in the tail end, compared to the more popular products in the head. It was discovered that this effect was occurring coherently with nearly all the brick-and-mortar categories that were included in the study. The results implied that with consisted approach and more significant commitment to the long tail, higher sales outcomes would be achieved, and that this phenomenon would grow over time.

### 4.4 The importance of one product

Koos & Saikh (2019, 469.) studied customer behavior in cases of their usual choice being absent. They found out that people indeed act in cases of dissatisfaction in availability. In their studied set of products such as ready to eat cereal, substantially marketed products and utilitarian products, people are less likely to change their choice of grocery store, but are likely to substitute the product with another, postpone their purchase to a later date, or

abandon purchase. They also found out, that the proximity and convenience of competing store had an impact on the likeliness of changing store.

Unique products can draw customers to explore the category, and subsequently change the way that the customers perceive the complete category. This new association can be used to differentiate from other retailers and build a brand image. This helps retailer to avoid using only price as a factor of competitiveness. If people want to do one-stop shopping, they most likely choose the retail brand they are used to. If they are planning a single category shopping trip, on the other hand, they will most likely choose a retailer with category expertise. (Berkhout 2019, 44.)

One important aspect to assortment planning is substitution. This occurs when a product is not available for customer, and customer substitutes the product by another one. Substitutions are divided into two groups. Out-of-stock substitution and out-of-assortment substitution. In the former case the needed product is temporary unavailable, in the latter the product is not in the assortment. (Corsten et al. 2017, 878.)

Kök et al. (2008, 100.) finds three different patterns concerning substitution:

1. Stock-out substitution occurs when a repeating customer for daily consumables one day finds out that her/his usually bought product is out of stock, and she/he buys another.
2. Assortment based substitution is a case where a customer knows which product she/he wants, but it does not belong into shops' assortment, and customer buys another product.
3. In the third version of substitution, customer does not necessarily even recognize that she/he has made a substitution. Here, the customer buys her/his favorite product, although there could have been a more suitable product for her/his needs. Customer did not buy the better product because she/he didn't see the other products' superiority or better utility, or the better product was out of stock. From retailers' point of view, substitution happened even when customer bought the product she/he wanted.

The first two substitutions normally take place among daily consumables, the third occurs with consumer durables such as consumer electronics.



#### 4.5 Perceived assortment and the real assortment

Broniarczyk et al. (1998, 171-173) studied the effects of assortment reduction in a grocery store setting. They found out, that within certain category, assortment reduction of 25% had no effects on store choice. Surprisingly, the reduction had positive effects on assortment perception. This was supposedly due to more facings with remaining products, which made finding one's favorite product easier. While the reduction of 25% of SKU's only resulted 7% of customers having their favorite product unavailable, the positive effects included increased profitability due to lower inventory and restocking costs. In their second test the assortment was reduced 50%, and still the perception of assortment was intact, as long as customers found their favorite products. It was found essential, however, that the shelf space remained the same in the assortment reduction, to maintain the level of perceived assortment.

Oppewal & Koel (2005, 56.) suggest, that although assortment reductions may not have a negative effect on sales immediately, it can do so in the long run. Customers value choice, and assortment draws customers into stores and builds image and retail experience. While old customers could settle for smaller assortment, new ones could be going to the competition for the larger assortment. Slow-selling products affected positively on store assortment image. Stores should not be too hasty to follow simplifications on assortment reduction.

While assortment is important to retailers due to its ability to cause shopper pleasure and retail patronage, the actual number of products is not important. It is the variety that customers enjoy, not the large assortment as such. This can lead to two different approaches to please the customer: Either have a small assortment and give the perception of high variety, or have a large assortment and make that easy for the customers to read. (Berkhout 2019, 18.)

## 5 CO-CREATION

### 5.1 Co-creation basics

In the early days, the concept of value creation was something happening inside the company, and customers were clearly outside of the company. The company-centric process did not include customers into value creation. Consumers now are more informed, empowered and connected and are able and eager to participate in the value creation process. Consumer-to-consumer communication allows consumers to have information not dependent on the company, and they can choose with better understanding of the company policies the companies they want to have a relationship with. (Prahalad & Ramaswamy 2004).

