MIKA YRJÖLÄ

Departures to
Executive Decision Making
in Omni-Channel Retailing

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Acknowledgements

For me, writing a doctoral dissertation has been like creating a painting. It began with a simple idea, an inspiration. Then the idea was outlined and sketched and re-sketched until the vital elements for the piece became visible. The paint, the substance was added in layers. Each layer added more detail to the work, but also covered up and changed some elements. Many individuals and institutions have helped me create this painting and deserve to be acknowledged here.

First of all, I'd like to thank my supervisor, Professor Hannu Kuusela. He has helped me in more ways than it is possible for me to list here. He introduced the world of academic research to me in 2010 by letting me work on a research project with researcher Timo Rintamäki. Hannu has been my toughest critic and my most encouraging supporter. His direct approach and eye for detail have forced me to add more layers and depth to my work. He began to see the elements taking shape in the painting before I did. It is his vision and guidance that made this painting a reality.

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At my office, October 14, 2015,

Mika Yrjölä

Abstract

Both academics and practitioners alike have argued for an enhanced focus on customers in firms' decision making. Yet, the methods of building such a customer focus are often ambiguous, superficial and lacking inner corporate meaning. The purpose of this article-based dissertation is to analyze how executives can incorporate a customer focus into their decision making in the context of omni-channel retailing.

Executive decision making in relation to customers is particularly challenging in the omni-channel retail context. The increased number of retail channels has changed the way that customers seek and compare product information, make purchases, and collect products. At the same time, technology provides retailers with new ways of reaching and interacting with their customers. In this context, incorporating a customer focus into executive decision making is especially important.

A customer focus is here conceptualized as involving three activities: understanding customer value, creating customer value, and capturing value. Together with this introductory portion, the four articles provide insight into the domain of customer-focused executive decision making in omni-channel retailing. Article I adopts the top executive perspective for analyzing research relevance. Article II analyzes how retail executives perceive the pairwise comparison method as a tool for prioritizing customer value dimensions. Article III develops a tentative framework for customer value creation by analyzing the stage and nature of customer interaction. Finally, Article IV analyzes the challenges of value creation and value capture in omni-channel business models.

Based on the insights derived from the articles, nine propositions are formulated in order to understand how executives can incorporate a customer focus into their decision making. On the basis of the propositions, various managerial implications are noted and several avenues for future research are mapped.

KEYWORDS: executive decision making, customer focus, customer value, strategic marketing, omni-channel retail

Tiivistelmä

Asiakasnäkökulman huomioimista, asiakasfokusta, on pitkään pidetty tärkeänä johdon päätöksenteossa. Tällaisen fokuksen tuominen päätöksentekoon ei kuitenkaan ole yksiselitteistä. Tässä artikkelipohjaisessa väitöskirjassa analysoidaan, miten johto voi tuoda asiakasfokusta päätöksentekoonsa omnikanavaisen kaupan kontekstissa.

Omnikanavainen kauppa edustaa kontekstia, jossa asiakkaisiin liittyvä johdon päätöksenteko on erityisen ongelmallista. Kanavien lisääntynyt määrä on monimutkaistanut asiakkaiden käyttäytymistä. Samalla teknologia tarjoaa kaupan toimijoille uusia keinoja tavoittaa asiakkaita ja olla vuorovaikutuksessa heidän kanssaan. Nämä kontekstin erityispiirteet korostavat asiakasfokuksen merkitystä.

Asiakasfokus nähdään muodostuvan kolmesta aktiviteetista: asiakasarvon ymmärtäminen, asiakasarvon luominen, ja arvon vangitseminen. Kokoomaosio ja neljä artikkelia tuovat näkökulmia johdon päätöksentekoon omnikanavaisessa kaupassa. Artikkelissa I analysoidaan tutkimuksen merkitystä ylimmän johdon näkökulmasta. Artikkelissa II puolestaan analysoidaan, kuinka kaupan johto kokee parivertailumenetelmän hyödyllisyyden asiakasarvon ulottuvuuksia koskevassa priorisoinnissa. Artikkelissa III luodaan alustava viitekehys arvonluonnille analysoimalla asiakasvuorovaikutuksen vaiheita ja luonnetta. Lopuksi, artikkelissa IV analysoidaan arvonluonnin haasteita omnikanavaisen kaupan liiketoimintamalleissa.

Näiden eri näkökulmien pohjalta väitöskirjassa kehitetään yhdeksän propositiota, jotka hahmottavat sitä kuinka johto voi omaksua asiakasfokuksen päätöksentekoonsa omnikanavaisen kaupan kontekstissa. Propositioiden perusteella vedetään johtopäätöksiä käytännön päätöksenteolle ja asetetaan suuntaviivoja jatkotutkimukselle.

AVAINSANAT: johdon päätöksenteko, asiakasfokus, asiakasarvo, strateginen markkinointi, omnikanavainen kauppa

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I Kuusela, H., Närvänen, E., Saarijärvi, H., & Yrjölä, M. (2014). Challenges for B2B research relevance – A top executive perspective. *Journal of Business & Industrial Marketing*, *29*(7/8), 593–600.

II Yrjölä, M. (2015). Uncovering executive prioritization: Evaluating customer value propositions with the pairwise comparison method. *Journal of Service Science and Management*, *8*(1), 1–13.

III Saarijärvi, H., Mitronen, L., & Yrjölä, M. (2014). From selling to supporting – Leveraging mobile services in the context of food retailing. *Journal of Retailing and Consumer Services*, *21*(1), 26–36.

IV Yrjölä, M. (2014). Value creation challenges in multichannel retail business models. *Journal of Business Models*, *2*(1), 89–104.

1   Introduction

This dissertation seeks to incorporate a customer focus into executive decision making in omni-channel retailing. Executive decision making involves executives making sense of their environment, steering the company toward promising opportunities, and committing resources and setting goals for the organization. New resources, markets, and capabilities are created through executive decisions. All this makes executive decision making a relevant, topical and critically important issue in today's corporate landscape.

Scholars have called for more research investigating those who design, influence, and implement company strategy (Hutzschenreuter & Kleindienst, 2006). Conducting research from the perspective of executive decision making is important, since the executives' decisions about where to commit people, time and money ultimately drive company strategy (Bower & Gilbert, 2007). Further, executive decisions create new tangible and intangible resources for the organization. These resources include for example organizational capabilities, brands and relationships. Through these resources, executive decision making aims to establish an advantage for the company (Acito & Williams, 2007). Thus, research that adopts an executive decision making perspective is essential.

Executive decision making is often characterized by an inside-out firm focus, meaning that the firm takes its current resources and capabilities as the starting point for its strategy (Day & Moorman, 2010). It involves cost-cutting to improve profitability as well as applying the firm's technology to new markets to increase revenue. However, focusing solely on the internal aspects can easily lead the firm astray and prevent it from spotting new trends in the marketplace.

Conversely, an outside-in customer focus situates customers and their needs as the starting point for the firm's strategy. It involves understanding changing customer needs and developing new capabilities to meet those needs (Day & Moorman, 2010). Both the firm and the customer focus are necessary in executive decision making, although the customer focus is currently underdeveloped. Consequently, the present dissertation addresses this gap by analyzing how a customer focus is incorporated into executive decision making.

When examining executive decision making, it is important to consider: (1) the content of the decisions, (2) the objectives of the decisions, and (3) the decision-making process (i.e. how the decisions are made). First, the content of executive decision making includes allocating people, time, and funds to acquire, develop and leverage resources and capabilities. On an abstract level, executives examine which company resources and capabilities currently create value, and what kinds will be needed in the future. Executives therefore simultaneously make decisions regarding both tactical and strategic matters as well as dealing with complex issues, such as managing networks to secure access to new resources and capabilities (Gummesson, 2014; Kuusela et al., 2014; Åge, 2014). Executives evaluate how customer needs are changing and what competitors are doing to meet those needs. In sum, they strive to understand, influence, and adapt to changing market conditions.

Second, the objectives of executive decision making are different to those of other forms of decision making. Ultimately, the objective is to create and sustain a competitive advantage. Such a competitive advantage will, if sustained, ensure the company's survival and so maximize value for shareholders. Creating and communicating customer value[1] is seen as one key route toward competitive advantage (Christensen, 2010; Day & Moorman, 2010; Gallarza et al., 2011; Jensen, 1996; Woodruff, 1997).