### 5.2 Value creation spheres

Grönroos & Voima (2013, 140-143.) looks at value creation through spheres: Provider sphere, where the company produces resources, processes, and potential value-in-use, thus facilitating customer's value creation. In the customer sphere, customer creates value as value-in-use separately from the provider, without the company's help or interference. The third sphere is the joint sphere, where customer and provider co-produce resources and processes with direct interactions. The process may not always be as linear as figure three states, as value could be created in different spheres at different periods of time.

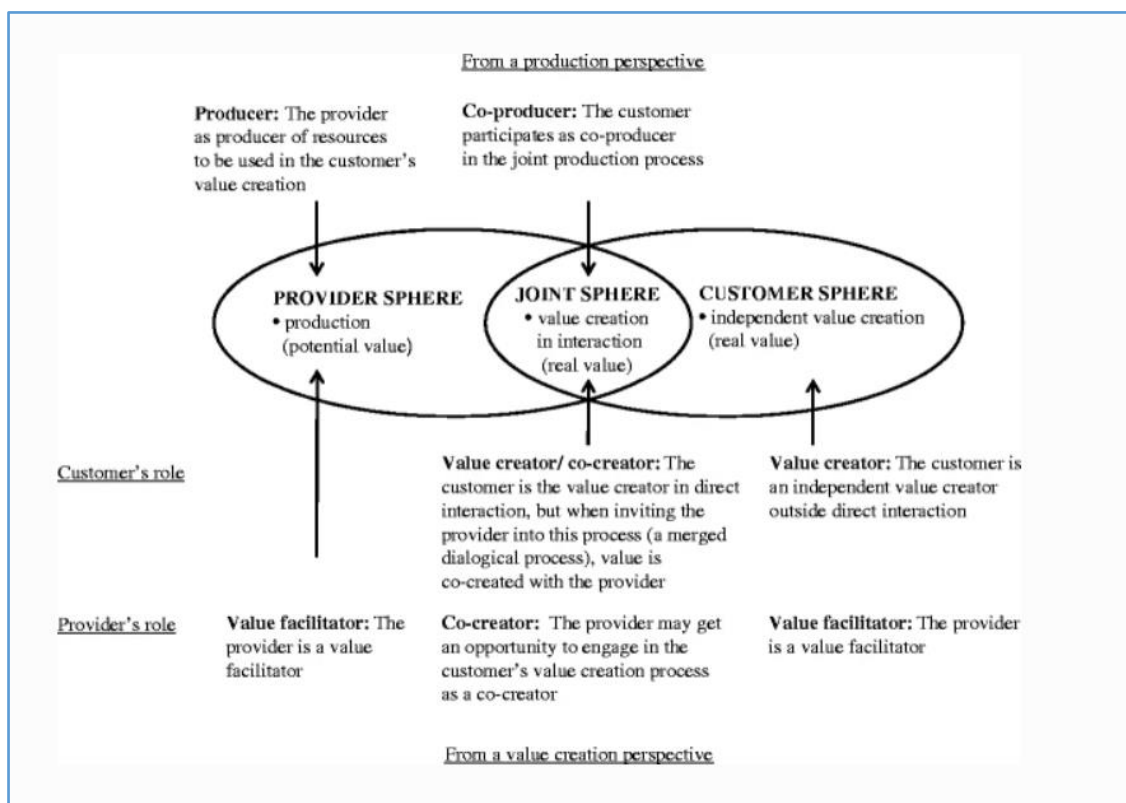


Figure 3. Value creation spheres (Gröönroos & Voima, 2013, 141.)

In the provider sphere, the provider creates potential value, that customers can later turn into value-in-use, or real value. In other words, the provider's role is to facilitate the value creation through the processes they own. (Gröönroos & Voima, 2013, 141.)

The customer sphere has been traditionally ignored in value creation context, whereas provider's role has been emphasized. This was natural as value was thought as an output of a company, controlled by the company. More recently, customers' role in value creation has been noted. Gröönroos & Voima (2013, 142.) argues that customer sphere is closed to the provider, the provider can only passively try to influence to the value creation. Customer might independently combine different resources to create value of their choosing, and they can be influenced by wider network of customers, such as family or friends.

In the joint sphere value is created by customers and the company in interactions, and the customer is in charge. Company tries to interact with customers, but these engagements come with a risk: If the company engages customers, uninvited by the customer, by calling them for example, there is a risk of value destruction. It is difficult for the company to know what mental stage and situation the customer might have in a specific moment. Companies should learn about the customers and their individual and collective context to have more effective management on customer interactions, as those could influence the value creation process. (Gröönroos & Voima, 2013, 141.)

The spheres can be dynamic: While the company can invite customer into co-creation process in joint sphere, customer may be active and cross boundaries into provider sphere. They could also have several roles, such as co-designer, co-developer, or co-producer. (Gröönroos & Voima, 2013, 141.)

### 5.3 Service-dominant logic

Looking into the world of co-creation, one cannot avoid running into Vargo's & Lusch's paper on *Evolving to a new dominant logic for Marketing* (2004). As this service dominant logic is broadly referred to, it is essential to know the basics. Vargo & Lusch (2004, 8-12.) present 8 foundational premises to help understand service dominant logic:

**The Application of Specialized Skills and Knowledge Is the Fundamental Unit of Exchange.** There are two main operant recourses that people have: physical and mental skills. These types are unequally distributed among people, and because of a person's skillset is not necessarily best possible for his/her prosperity, this specialization is effective for society

and individual members in it. To be efficient and give scale effects to people or societies, specialization needs to have exchange.

**Indirect Exchange Masks the Fundamental Unit of Exchange.** The exchange of skills has moved over time from one-to-one exchange to the more complex and indirect exchange of skills in hierarchical, extensively large, and bureaucratic organizations. Due to the growingly monetized exchange process, the customer was not the sole direct trading partner, but most of personnel was not in contact with the customer anymore. Eventually, most workers were not familiar with the whole process of production of the goods, and never saw the customer. Organizations themselves were specializing in making one part of the product and further masked the basic services-for-services set-up. This was a major improvement in efficiency, but the downside was, that as workers no longer had to see the customer, they did not have to pay attention to quality. Various managerial techniques were invented to make workers focus again to the fundamentals: people still exchange their specialized skills to other skills. Organizations, goods, and money are only vehicles of the exchange.

**Goods are Distribution Mechanism for Service Provision.** Physical goods worked well as a view of economic exchange during the Industrial Revolution, and manufacturing as the main interest of science and marketing played relatively well too. Since then, marketing has evolved to be concerned with more than just the exchange of goods, as the common denominator of exchange is specialized knowledge, mental skills. Physical goods have more to them than the obvious value, like sports car's basic function is transportation, but it grants to its owner other values too. Tangible products can also be seen as comprised knowledge that replaces direct service, such as modern razor replaces the need for a barber.

**Knowledge Is the Fundamental Source of Competitive Advantage.** In the traditional business model, the focus of the supply chain is goods. Vargo & Lusch suggests, that the primary flow in supply chain or service-provision chain is information, and service is the provision of the information to a consumer. Evans and Wurster (1997) argue according to Vargo & Lusch (2004, 9.) that value chain includes all the information flowing between a company and its current or future customers, distributors and suppliers, and that customer loyalty, supplier relationships, process coordination and employee loyalty are dependent on different kinds of information. The focus is increasingly on operant recourses as we move towards service-dominant logic.

**All Economies Are Services Economies.** We have gotten used to describe phases and societies in history with the contemporary primary economic activity, such as hunter-gatherer, agricultural and industrial. The micro-specialization, or refinement and exchange of knowledge, however, have been the common nominator. Many of the activities that are

performed today, have been performed always in some way, though they have evolved into separate specialties. Although services have not been recognized through the production of goods in history, due to micro-specialization services are becoming more visible now.