Third, the process of executive decision making is complex. It involves processing and interpreting information, identifying the relevant aspects of a problem, defining and evaluating business opportunities through these aspects, and then prioritizing and allocating resources to competing opportunities. A key challenge in executive decision making is determining what information is relevant. Many factors affect the relevance of information from the executives' point of view (Baraldi et al., 2014; Brennan et al., 2014; Kuusela et al., 2014; Åge, 2014). Ultimately, it is the executives themselves who define what is relevant in their specific context and in relation to their specific goals (Jaworski, 2011). For example, for information to be relevant, it has to reach the executive at the right time and it has to speak to the executive's personal values and experience (Kuusela et al., 2014). In addition to receiving information from various sources, executives' subjective characteristics, experience, worldview, intuition and sensemaking play a large role in how they make decisions (Powell et al., 2006, 2011). Thus, the actual process of decision making should be acknowledged as it varies between decisions.

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[1] Customer value, more thoroughly examined in Chapter 2.1.1, is defined as a customer's subjective evaluation of the positive and negative consequences of being a particular retailer's customer (Rintamäki et al., 2007; Sheth et al., 1991; Woodruff, 1997).

Consequently, a customer focus requires that the content, objectives and processes of executive decision making are examined from an outside-in customer perspective. A customer focus is imperative for executive decision making in the context of omni-channel retailing. In this environment, customer behavior is constantly evolving, business process complexity is increasing, and new business models are emerging (Neslin & Shankar, 2009; Sorescu et al., 2011). In light of the above, a customer focus for executive decision making will now be introduced.

1.1 Introducing a customer focus for executive decision making

There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.

Sam Walton (Executive and Founder of Wal-Mart Stores Inc.)

As the above quote illustrates, a company's survival is dependent on its ability to serve its customers. Companies should first and foremost be concerned with creating value for their customers. From the point of view of company executives, this means ensuring a customer focus in their decision making. Customer-focused executive decision making is built on understanding customer value and making decisions that both create value for the customer and allow value capture for the firm.

A customer focus aids in making and approving decisions that lead to enhanced customer value. Customer-focused decisions are thus based on customer insights and alternatives are evaluated based on their ability to create value for customers. For instance, Tesco's turnaround in the 1990s has been attributed to their customer-centric program, which evaluated every decision on the basis of whether the firm's customers would see added value as a result (Day & Moorman, 2013; Frow et al., 2014). On the other hand, J.C. Penney's more recent problems with their new pricing policy were the result of not understanding their customers. The new pricing policy of all around lower, consistent prices did not attract customers who valued the experience of finding deals and using coupons. This led to customer confusion and

a drop in sales (Gagliordi, 2013; Passikoff, 2012). Being customer-focused requires that all organizational processes are steered towards creating value for customers. For online retailer Zalando, this means that technology and web development, marketing, design, sourcing, logistics, and customer service all work toward the same goals as set by the executives (Wauters, 2014). In Zalando's case, these goals involve creating customer value through the availability of a broad selection of fashion items, fast delivery, and easy returns. Incorporating a customer focus should therefore be the central mission of any executive.

As a theoretical concept, customer value lies at the core of a customer focus (see Figure 2). With a customer focus, executive decision making aims to create value for the customer thus enabling value capture for the firm. An inside-out firm focus is inherent in all executive decision making (Day & Moorman, 2010), although a customer focus will complement executive decision making. It guides executives toward understanding the nature of customer value, relating customer value to company resources, and setting objectives for value creation.

This dissertation examines how executives can incorporate a customer focus into their decision making. In this dissertation, a customer focus in executive decision making involves understanding customer value, creating customer value, and capturing value. Related streams of literature, customer orientation and customer centricity (e.g. Gummesson, 2008; Narver & Slater, 1990; Slater & Narver, 1995), focus on aspects beyond executive decision making. Rather, such concepts capture organizational processes, activities, and culture that are oriented toward utilizing customer information. The customer orientation is thus too broad a concept to be used in the analysis of executive decision making. Further, these related concepts were not used in the original articles included in this dissertation, since the articles focus on aspects other than the collection, analysis, dissemination, and utilization of customer information (Kaur & Gupta, 2010; Lafferty & Hult, 2001; Narver & Slater, 1990; Slater & Narver, 1995). Hence, the customer focus was chosen as the central concept for this dissertation.

The aim of a customer focus is to create customer value that customers perceive as more positive than those of competitors' offerings. Indeed, creating customer value is seen as a central goal of companies in many different streams of literature, such as the market orientation literature (Kaur & Gupta, 2010; Lafferty & Hult, 2001; Narver & Slater, 1990; Slater & Narver, 1995), the knowledge management literature (Gebert et al., 2003; Kaplan & Norton, 2004), the customer relationship management (CRM) literature (Boulding et al., 2005; Payne & Frow, 2005), and the resource-based view (RBV) and capabilities literature (Martelo et al., 2011, 2013).

Furthermore, according to the latest theoretical understanding, companies are seen as co-producers or co-creators that participate in the customer's value-creating processes through making value propositions and providing resources for customers (Grönroos, 2008; Holbrook, 2006; Payne & Frow, 2005; Payne et al., 2008; Prahalad & Ramaswamy, 2004; Vargo & Lusch, 2004). Regardless of the specific concepts, the problem for executives remains the same: to understand customers and to translate that understanding into a viable business model.

Executives' decisions create resources that, in turn, can enhance or reduce customer value. Therefore, it is important to examine how executives can think and make decisions from the customer's point of view (i.e. customer-focused decision making). Intangible aspects of customer behavior, such as meanings and fantasies, are in danger of being dismissed in executive decision making because they are difficult to measure and present in a numerical form. More tangible aspects, such as prices, are easier to grasp and therefore might dominate decision making. In customer-focused decision making, both concrete and intangible aspects of the customer experience are considered.

1.2   Executive decision making in omni-channel retailing

Over the last two decades, digitalization and the development of online services and communications technology have created both new opportunities and new challenges for retailers (Day, 2011; Verhoef et al., 2015). The development of new shopping channels is fragmenting customer behavior, adding complexity to business processes, and opening new business opportunities. In this omni-channel retail environment, executive decision making has become even more complex and challenging.

The "channel" is a key concept in omni-channel retailing and it can be defined as "a customer contact point, or a medium through which the firm and the customer interact" (Neslin et al., 2006, p. 96). The online channel has emerged as a dominant part of many retail business models. Online retailers such as Amazon and Zappos have increased their market share over their offline counterparts. In addition to the

online channel, other digital channels such as mobile devices and social media are increasingly important for retailers (Sorescu et al., 2011). Currently, retailers are utilizing multiple channels to interact with their customers (e.g. offering information, providing services, and enabling purchases).

Initially, the term "multichannel" was used to refer to retailers utilizing multiple channels to interact with their customers. Currently, leading retailers are expanding their perspective on channels as well as how customers move through channels in their search and buying process. This contemporary development is labelled omni-channel retailing (Verhoef et al., 2015). Omni-channel retailing involves the retailer examining its channels as a holistic offering from the customer's point of view. In line with a customer focus, the objective of omni-channel retailing is to provide a seamless cross-channel experience for customers (Oh et al., 2012; Verhoef & Lemon, 2013; Verhoef et al., 2015; Weill & Woerner, 2015).

Omni-channel retailing is a context characterized by technological innovations, networks of companies, and both business-to-business and business-to-consumer relationships. The retail context in particular is characterized by large numbers of stock-keeping units, suppliers and other partners, product mix decisions and customer groups. In addition, the retailer usually has responsibility for product logistics and also participates in product marketing (Zhang et al., 2010). For executive decision making, three key themes stand out in the omni-channel environment: (1) evolving customer behavior, (2) increasing business process complexity, and (3) emerging business models (Neslin & Shankar, 2009; Sorescu et al., 2011).