**The Customer is Always a Coproducer.** To maximize the manufacturing efficiency, producer and consumer has been traditionally seen as counterparts in the goods-based manufacturing point of view. This reduces the efficiency of responsive marketing. In a service-centered view of marketing, customers are always coproducing value to goods: Production or even products are not the end of the manufacturing process, but more of an intermediate process as customers still must learn to use the product and modify the product into his/her own individual needs. Therefore, customer is participating in the value-creation and delivery process.

**The Enterprise Can Only Make Value Propositions.** Consumers decide the value and they take part in creating it through coproduction. Tangible goods are embedded with knowledge that is supposedly valuable to the customer in company's plans, but the value is not there until a consumer finds it translatable to his/her particular needs through coproduction.

**A Service-Centered View Is Customer Oriented and Relational.** In the service-centered model, humans are both the focus and participants of the exchange process. The transaction is not the most important thing, but relationship with customers is, be it long or short term. In the service-centered view, the service provision is maximized through a repetitive learning process from both customer's and company's part. There is the assumption, that there are constantly evolving relationships between consumers and companies.

Since this original paper on service-dominant logic (2004), it has been a subject of discussion and research. In their conceptual paper, back on the subject, Vargo & Lusch (2008) added to their original work on service-dominant logic the foundational premises nine, ten and eleven. They elaborated their former work by refining the foundational premises and classify some of them into axioms.

According to Vargo & Lusch (2016, 8.) the service-dominant logic consists of eleven foundational premises from which five have been granted an axiom status. The foundational premises can be derived from the axioms. They are:

<b>Axiom 1 /FP 1</b>	<b>Service is the fundamental basis of exchange</b>
FP2	Indirect exchange masks the fundamental basis of exchange
FP3	Goods are a distribution mechanism for service provision

FP4	Operant resources are the fundamental source of strategic benefit
FP5	All economies are service economies
<b>Axiom2/ FP6</b>	<b>Value is cocreated by multiple actors, always including the beneficiary</b>
FP7	Actors cannot deliver value but an participate in the creation and offering of value propositions
FP8	A service-centered view is inherently beneficiary oriented and relational
<b>Axiom3/ FP9</b>	<b>All social and economic actors are resource integrators</b>
<b>Axiom4/ FP10</b>	<b>Value is always uniquely and phenomenologically determined by the beneficiary</b>
<b>Axiom5/ FP11</b>	<b>Value cocreation is coordinated through actor-generated institutions and institutional arrangements.</b>

Table 2. Foundational premises of service-dominant logic (Vargo & Lusch 2016, 8.)

#### 5.4 Institutions in co-creation

Institutions in this chapter are defined by Vargo & Lusch (2016, 11.) as:

*Humanly devised rules, norms, and beliefs that enable and constrain action and make social life predictable and meaningful.*

There is a clear distinction between institutions and organizations in service-dominant logic, even though they are commonly talked as the same. Institutions can informal social norms, formal codified laws, or various other routinized categories that provides a way to communication, cognition, and judgement. Institutions are important in service-dominant logic because a great deal of value co-creation is done through institutions, because humans have limited cognitive abilities. This is to be looked broadly: A human without any connection to anybody else or obey any rules, would not do smart things according to our common mind. Through institutions, we are able to perform tasks without thinking them. Institutions enable actors to carry out increasing levels of value cocreation and service exchange. (Vargo & Lusch, 2016, 11.)

#### 5.5 Co-innovation

In their case study research, Garrigós & Molina (2020) found that co-innovation resulted in better products in terms of how long the new products stayed in production. Mercadona, the largest supermarket chain in Spain, has a special co-innovation center where products are designed from the beginning to the packaging in coordination with customers, suppliers, and the company. This co-innovation center would have a supermarket environment and

home environment and new products are designed from entirely there from the beginning to the launch.

82 percent of the products designed in the co-innovation labs were still in the supermarket shelves after 48 weeks, compared to other products score of 24 percent. The Mercadona method was also found good for keeping up with customer's changing needs, as they are faster revealed to the company. The co-operation between retailer-supplier-consumer triad in innovation was found successful in capturing the critical embedded and existential knowledge. (Garrigós & Molina 2020).

## 5.6 The co-creators

Ranjan & Read (2019, 912.) studied the role of individual in value co-creation. In their paper they researched whether the individual psychological attributes of people would have an effect on individuals' eagerness to co-produce. They found out that contrary to believes, extroversion itself does not make co-creation more likely to happen. It is likely that the interactive nature of co-creation gave the conception that extroverts would be more likely to participate, but actually a lone software developer could contribute considerably without participating orally or even in written interaction. Prosocial behavior was found important in terms of likeliness to co-create.

Ranjan & Read (2019, 912.) also found out, that social media offers natural platform for prosocial individuals to co-create with companies, for example by posting pictures of their own versions of certain products. Prosocial people might be attracted to co-creation through a larger cause, if they have an intrinsic motivation to do good for other people.

## 5.7 Co-destruction

Järvi et al. (2018, 2.) studied the reasons why co-creation ends up being co-destruction. They found several situations where co-destruction takes place: absence of information, insufficient level of trust, mistakes, inability to serve, inability to change, the absence of clear expectations, customer misbehavior, blaming.

Absence of information and mistakes could result from many reasons, such as inaccuracies and insufficiencies in the given information both from provider and the customer. Customers may not understand the information they are given and does not ask when in doubt. (Järvi et al. 2018, 2.)

Trust issues can consist of both customers' and providers' willingness to hide information or from trying to benefit in a way that is not in the interest of the other party. In addition,

customers can participate in co-creation project without intention to buy a product, or they may lose motivation during the process and therefore not participate any more. (Järvi et al. 2018, 4.)

Inability to serve may come from too expensive or plain wrong offerings from the providers side. The provider might also be too slow in their actions and development projects can take longer than expected, or they could make promises they cannot keep. Absence of clear expectations can enhance these feelings. (Järvi et al. 2018, 4.)

Customer misbehavior such as using the product wrong, storing it wrong or misusing and breaking the product causes co-destruction, as does customers' other dishonest actions like revealing confidential information obviously does. Blaming in this case consists of customer making false complaints or complaints to a wrong actor, public shaming or customer blaming provider from their own mistakes. (Järvi et al. 2018, 4.)



## 6 IMPROVING CUSTOMER JOURNEY IN COMPANY X BY LOCALIZING ASSORTMENT THROUGH CO-CREATION

### 6.1 Introduction

In this project it was studied how Company X could gather and fulfil customers' product requests.

As assortment is one of the key factors in retail, it should be carefully observed. In the world of seemingly endless lines of products, variations in their colors and sizes, a store cannot keep everything in their shelves. Assortment decisions are made, but how to combine the formed assortment with the desires of the local customers?

In this case it is done by offering the customers the possibility to place requests through website to get their desired product into the shelves of their favorite store. This is thought to improve customer experience, as they will have more of the products they need in the same place. This again, is seen to add positive touch points in their customer journey. By participating in the assortment building, customers are participating in value co-creation, as the value of their nearby store is increased due to more suitable assortment.

Company introduction is in appendix 1.

### 6.2 Project objectives

The main objectives of this project were to:

- Make customers' wishes more visible.
- See if this is suitable way of collecting customer wishes.
- Set a start for a new kind of collaboration between local and international assortment planners in regional assortment work.
- Figure out how should assortment additions be communicated to customers.

The basis for these objectives is partly derived from the current strategy of the strategy of Company X. On the other hand, the core of offering the best products to its customers, is to listen to customers with extra sensitive ear. Customer wishes were listened and fulfilled in the past, of course, but it was recognized that there was a need for a system that was more visible and transparent to the customer, and better organized within the company.

While the project and this paper would live their own lives, they would still have some differences. The main research question in this master's theses was:

1. Is Platform X the right way to collect customer requests?

Supplementing research questions were:

2. Is the request process working both technically and user friendly to both customers and personnel?
3. What should the marketing material look like?
4. What kind of information is needed to make the decisions about product additions?
5. How are the participating stores able to fulfil customers' requests?