First, customers are increasingly using different channels for their shopping (Dholakia et al., 2010). For example, mobile devices have made customers more price sensitive and changed the way they seek products, pay for them, and tell others about them (Grewal et al., 2012). New technologies are fragmenting customer behavior. Customers choose different channels at different stages of their shopping process (Gensler et al., 2012), with the choice of channel based on a variety of factors, such as convenience, quality, and experience (Dholakia et al., 2010; Gensler et al., 2012; Verhoef et al., 2007). Research also suggests that omni-channel customers are less loyal (Ansari et al., 2008; Konuş et al., 2008). This diversification of customer behavior and decreasing loyalty demand that retailers invest in new technological capabilities to manage customer interactions and customer relationships across channels (Herhausen et al., 2015; Neslin & Shankar, 2009). At the same time, new technology also offers the possibility to reassess the role of retailers in relation to their customers, i.e. shifting their focus from simply selling

goods to supporting customers' everyday processes (Saarijärvi, Mitronen & Yrjölä, 2014).

Second, omni-channel activities increase the complexity of retailers' business processes (Verhoef & Lemon, 2013). This complexity is a result of the increased number of customer touchpoints and new channels, as well as new media and technological partners. For instance, different social media services are seen as channels within other channels (i.e. online and mobile) and so retailers require the capabilities of media partners to interact with customers in these channels. Complexity further arises from information system integration and the added need for internal coordination. Logistics, promotions, communications, customer management, pricing, and customer service are all examples of affected areas (Oh et al., 2012). This increased complexity underlines the need for prioritization in decision making (Yrjölä, 2015).

Third, retailers build omni-channel business models to increase cost-effectiveness, reach new customer segments, and increase customer satisfaction and loyalty through providing better service (Neslin & Shankar, 2009; Zhang et al., 2010). Omni-channel retailers are also thought to be more profitable, and so the profitability and number of omni-channel customers is growing (Venkatesan et al., 2007; Zhang et al., 2010). Zhang et al. (2010) predict that in the long run almost all retailers will have omni-channel business models. Indeed, more and more retailers are utilizing new channels. However, most retailers operate their channels independently of each other (i.e. multichannel retailing), which causes problems such as customer confusion and competition between channels (Gallino & Moreno, 2014; Herhausen et al., 2015; Rigby, 2011). Leading retailers work to provide seamless cross-channel experiences for their customers (i.e. omni-channel retailing) (Oh et al., 2012; Verhoef & Lemon, 2013; Verhoef et al., 2015). While the research suggests that channel integration produces positive effects (Herhausen et al., 2015), retailers considering multichannel or omni-channel business models must carefully analyze the challenges of those business models (Yrjölä, 2014).

In this context, retail executives face decisions about which channels to use, whether to integrate channels, and how to best manage customer touchpoints and customers across channels (Verhoef et al., 2015). Key concerns include data integration, understanding customer behavior, evaluating channels, allocating resources across channels, and coordinating channel strategies (Neslin et al., 2006; Zhang et al., 2010). Thus, research in the omni-channel retail context is relevant not only because it generates new insight into customer behavior, but also due to the challenges it poses to executive decision making. Analyzing the customer focus in

this context is especially fruitful, since customer behavior is currently in a state of flux and so executives can no longer rely on their current mental models of customers.

1.3   The purpose of the dissertation

The purpose of this dissertation is to analyze how executives can incorporate a customer focus into their decision making in the context of omni-channel retailing. The four articles, together with this introductory portion, provide complementary insights into this domain. Based on these insights, nine propositions are formulated to address the purpose of analyzing how executives can incorporate a customer focus into their decision making (Figure 1).
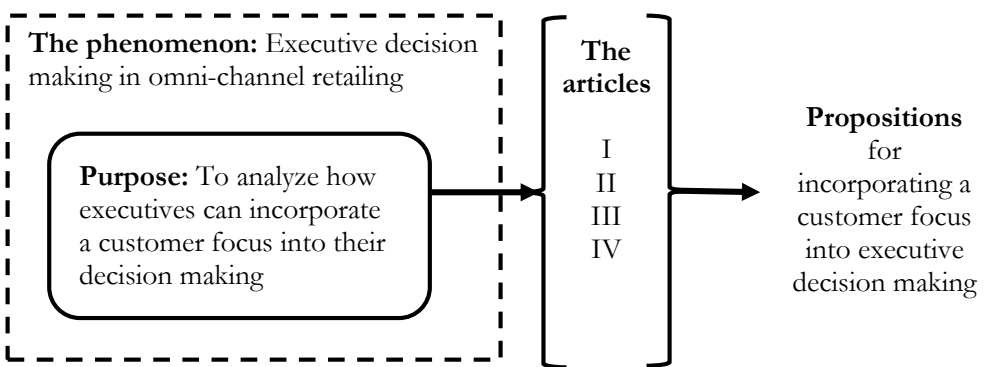
Figure 1. Research setting

This dissertation is part of the marketing discipline. However, the field of marketing includes various schools of thought. A school of thought is defined as a substantial body of knowledge that is developed by a number of scholars and that describes at least one aspect of the what, how, who, why, when and where of performing marketing activities (Shaw & Jones, 2005, p. 241). Prominent schools in the marketing field include, for example, consumer behavior, marketing management, and marketing systems. This dissertation is situated within the marketing

management school. The school's aim is to understand how managers should market goods to customers. Key concepts for the school include the marketing mix, customer orientation and segmentation (Shaw & Jones, 2005; Sheth et al., 1988). In line with the school's agenda, this dissertation is about how to improve a firm's marketing decisions. However, the perspective taken here is that of executive decision making. This perspective operates at the strategic level, going beyond managerial decision making in the marketing function that is traditionally studied in the marketing management school. Moving beyond the functional view, marketing and other functions are integrated to enhance organization-wide decision making (Kumar, 2015). Through the executive decision making perspective, marketing's role in the boardroom can be enlarged, which in turn will make firms more responsive to their customers.

In this introductory portion, in order to address the purpose of incorporating a customer focus into executive decision making, a thorough understanding of the key activities of understanding customer value (section 2.1), creating customer value (section 2.2), and capturing value (section 2.3) is developed.

1.4   Study outline

This dissertation includes four articles that act as departures to executive decision making in omni-channel retail. Instead of providing a broad overall analysis, each article addresses one aspect of the larger problem area. The article-specific research questions are listed in Table 1. In Article I, the challenges for business-to-business (B2B) research relevance are identified and analyzed from the perspective of top executives. Understanding how executives define relevance adds to our knowledge of executive decision making. Article II analyzes how retail executives utilize the pairwise comparison method (PCM) as a possible tool for customer-focused prioritization and decision making. Article III develops a framework for how food retailers use mobile services to expand their role in customers' lives, thereby enhancing their customer focus. Finally, Article IV identifies and analyzes value creation challenges in multichannel retailing.

Table 1. Article research questions.

Article	Purpose/Research question
I. Challenges for B2B research relevance – A top executive perspective	…to identify and analyze the challenges of B2B research relevance from the point of view of top executives.
II. Uncovering executive prioritization	…to analyze how retail executives utilize the pairwise comparison method (PCM) as a tool for prioritizing customer value dimensions.
III. From selling to supporting	…to explore and analyze how food retailers leverage mobile services in serving customers.
IV. Value creation challenges in multichannel retail business models	…to identify and analyze the challenges of value creation in multichannel retail business models.