### 6.3 Project progression

Two of the Finnish stores were chosen to participate in the pilot stage and schedule was decided. A platform offer was accepted and modified to fit Company X's profile. At the same time, marketing people would consider the name and visual appearance for the request system. After some serious and not so serious alternatives, a name was chosen for the platform, and visuals were designed to align with the current Company X concept.

The schedule for kick-off was set, when all the participating actors had affirmed their readiness for it. The storming pandemic postponed the start by a little due to challenges in the printing company, but not so much that it would have made a big difference.

### 6.4 Current state of request process

The normal procedure for a product request use to be unformal and would vary depending on who was handling it during the process. The starting point is the one clear similarity with the newer version: customer cannot find a product but would like to buy it from the store. Most often this have happened in-store, where the customer has told his / her desire to some of the salespersons of that store. After that, the old and the new processes start to differ. The old way is described here.

#### 6.4.1 Request from customer to salesperson

Usually, the salesperson does not have any power on making decisions about assortments, but they can influence on the matter. A salesperson could influence the request by adding information or insight on it before forwarding it. For example, one could add on a request of certain safety clothes that he knows that are way too expensive, or that he knows the model and color are out of fashion, and therefore help to get the request dumped. The information they give might be just the right kind of info needed to make the right decision about a

product, but the reason might not be connected to the product at all. The salesperson may have a bad day, he could have negative feelings towards a company or product that would have only a personal agenda, such as “I hate their commercial, therefore I am boycotting their products”.

In the same manner, a salesperson could forward a request with a strong recommendation, and could be just as right or wrong as in the previous example. People often have an illusion that what is popular among their friends, is popular among the general public. Hence, if both the customer making a wish and the salesperson receiving it think that construction knife with ten-inch blade is essential in modern building site, the request will end up in the managers table with the words “everybody is talking about it, it is going to be a big hit.

The salespersons may also have an unintentional effect on requests: Without a clear procedure and focus on customers’ desires, the request is often written on a piece of paper, “remembered”, or e-mailed quite freely. Pieces of paper get easily lost or damaged or the handwriting might be too poor to read. Also, there are often difficulties with the correct spelling of the products, especially with the specialty brands, and even with the slightest of errors, the request may get dumped as an unknown product. These are all worst-case scenarios, surely, but they display the possible frictions in the process.

There is also a route bypassing the salesperson. Increasingly, customers use Company X’s feedback channel to request products. This way most of the distractions are avoided, and though the feedback channel is not built for requests, it might be a convenient way on the customers’ side. It is not a bad way for managers either, but due to its somewhat burdensome nature, it is far from optimal in product request handling.

#### 6.4.2 Manager and backoffice handling the request.

Now that the request is gotten to a manager, he or she will assess it. Intuition, in good and in bad, can seal the deal just the same way as with the salesperson. Managers often have a busy schedule, and if the requests are not set as critical work, intuition probably has quite a big impact.

Regardless of the managers feelings and knowledge, the manager does not have the ability to add requested products to assortment by themselves. In Company X, there are professionals at the backoffice to handle assortment related matters, and in case of a request, they will provide with information on the product. Manager could ask from assortment team how the product has performed in other stores, or is it even possible to get the product into the store in question. This back-and-forth conversation takes time and effort from the

managers and backoffice professionals and delays the process. This conversation is essential though, as there are number of reasons why the product could not be added to assortment.

If the product is found to be interesting, manager must decide whether there is enough space in shelf to take it in. There is not a system for that, but manager decides this based on what he or she knows and sees. Managers often have a good perception on the space in shelves, but without exact data the decision is more or less a guess, that does not have all the information needed with it.

#### 6.4.3 Assortment addition and ordering

When the decision is made to add a product into assortment, it is done by the backoffice assortment professionals. This is a fairly simple and not particularly time-consuming procedure, when all the preliminary work is done properly. The assortment team then informs the store in question to start the ordering. This too is a simple action at itself but needs to be coordinated correctly. If this part is missed for some reason, the product is left out of the weekly orderings, and the product never arrives in the store.

When the product arrives at the store, it needs to be fitted in the shelf. There is no structure here, but usually an experienced salesperson makes room for the newcomer. The correct space is most likely found besides the most popular product, since they have the most space and therefore are most likely to give that space away. The salesperson sets up the settings in the ordering program and after that it is ordered like the already existing products.