This dissertation is organized into five chapters. Chapter 1 introduces executive decision making in omni-channel retailing, defines the purpose of this dissertation, and introduces the structure of the dissertation. Chapter 2 provides a theoretical framework for addressing how a customer focus can be incorporated into executive decision making in omni-channel retailing. This involves three activities: understanding customer value (2.1), creating customer value (2.2), and capturing value (2.3). Chapter 3 describes the research philosophy and the research process. Chapter 4 summarizes the four articles. Chapter 5 provides the discussion and conclusions. In the discussion chapter, nine propositions that capture how a customer focus is incorporated into executive decision making are developed and discussed, the managerial implications are drawn out, and future research directions are identified. Finally, the original publications are included after the references.
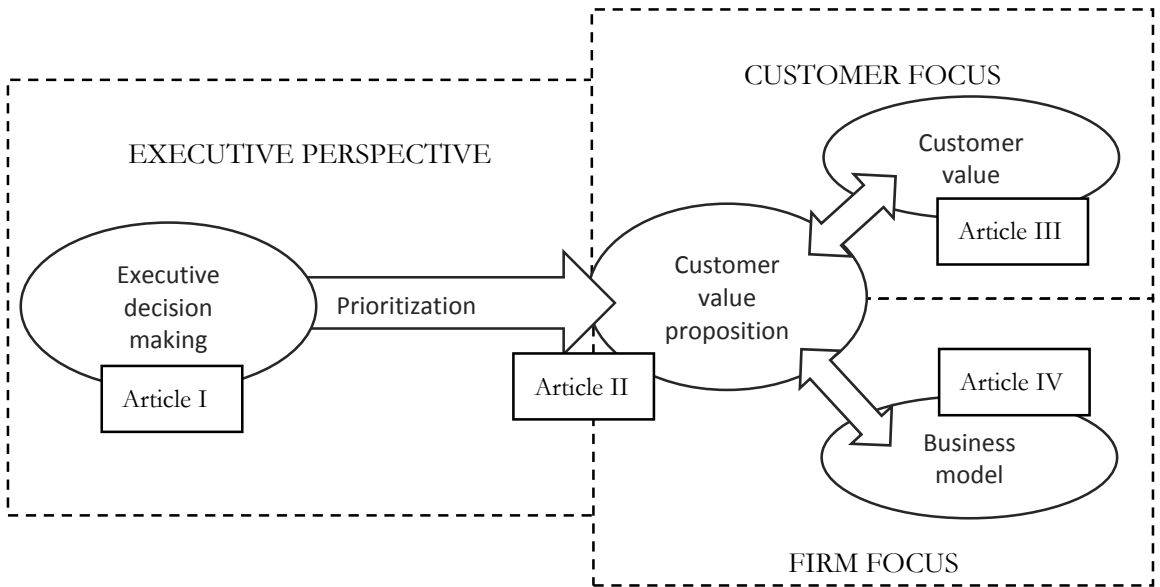
Figure 2. Organizational structure and key concepts

The organizational structure of the dissertation is presented in Figure 2. Executives should incorporate both a customer and a firm focus into their decision making. A customer focus is inherently concerned with understanding the nature of customer value as well as how value can be created and captured. Armed with an understanding of customer value, and via a process of prioritization, executives choose and develop a customer value proposition. Prioritization is a central part of executive decision making. It involves deciding which project(s) receive priority in the organization's resource allocation. Prioritization is discussed in more detail in Article II. Finally, through business models, firms ensure that they receive an equitable return for the value created.

2 Building a Customer Focus in Omni-Channel Retailing

This chapter establishes a tripartite framework for uncovering how a customer focus can be incorporated into executive decision making in the omni-channel retailing context. It provides the theoretical basis from which the articles approach various aspects of a customer focus. The framework is built in three phases. First, section 2.1 analyzes the activity of understanding customer value. In this section, the literature on customer value is examined from the executive decision making perspective. Second, in section 2.2., the activity of creating customer value is analyzed. The most important concept in creating customer value is the customer value proposition. Third, in section 2.3., the activity of capturing value is discussed in light of the business model concept.

It is acknowledged that some of the literature and the related concepts discussed here (e.g. customer value creation, customer value propositions, and business models) have emerged from the practical world. The approaches and concepts stem from their practical value in decision making, i.e. they represent "theory-in-use" for executives and other practitioners (e.g. Gummesson, 2014). Scientifically, these approaches warrant critical examination, because they may appear overly simplistic to some extent and the challenges related to these approaches might seem to be understated. However, the literature has proved its merit in the practical world. Through careful examination, the concepts and approaches provide ways of incorporating a customer focus into executive decision making.

Further, most of the literature is written from the perspective of firms creating and delivering value for customers. During the last decade, the emphasis has actually shifted toward the co-creation of value (Grönroos, 2008; Holbrook, 2006; Payne & Frow, 2005; Payne et al., 2008; Prahalad & Ramaswamy, 2004; Saarijärvi, Kannan & Kuusela, 2013; Vargo & Lusch, 2004). The current theoretical stance is that customers create value for themselves (Grönroos, 2008; Vargo & Lusch, 2004, 2008) and that, given certain conditions, firms can take part in the co-creation of customer value (Grönroos, 2008). In the interests of simplicity, this dissertation uses expressions such as "firms creating customer value", while acknowledging that theoretically it is the customer who creates the value using resources provided by the

firm. From the executive decision making perspective, the focus is on ways of creating customer value (whether directly or through resources used by customers).

Customer value has risen to the top of the executive agenda, since it is a key route to establishing a competitive advantage. The creation of customer value is seen to drive positive customer behavioral and affective states, such as satisfaction and loyalty (Gallarza et al., 2011). These customer states, in turn, protect the firm from competition – i.e. they establish a competitive advantage (Day & Moorman, 2010; Gallarza et al., 2011; Jensen, 1996; Woodruff, 1997). In other words, a competitive advantage is formed by the firm's ability to develop and create offerings that the target customers perceive as providing more value than those of competitors (Christensen, 2010; Doyle, 2000; Lindgreen & Wynstra, 2005).

Executives identify, develop, and leverage resources to effectively create and deliver customer value (Fahy & Smithee, 1999). In this task, a firm can utilize a vast set of resources and capabilities. Previous research suggests that a firm's market orientation or organizational capabilities, such as product development management, supply chain management, knowledge management and customer relationship management (Payne & Frow, 2005; Srivastava et al., 1999), enhances customer value creation. However, customer value can actually be created via a variety of means, usually through a combination of culture, capabilities and strategy (Martelo et al., 2013). For retailers, managing relationships with customers and business partners is particularly important. Hence, there are multiple approaches to creating customer value.

In the business and industrial marketing literature, value creation activities performed by executives have been conceptualized as encompassing three activities: value analysis or understanding value (section 2.1), value creation (section 2.2), and delivery or value capture (section 2.3) (Anderson & Narus, 2004; Lindgreen & Wynstra, 2005; Lindgreen et al., 2012). In this chapter, these three domains are used to conceptualize the adoption of a customer focus for executive decision making in the context of omni-channel retailing. In other words, when executives make decisions with a customer focus, they (1) develop their understanding of customer value and refine their mental models of customers, (2) choose what dimensions of customer value to offer, and (3) develop resources that enable value creation and value capture.

2.1 Understanding customer value in omni-channel retailing

The antecedent of creating customer value is understanding and analyzing it. Through these processes, leading firms are able to identify what customers appreciate, which customer value dimensions are most important to the target customers both now and in the future, and how well the company is currently creating value (Woodruff, 1997). Examples of the relevant resources in this context are market sensing (e.g. Anderson & Narus, 2004; Day, 1994), market-learning capability (Morgan, 2011) and vigilant market learning (Day, 2011). These market-oriented or outside-in processes are concerned with understanding and participating in markets (Day, 1994, 2011; Day & Moorman, 2010; Greenley et al., 2005).

One of the most important objectives of learning from and understanding customers is to shape executives' mental models of their customers (Strandvik et al., 2014). Mental models, as well as other mental representations and frames (Narayanan et al., 2011), guide executive decision making. They capture how executives understand their business environment as well as how they intend to compete. Familiar frames, mindsets and activities might hinder decision making if the business environment is changing rapidly (Birshan et al., 2014). Therefore, understanding customer value in omni-channel retailing should be a continuous process. Improved, more nuanced mental models guide decision making in a way that allows the firm to enhance customer value creation (Senge, 1990; Strandvik et al., 2014; Woodruff, 1997).

2.1.1 Defining customer value in omni-channel retailing

Customer value has received a great deal of attention from scholars and practitioners alike, and it has been defined in a number of ways in the literature. Selected definitions are presented in Table 2. These definitions expose the difficulty in precisely defining customer value. They range from very simple conceptualizations (e.g. "the extent to which a customer feels better off", Grönroos & Voima, 2013, p. 136) to more complex definitions accompanied by typologies of different value dimensions (e.g. Holbrook, 1996, 1999, 2006 in Table 2). For the purpose of this

dissertation, customer value is defined as a customer's subjective evaluation of the positive and negative consequences of being a particular retailer's customer (Rintamäki et al., 2007; Sheth et al., 1991; Woodruff, 1997)[2].

Executives who attempt to better understand customer value face three key issues: (1) the multiple components of value, (2) the subjectivity of customer value, and (3) the importance of competition (Eggert & Ulaga, 2002; Ulaga & Chacour, 2001). First, the multiple components of customer value refer to the benefits and sacrifices related to a particular offering that form a trade-off for customers. Customer value is multidimensional, which means that these benefits and sacrifices can be utilitarian or hedonic in nature (Gallarza et al, 2011; Holbrook, 1999; Zeithaml, 1988). The utilitarian view of value is linked to consumer perceptions of price and convenience. In turn, the hedonic view is psychological in nature and relates to cognitive and affective consumption (Gallarza et al., 2011). For instance, customers might enjoy store atmospherics or relate to a brand. The hedonic, more intangible aspects of shopping are thus seen to represent possible differentiating factors for retailers (Rintamäki et al., 2006).

Customer value dimensions are likely to be dependent on product categories and industries (Gallarza et al, 2011). Helbling et al. (2011) consider the omni-channel environment as reinforcing the importance of economic value to customers, but also list functional benefits such as product assortment, free shipping, in-store collection, return policies, and price-match guarantees as important. However, consumers' choice of channel is also driven by a search for benefits such as social interaction, self-affirmation, experiences, and symbolic meanings (Balasubramanian et al., 2005). Thus, customer value in the omni-channel retail context is conceptualized as including four dimensions: economic, functional, emotional, and symbolic value (Rintamäki et al., 2007).

Second, customer value perceptions are always subjective (Eggert & Ulaga, 2002; Ulaga & Chacour, 2001; Woodruff, 1997; Zeithaml, 1988). Customer value should therefore always be understood from the customer's point of view. As customer value is highly subjective, contextual, and situational, it is necessary to allow for flexibility in value creation. For example, an omni-channel business model allows customers to choose the channels they prefer in a specific situation (Neslin & Shankar, 2009).

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[2] In this dissertation, customer value is considered to be the value offered to end customers (i.e. consumers). It is acknowledged that for a retail executives, customers can sometimes mean channel partners or store divisions, but the focus here is on end customers.

Table 2. Selected definitions of customer value.

Authors	Definition of customer value	Merits of definition	Implications for executive decision making
Zeithaml, 1988, p. 8	"a consumer's overall assessment of the utility of a product based on the perceptions of what is received and what is given."	A straightforward conceptual approach: the "get-versus-give" trade-off (e.g. Gale, 1994; Lovelock, 1996; Martín-Ruiz et al., 2008; Monroe, 2003).	Executives should focus on their offering's "gets" and "gives" for customers.
Holbrook, 1996, 1999, 2006	"an interactive relativistic preference experience" An axiology, a judgment of goodness/badness. A typology of the relevant value categories.	A multidimensional approach provides a more comprehensive understanding of consumption.	A multidimensional view of customer value will help in positioning the firm's offering in relation to the competition's (not just quality-price dimensions).
Woodruff, 1997, p. 142	"a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations."	Value is found in relation to customers' goals. Value is situational.	As customer value is highly contextual and situational, executives should allow for flexibility in value creation.
Anderson et al., 1993; Anderson & Narus, 2004; Anderson et al., 2006	Customer value (in business markets) is "the perceived worth in monetary units of the set of economic, technical, service, and social benefits received by a customer firm in exchange for the price paid for a product offering, taking into consideration the available alternative suppliers' offerings and prices."	Relationship perspective, i.e. social and service benefits (Ulaga, 2001, 2003; Ulaga & Eggert, 2006) Takes competition into account (Eggert & Ulaga, 2002)	Value should be assessed in the context of the customer relationship. Firms should assess, document and communicate the value they offer.

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Third, the importance of competition emphasizes the need to offer different or more value than competitors (Eggert & Ulaga, 2002; Ulaga & Chacour, 2001). This way a competitive advantage is established (Anderson & Narus, 2004; Payne & Frow, 2005). More customer value can be created through better meeting customer needs, lowering customer sacrifices such as costs, or meeting customer needs that are new or changing (Anderson & Narus, 2004).

Moreover, thinking in terms of customer value helps executives to view their competitive position according to a comprehensive customer focus, not just in terms of price, quality and satisfaction (Gallarza et al., 2011). It allows firms to differentiate themselves in terms of customer value with the aim of building a competitive advantage (Harrigan & Hulbert, 2011; Payne et al., 2008; Wallman, 2009). However, a competitive advantage is only achieved if the customers perceive a meaningful difference between competing firms (Day & Moorman, 2010). The perceptions of former, present, and potential customers are therefore vital in determining a firm's performance in delivering customer value relative to that of competitors (Lindgreen & Wynstra, 2005).

2.1.2   Enabling customer value creation

An understanding of customer value aids executive decision making in strategic areas such as segmentation, differentiation, and positioning (Gallarza et al., 2011). This is because different dimensions of customer value are created through different resources and capabilities (Saarijärvi, et al., 2014). For example, creating symbolic customer value requires branding, design, and communication capabilities, while offering economic value requires efficiency in operations and volume in purchasing. Thus, understanding and determining the dimensions of customer value guide customer-focused executive decision making.

In addition to deciding on the customer value dimensions offered, the ways of creating value must also be defined. Business logic defines how a firm approaches value creation, i.e. through which processes is the value created (Grönroos & Ravald, 2011). Service is increasingly replacing transactions as a way of viewing value creation (Grönroos, 2008; Vargo & Lusch, 2004, 2008). When service is selected as a form of business logic, the role of the firm is to provide customers with resources that enable them to create value for themselves (Grönroos, 2008). This means an enhanced

focus on the customer and on his or her value-creating processes. Firms learn from interacting with customers and then use this knowledge to co-create enhanced value with customers (Payne et al., 2008). Through increased interaction, a firm can take on a larger role in customers' lives (Grönroos & Ravald, 2011).

The omni-channel environment enables retailers to differentiate themselves via novel technologies, such as mobile services. As customer needs and behavior are fragmenting, customers increasingly want customized offerings. Firms are therefore faced with the need to build flexible, customizable offerings (Anderson & Narus, 2004). In line with the service as business logic approach, channels allow customers to choose their own path toward purchase (Grönroos, 2008). Additionally, digital channels enable the carrying of wide product assortments with minimal inventory, which further enhances efficient customization. For retailers, this customization is seen in areas such as customized marketing communications and coupons, as well as loyalty points and other information following the customer across channels. Adopting a service business logic in an omni-channel retail context is further discussed in Article III.

2.2   Creating customer value in omni-channel retailing

Creating customer value[3] involves translating what has been learned about customer value into internal processes and their requirements (Woodruff, 1997). This involves creating and managing market offerings and channels (Anderson & Narus, 2004). Market offerings are collections of products and services that are offered to customers. For retailers, instead of product lines and services, market offerings can be viewed as store concepts or retail formats that include assortment, design, pricing, location, the customer interface, and the level of convenience provided (Sorescu et al., 2011).

Due to both the omni-channel development and increasing competition, retailer differentiation is now built on *how* retailers sell rather than what they sell (Sorescu et

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[3] The author is aware that, according to the current theoretical view, it is the customer who creates the value, not the firm (Grönroos, 2008; Vargo & Lusch, 2004, 2008). The decision to use this phrase stems from the executive decision making perspective. Since executives make decisions regarding the resources and capabilities that are used by customers to create value for themselves, they act as facilitators and co-creators of value (Grönroos, 2008). Thus, executive decisions, albeit indirectly, do create customer value.

al., 2011). Thus, customer value creation in omni-channel retailing is about creating benefits and reducing sacrifices related to the customers' purchase processes. For example, retailers are exploring new customer interfaces including in-store media, augmented reality and virtual fitting rooms, as well as reinforcing their offerings via new channels such as mobile services (Saarijärvi, Mitronen & Yrjölä, 2014; Sorescu et al., 2011).