At this point the process of adding product to the assortment is ready. In this old version there are no signs to tell that certain product would be another customer's request. Products are attached usually for a definite period, such as from this day to the end of the current year. After that period, products are again under scrutiny to find out which products are kept, and which are not.

#### 6.5 The new Platform X process

The need for a product request still comes most often in a moment, when desired product is not available at the store that customer is usually shopping. The process of requesting a product to be added into the assortment of that particular store can be the same as it is now, or it could be different from the very start.

### 6.5.1 Making the request

Customers can go to the nearest salesperson with their request as they would do now. This will surely be the most common way before the Platform X receives more awareness. But there the process starts to differ: salesperson writes the request into the system in the company website, or customers can do this by themselves with their phones or computers.

Image of the website in appendix 3.

The page is simple and currently in Finnish and English. It has three fields: In the first one, customers choose the store they wish their request to be placed. During the start phase there were two options in this dropdown menu.

More accurate description of the process in appendix 4.

The website does not collect any information of the requesting customer, so it does not make a register of any kind, and therefore does not apply for GDPR restrictions. This makes it easy and light to put up and maintain, but on the downside makes it one-way channel, without the possibility of feedback. It was decided early on that feedback channel was critical from customer service point of view, and technical advances will make this happen later on. Customer will receive an SMS when her or his request is handled.

### 6.5.2 Handling of the request

Once the request is entered into the system, the first stop is the manager. Managers have access and are expected to visit Platform X administrative website regularly to check for new requests. In the starting phase, managers would have options to accept or reject a product. It was agreed that to get some experience of the new system, as many requests as possible were accepted.

More detailed description of the handling process in appendix 5.

## 6.6 Process comparison

The Platform X process has eliminated many of the humane faults of the process and replaced them with information and conscious decision making. In a way, this is natural as the old process was not exactly a process, but more of chore of which importance and handling was interpreted locally and daily.

More detailed comparison of the processes in appendix 6.

## 6.7 Marketing materials

One of the goals of the experiment was to explore what kind of marketing material was needed in both marketing the Platform X request possibility and making the newly added products visible to customers.

Detailed descriptions of the marketing materials in appendix 7.

## 7 DATA COLLECTION

### 7.1 Interviews

My main method of collecting data was interviews. Since the main goal of this research was to find out whether Platform X was a good way of collecting customer request, the focus was on the interviews of personnel in different stages of the process. Stakeholders and their roles in the process are:

- Customer. Obvious starting point, active agent in co-creation and end user of this experiment.
- Salespeople. These people receive firsthand information and feedback from customers, and they are the persons to give information to customers.
- Store management. They also work directly with customers but have also back-office duties, and in this project, they are the persons to accept or deny requests.
- Company X backoffice management. This team offers information and guidance for decision making. There are different roles within this team's professionals, and this team is in the heart of designing the process, the marketing, and the visuals.
- Company X director oversees all the above.

#### 7.1.1 Customers

Project Platform X was launched to collect product requests from customers, and the assumption was that it was at least sufficient for customers. Exploring the process in the organization was emphasized, and customer feedback was not in the focus. Limitations of Platform X were recognized beforehand, such as lack of feedback to requesting customer.

Customers' interviews were done orally by salespeople with one short question: "What do you think of this?". Question was presented to people who were asking for a product that the store did not have, and therefore introduced with Platform X. Often customers saw how the website works even though salesperson was with the phone and assumably had good enough perception how the system works.

Nearly all considered Platform X to be quite positive and warmly welcomed thing. Only a few customers had suggestions for improvements and direct critique. Most improvement suggestions dealt with the lack of feedback on how their request was succeeding. Critique

was directed to the setting itself: why does a customer have to do this, why did you not already have my product.

As said before, the lack of feedback was recognized before launch, but it was not technically possible feature to add to the website at the moment. The future system will surely have that feature built in.

It is noticeable, that not every customer asking for a product were asked this question and those who used the platform themselves, were not asked for feedback at all.