Creating customer value involves designing value-creating processes that decrease the sacrifices and/or increase the benefits for customers (Anderson & Narus, 2004; Grönroos, 1997; Lindgreen & Wynstra, 2005) and clarifying the firm's proposition to its customers (Ulaga & Chacour, 2001). This customer value proposition (CVP) integrates the mixture of benefits and sacrifices offered to customers (Anderson & Narus, 2004; Anderson et al., 2006; Frow et al., 2014; Lanning & Michaels 1988; Lanning & Phillips 1991; Payne & Frow, 2005). From the executive decision making perspective, customer value creation culminates in the selection of a CVP.

In essence, the CVP is a firm's suggestion of the dimensions of customer value to be created. Due to the widespread use of the term, developing and analyzing effective CVPs is clearly on both the executive and the research agenda. For firms, the CVP is a central concept in areas such as segmentation, concept development and marketing communications. It impacts relationships with customers and shapes the customers' perceptions of value (Frow et al., 2014). However, due to the concept's consultancy background and often imprecise use, multiple definitions exist. Selected definitions are presented in Table 3.

Table 3. Selected definitions of the customer value proposition.

Authors	Definition of CVP	CVP content	Implications for executives
Anderson et al., 2006	No single definition. A CVP answers the question: "How do these value elements [technical, economic, service, or social benefits] compare with those of the next best alternative?"	Value elements, which can be: 1) points of difference; 2) points of parity; and 3) points of contention.	A CVP should be based on knowledge of customer preferences and how the firm meets them relative to competitors.
Johnson et al., 2008	A CVP defines how value is created for customers by helping	1) Target customer 2) Job to be done 3) The offering	A CVP is a firm's answer to a specific customer problem.

	customers with a fundamental problem in a given situation.		
Day & Moorman, 2010, p. 70	"…what the company offers to the target segment."	1) Target customer segment 2) The offering 3) Competitive profile	The selection of a CVP guides business model design.
Rintamäki et al., 2007, p. 624	"…an encapsulation of a strategic management decision on what the company believes its customers value the most and what it is able to deliver in a way that gives it competitive advantage."	Customer value dimensions, which can be: 1) economic; 2) functional; 3) emotional; and 4) symbolic.	A CVP should: - increase benefits and/or decrease sacrifices for customers; - build on unique competencies and resources; - be different from the competition; and - result in a competitive advantage.

On a general level, the CVP defines: (1) *who* the customer is (Day & Moorman, 2010; Johnson et al., 2008); (2) *what* dimensions of customer value is created, usually expressed as concrete benefits (Anderson et al., 2006; Day & Moorman, 2010; Johnson et al., 2008; Rintamäki et al., 2007); (3) *how* the value is created (Anderson et al., 2006); and (4) *why* customers should choose the offering or how the offering matches that of the competition (Anderson et al, 2006; Day & Moorman, 2010). Based on these four aspects, the CVP is here defined as a competitive statement of the dimensions of value offered to a specific group of customers, the ways in which the firm creates value, and reasons for customers to select the firm's offering.

Several authors offer guidelines on developing effective CVPs. First, the development begins by deciding on the "who", i.e. identifying a customer segment with a specific need that the firm can meet better than the competition and in a profitable way (Day & Moorman, 2010; Johnson et al., 2008). Identifying such a "sweet spot" will require creative thinking about customer needs as well as current and potential capabilities (Collis & Rukstad, 2008).

Second, an effective CVP describes what is offered in specific detail, since ambiguous CVPs will not attract customers (Anderson et al., 2004). However, specificity does not mean listing all the benefits offered by the firm. Rather, it means

focusing on only a few specific benefits that are relevant for customers. Anderson et al. (2006) refer to these benefits as points of parity (i.e. a benefit shared by competitors but appreciated by customers) and favorable points of difference (i.e. a benefit that competitors do not offer). A CVP forces firms to focus on "what their offerings are really worth to their customers" (Anderson et al., 2006, p. 92). In retail, the importance of the customer experience as a differentiator is increasing (Sorescu et al., 2011). Further, the points of difference are often found in the emotional and symbolic dimensions of customer value (Rintamäki et al., 2007). Omni-channel retailers should therefore also invest in resources that create emotional and symbolic customer value while developing their channel-specific and cross-channel capabilities.

Third, the CVP also calls attention to the "how", i.e. through what business model and business logic is the value created. The understanding of customer value, as captured in the CVP, enables smarter resource allocation choices (Anderson et al., 2006) and the alignment of the organization's business model (Day & Moorman, 2010; Rintamäki et al., 2007; Simons, 2014). The CVP establishes a goal for a firm's differentiating advantage, although the firm must also develop a unique combination of capabilities to deliver on its proposition (Collis & Rukstad, 2008). This combination of value-creating and value-capturing capabilities is the firm's business model (Day & Moorman, 2010). In customer-focused decision making, these choices reflect the customer segment that the firm is targeting (Simons, 2014).

Fourth, effective CVPs also focus on the "why", i.e. they provide proof that the firm can deliver on its proposition (Anderson et al., 2004). If the customer doesn't perceive the CVP as credible, then value is not created (Landroguez et al., 2013; Vargo & Lusch, 2004). The persuasiveness of the CVP is increased when the firm can demonstrate, measure or document the value created (Anderson et al., 2006). As customer value is subjective and relative in nature, the persuasiveness of a CVP is always defined relative to the competition. Hence, the most effective CVPs are different from and offer more value than those of the competition (Anderson et al., 2006; Rintamäki et al., 2007).

Fifth, the development of a CVP is an ongoing process of evaluation and enhancement (Frow et al., 2014). The points of difference tend to change into points of parity over time as the competition catches up (Anderson et al., 2006; Rintamäki et al., 2007). Value propositions based on economic and functional customer value are especially vulnerable to competition (Day & Moorman, 2010; Rintamäki et al., 2007). CVPs might also become irrelevant due to changes in customer behavior (Day

& Moorman, 2013). Thus, customer-focused executive decision making ensures that the CVP evolves with both competitors and customer needs.

Some authors advocate for the development of unique CVPs for each customer segment (e.g. Payne & Frow, 2005). Others go even further and suggest that each CVP should be backed by its own organizational unit or business model (Simons, 2014). In retail, the CVP is equated with the firm's brand (Rintamäki et al., 2006). In the omni-channel context, it is possible to develop a CVP for each channel, since channels differ in terms of the benefits and sacrifices they produce for customers. However, this channel segmentation strategy (Neslin & Shankar, 2009) appears to be rare, since retailers tend to utilize cross-channel and omni-channel business models that deliver on a single CVP (Verhoef et al., 2015).

Executive beliefs and mental models of customers, competitors, and the firm's resources and capabilities all guide the selection and development of a CVP (Day & Moorman, 2013; Rintamäki et al., 2007). Despite a tendency to favor familiar mindsets and conventional decision-making tools (Birshan et al., 2014; Kuusela et al., 2014), executives should really attempt to use many different decision-making tools when deciding on a CVP. The selection of a CVP is further analyzed and discussed in Article II.

2.3   Capturing value in omni-channel retailing

The third aspect of a customer focus is delivering and capturing value (Anderson & Narus, 2004; Lindgreen & Wynstra, 2005; Lindgreen et al., 2012). Value delivery includes gaining customers as well as sustaining customer and reseller partnerships (Anderson & Narus, 2004). For retailers who are resellers, value delivery includes relationship management with customers and suppliers, and increasingly with new varieties of technological and channel partners.

Creating customer value does not automatically translate into value for the firm (Pitelis, 2009). The firm must also capture value by effectively managing channels as well as customer acquisition and retention strategies (Payne & Frow, 2005). The firm ensures value capture through its business model. A business model is a combination of value-creating resources and capabilities, the customer value proposition, and the revenue model (Johnson et al., 2008). The business model illustrates the firm's business logic, i.e. the way in which value for the firm is to be created and captured.

A business model is built on sources of value identified by executives. It reflects executives' choices and their consequences, for example contracts, decisions, and practices related to policies, assets, and governance (Casadesus-Masanell and Ricart, 2010). Business models are thereby based on the executives' expectations regarding sales, costs, and the behavior of both customers and competitors (Teece, 2009). Thus, executives' capabilities, vision, and cognition are essential for value capture (Lepak et al., 2007; Pitelis, 2009), since it is the executives who identify the sources of value and create the business model to leverage those sources.

The sources of value can include value drivers such as efficiency, novelty, complementarities, or customer lock-in (Amit & Zott, 2001). Drivers of value capture for retailers are a mixture of profitable customer relationships, low purchasing costs, and efficient operations. However, the omni-channel environment has challenged the leveraging of these sources of value.

In an omni-channel context, traditional retailing formats will not suffice for much longer (Rigby, 2011), since forward-thinking retailers are already exploiting cross-channel synergies to create unique value propositions for customers. Thus, retailers are reconfiguring their conventional business models. To exploit the best features of channels, omni-channel retailers are experimenting with new channels and creating combinations, such as in the "online-and-mobile retail" business model (Lin, 2012). For example, the option to return products to a store might lower the barrier to ordering online or through the mobile channel.

Retailers can use interactive channels that allow customer data collection to improve their customer relationship management capabilities, use low-cost channels, and use channels in a way that increases customer purchases (Neslin & Shankar, 2009; Neslin et al., 2006). For example, adding new channels to the business model can be an efficient way to reach new market segments as well as to enhance customer satisfaction and customer loyalty (Berman & Thelen, 2004; Zhang et al., 2010). Customer satisfaction is increased by encouraging customers to use the channels that best suit them during the different stages of their shopping process. Retailers encourage customers to make use of many retailer-provided channels. This broader interaction, for example purchases from different channels, means that the customer relationships are being developed and leveraged (Venkatesan et al., 2007).

The omni-channel environment also brings about challenges for retail business models. For example, customers do not always choose the channel that is most optimal for the retailer, so marketing activities need to direct customers to other channels (Neslin & Shankar, 2009). Another challenge lies in the varying characteristics of the different channels. Channel characteristics include, for

example, availability, possibility of real-time communications, adaptability of the customer interface, ability to capture information on customer behavior, and ease of use (Dholakia et al., 2010). The design of omni-channel business models should take these characteristics into account, which further complicates executive decision making. Additionally, achieving customer lock-in (Amit & Zott, 2001), i.e. preventing or discouraging customers from changing to a competing retailer's channel (Dholakia et al., 2010), is increasingly difficult, which lowers the possibilities for value capture. The challenges for value creation and value capture are identified and analyzed in Article IV.

2.4   A framework for customer-focused executive decision making in omni-channel retailing

The main challenge for executive decision making is building an effective combination of a customer focus and a firm focus. The standpoint adopted here is that the inside-out firm focus (Day & Moorman, 2010) tends to dominate executive decision making. The customer focus might get lost in day-to-day activities and decisions, whereas the firm focus is inherent in almost all executive activities. To reinforce the customer focus in decision making, it is argued herein that executives should engage in the activities of understanding customer value, creating customer value, and capturing value (Figure 3).
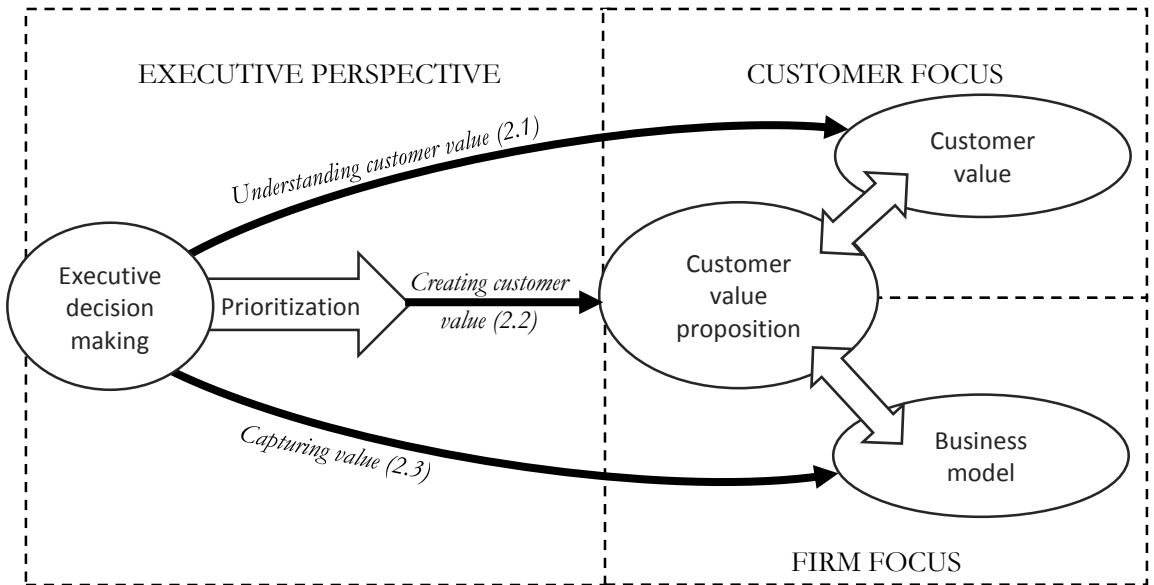
Figure 3. Framework for customer-focused executive decision making in omni-channel retailing

The elements pictured in Figure 3 do not represent causal relationships. Rather, the three activities of understanding customer value, creating customer value, and capturing value can occur simultaneously or in any order. However, customer-focused executive decision making requires at least some degree of understanding customer value. Capturing value involves finding ways to gain an equitable return on the customer value created. The customer value proposition is therefore seen as a tool for connecting these two worlds.

3 The Research Process

The research purpose should serve to guide all research-related philosophical choices, such as what questions are asked, how the researcher seeks answers to those questions, and what criteria are used to plan and decide on research methods and approaches. For instance, the research purpose can be to describe, predict, or understand a phenomenon, or to solve a specific problem (Lincoln & Guba, 1985). The purpose of this dissertation is to analyze how executives can incorporate a customer focus into their decision making in the context of omni-channel retailing.

In order to examine a customer focus for executive decision making, it was decided to adopt an explorative research approach without anchoring the research to a specific theory beforehand. Thus, the research aims at the discovery of new ideas and concepts rather than the justification of previous theory (MacInnis, 2011; Yadav, 2010). A customer focus can be approached from multiple theoretical bases, such as market orientation (Narver & Slater, 1990; Slater & Narver, 1995) or knowledge management literature (Kaplan & Norton, 2004). Indeed, theories have a disproportionate relationship with phenomena (Lincoln & Guba, 1985).

3.1 Research philosophy

The concept of a research philosophy can be summarized into three elements: (1) a paradigm, (2) an ontological view, and (3) an epistemological view. First, a paradigm is a scientific worldview. It guides problem setting, theory selection, use of methodologies, and interpretation of results (Arndt, 1985; Kuhn, 1962). In general, different paradigms lie on a continuum, in which their position is based on their view of reality and the means of discovering that reality (Easton, 2002; Järvensivu & Törnroos, 2010). At one end of the continuum is the position of naïve realism. According to this paradigm, there exists a true reality and it is possible to know exactly what that reality is. At the other end is the naïve relativist paradigm. According to it, there exist multiple viewpoints to truth and all of these claims to

truth are equally valid (Järvensivu & Törnroos, 2010). Between these extreme positions are the critical realist and the moderate constructionist paradigms. For both of these paradigms the aim of research is to find local truths that are created and evaluated by (academic or practical) communities in a critical manner.

As discussed earlier, general executive decision making is complex and it is even more so in the context of omni-channel retailing. Therefore, it is necessary to adopt a paradigm that allows for complexity and subjectivity (of both the researcher and the informants), while also emphasizing differing theories' ability to predict and describe events as well as to solve problems. Both the moderate constructionist and critical realist paradigms represent powerful perspectives to theory generation in such a setting (Järvensivu & Törnroos, 2010), but critical realism emphasizes problem solving while moderate constructionism concentrates on uncovering a variety of perspectives. Thus, this dissertation adheres to the critical realist paradigm. Previous literature has emphasized the importance of a customer focus for firms, but without explicitly considering the mechanisms through which such a perspective can be incorporated into executive decision making. The critical realist paradigm is geared toward understanding such mechanisms, and thereby provides insights that help to identify problems and create appropriate responses to them. In other words, critical realism is here used to develop a mechanism for incorporating a customer focus into executive decision making.