### 7.1.2 Salespeople

I interviewed 12 salespersons with the simple question “what do you think of this?”. Salespeople had no negative comments of the new system. Salespeople have been the ones who have listened to most of the questions and complaints about products that the store does not have. The new possibility to just type the requested product into website with phone and the request is done, is greatly welcomed development.

People felt much more positive about customers asking for products than they did before as the new method was so much better. It was recognized that it was a pleasure to introduce the new method to customers, and the situation itself had gained more positive atmosphere into it. Salespeople felt that Platform X was easy to use and faster than the previous method.

### 7.1.3 Store management

Store managers were the key group in this experiment to assess the new process, and therefore management was the key group in the interviews as well. Store managers after all, have been the people who have been handling the requests so far.

In the previous system, grocery department managers would handle nearly all the product requests. It was expected that most of the requests would be in the grocery department in the future also, and therefore the managers there would be in the spotlight in the interview as well.

Store manager interviews in appendix 7.

### 7.1.4 Backoffice management

Backoffice manager's and directors' interview in appendix 8.



## 7.2 Statistics

A lot of requests were placed and approximately 40 per cent of the requests were added to stores.

Table of requested products and comments on them in appendix 9.

## 8 CONCLUSIONS

### 8.1 Research questions

In the beginning, five research questions were decided:

1. Is Platform X the right way to collect customer requests?

It can be. Platform X is proved to be a possible mean of gathering product requests from customers and the developed marketing material supports the cause. There have been great number of requests which indicate that customers have found this platform and are using it independently.

Supplementing research questions were:

2. Is the request process working both technically and user-friendly to both customers and personnel?

Yes. User-friendliness and ease of use was found good both with customers and personnel. Technical side is still under construction and advances are coming, which will especially make decision making process clearer and easier.

3. What should the marketing material look like?

The material appearance as such was not studied. Current material had only been commented on its' visibility, which was developed during the experiment. Further developments are still to come as requests are reaching different product areas and require different type of material.

4. What kind of information is needed to make the decisions about product additions?

Little information is needed to make decisions, but to make rational decisions that are advantageous for both the company and its customers in the long run, some information is helpful. The allocation of current space is essential information, and knowing the sales and losses of a product in other stores is sensible.

5. How are the participating stores able to fulfil customers' requests?

Stores can add newly requested products with some limits. Some assortments are fuller than others and requested products may not be sometimes added to assortment at all.

As an overall remark of the research questions, some of the research questions proved to be quite broad and therefore troublesome to research and answer comprehensively.

Perhaps the first research question could have been more of the theme of the study and be divided into smaller blocks, or research questions.

## 8.2 General assessment

The new process, Platform X, has several advantages compared to the old way. One of the main improvements is, looking purely from the product request point of view, that the issue has been acknowledged and concentrated on.

In my opinion, even in the smallest cities with no competition, the product request process should be rarely applied with utility goods that are used seldom. In most cases customer should be able to order the one product to the store and the assortment would stay as planned. That kind of process is under construction. This process should be as smooth as possible, because once a customer is forced to wait for a product, they could open the internet and browse for the assortment of the world. However, some requests may bring forth the underlying trends or current hit products.

## 8.3 Reliability and ethics

*The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as a reliability and if the research instrument is considered to be reliable. (Joppe, 2000, according to Golafshani, 2006, 598.)*

The study's reliability has limitations due to its nature as an experiment, and due to the sample size was small.

*Ethical behaviour helps protect individuals, communities, and environments, and offers the potential to increase the sum of good in the world. (Israel & Hay, 2006, 2.)*

The research in this thesis was conducted in a non-intrusive manner. Interviews were purely professional and subjected to limited group of professionals. No customer data was collected or used for this thesis and customer voice was heard as a secondary source.

## 8.4 Further studies

This thesis could have also been done from the assortment point of view only. It would be interesting to scrutinize the sales data of requested products as individual products and as groups, and try to find patterns from that combined into background data.

As the Platform X is spreading and evolving, it opens massive opportunities in both data analysis, but also taking the customers more along in the study due to the feedback channel.

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