There are many approaches to realism (Hunt, 1991, 2003), although this dissertation relies on the critical realism of Sayer (1992), as advocated by Easton (2002; 2010) in marketing. It is based on the notion that social science should be critical of its object. To fully understand and explain social phenomena, they have to be critically evaluated (Sayer, 1992). Through critically evaluating phenomena, more accurate descriptions and understanding of reality can be achieved (Hunt, 1990). Critical realists consider theory to be successful if it explains and predicts events or solves pragmatic problems over a significant period of time (Hunt, 1990, 1992). Researchers and theories are fallible, but a successful theory offers a reason to believe that something like the events and relationships described does exist (Hunt, 1990). Critical realists therefore behave as if the theories are true, but can never be entirely certain of their accuracy (Easton, 2010; Hunt, 1992). Thus, this study analyzes how a customer focus can be incorporated into executive decision making. It offers one mechanism for incorporating such a customer focus, but that is not to say it is the only way.

Second, ontology refers to the nature of reality. Critical realism is based on the assumption that there is a real world out there that is independent of observers

(Easton, 2002, 2010; Hunt, 1990). However, much of the world we experience is socially constructed, which limits our ability to distinguish objective information and underlines the need for a critical examination of the world. The world consists of events and objects (both natural and social) that can in turn create new events. Critical realists strive to understand how the characteristics of objects, and under what surrounding conditions, result in certain events – i.e. they study the relationships between objects and the mechanisms through which events occur (Easton, 2002, 2010; Hunt, 1990; Sayer, 1992). Thus, in this study, the objects of interest include, for example, customer value, customer value propositions and business models. These objects are all influenced by executive decision making (i.e. events). These interactions result in the understanding and creation of customer value as well as value capture for the firm (i.e. resulting events).

Third, epistemology defines how knowledge about reality can be acquired. According to critical realism, much, but not all, of the world is socially constructed. Hence, the real world "out there" can sometimes, with some accuracy, be observed (Easton, 2010; Hunt, 1992). The researcher's role is to collect data and offer explanations for how events occur. Critical realism can guide both quantitative and qualitative research (Hunt, 1990, 1994). In this dissertation, i.e. the subsequent articles, knowledge was generated by interpreting and analyzing interview data, group discussion data, and case examples of the omni-channel context. A qualitative research approach was chosen. Qualitative research also recognizes that informants' intuition, experience and interpretation play an important role in their actions (Gummesson, 2006). Through interviews, it possible to gain insights into the informants' thoughts, evaluations, aspirations and reasoning in their individual context (Granot et al., 2012; Silverman, 2005).

3.2   Article-specific research approaches

The articles included in this dissertation all analyzed executive decision making in omni-channel retailing from different viewpoints, and thus involved differing research approaches. The choices made regarding appropriate research approaches, along with the rationale for using them, are summarized in Table 4.

Table 4. Research approaches used in the articles.

Article	Research approach	Reasons for choosing the approach
I. Challenges for B2B research relevance – A top executive perspective	**General approach:** Hermeneutic qualitative research methodology.	To avoid eliminating the individual executives and their contexts.
	Data generation: Open-ended in-depth interviews and purposive sampling.	To provide contextualized and concrete findings.
	Data analysis: Categorization. Constant comparison. Classification.	To achieve a rich description of the top executives' perspective.
II. Uncovering executive prioritization – Evaluating customer value propositions with the pairwise comparison method	**General approach:** Qualitative approach.	To analyze the PCM from the executives' perspective.
	Data generation: PCM comparisons and group discussion.	To capture the informants' first impressions and opinions regarding the PCM.
	Data analysis: PCM calculations. Categorization and classification of discussion data.	To illustrate the PCM tool and to analyze the executives' views of the PCM.
III. From selling to supporting – Leveraging mobile services in the context of food retailing	**General approach:** Qualitative, abductive logic.	To understand the interaction between a phenomenon and a context.
	Data generation: Ten short case examples (vignettes) based on secondary data from 114 identified m-services.	Using vignettes to illustrate the research phenomenon and the interaction between the phenomenon and the context.
	Data analysis: Logic of case study research with comparisons between cases and classification.	To iteratively develop a framework for the phenomenon.
IV. Value creation challenges in multichannel retail business models	**General approach:** Qualitative approach.	To capture the context and the executives' perspective.
	Data generation: Open-ended in-depth interviews and purposive sampling.	To achieve a rich description of the challenges.
	Data analysis: Categorization and classification.	To analyze the challenges in terms of the business model.

All of the articles utilized a qualitative approach with qualitative methodologies. Article II also used the pairwise comparison method as part of its data generation approach to illustrate the how the method can be used as a tool for executive decision making. For Articles I and II, the approach was more hermeneutic in nature (Arnold & Fisher, 1994), while Articles III and IV relied more on abductive logic (Alvesson & Sköldberg, 2000; Dubois & Gadde, 2002; Gummesson, 2000). The hermeneutic approach emphasizes the role of pre-understanding in research and posits that the understanding of data is deepened through cycles of analysis.

Abductive logic emphasizes the interplay between the empirical world and the existing theory in order to establish new knowledge and understanding. The abductive logic was chosen, because it allows for evaluating and developing the phenomenon of interest during the research process. In Article III, this meant developing a framework based on both the existing theory and the case examples. In Article IV, the challenges for value creation emerged from the executive interviews and were interpreted and classified using existing conceptualizations of business models.

Table 5 Summary of the datasets used in the articles.

Article	Type of data	Description of data	Context
I	In-depth interviews	10 interviews, each lasted an hour on average; each researcher made notes of the interview recordings	Business and industrial (including one retailer)
II	PCM comparisons	PCM comparisons of customer value dimensions made by 8 retail executives	Retailing
	Group discussion	The discussion lasted about an hour with the transcript being 9 pages	
	Researcher notes	5 pages of notes made during data generation	
III	Identified mobile services	114 retail m-services identified from secondary data (mobile application stores, retailing-related websites, forums and blogs)	Retailing; Mobile / Omni-channel retailing
	Short case examples	10 case examples selected from the above services and written using additional secondary data (retailer and developer websites)	
IV	In-depth interviews	7 interviews, each lasted an hour on average, with the interview transcripts being 12–18 pages	Retailing; Multi- /Omni-channel

The datasets used in the articles are summarized in Table 5. Data was generated via interviews in Articles I, II, and IV. In Article III, secondary case data was used. Out of the 114 identified cases of mobile services, ten were selected for further analysis. These ten cases were described and used as vignettes (see Reinartz et al., 2011) to illustrate the research phenomenon as well as to understand the interaction between a phenomenon and a context (Dubois & Gadde, 2002). For all the articles, data analysis followed the general qualitative methods of categorization, constant comparison, and classification. In the next chapter, summaries of the four articles are presented.

4 The Articles

This chapter offers summaries of the four original manuscripts included in this dissertation. Instead of being presented in a chronological order, the articles are organized according to their position within the overall research structure (Figure 2). As each article is an independent object with different goals, publication outlets, groups of authors, and theoretical backgrounds, they obviously exhibit some degree of incongruence. However, the articles each contribute to the overall research purpose of analyzing how executives can incorporate a customer focus into their decision making in the context of omni-channel retailing. This chapter therefore focuses on describing how the articles relate and contribute to this aim.

4.1   Article I: Challenges for B2B research relevance – A top executive perspective

The first article identifies and analyzes the challenges of business-to-business (B2B) research relevance from the point of view of top executives. The article contributes to the thesis as a whole by firmly setting the perspective to that of top executives. The challenges for research relevance were selected as the focus in order to narrow the gap between B2B researchers and practitioners. Relevance was approached from the perspective of executives, since it is the practitioners who ultimately determine what is relevant. For this reason, top executives, those who make the most significant decisions, were chosen as the informants.

As the theoretical background to this article, various definitions and characteristics of research relevance were analyzed. For instance, research relevance is seen as a specific manager's evaluation of the usefulness of knowledge (Jaworski, 2011). Relevance is increased when the knowledge corresponds to phenomena encountered by practitioners and when it is not common sense (Cornelissen & Lock, 2005; Varadarajan, 2003). Knowledge can become relevant in the present or in the future by influencing practitioners' mental models and thought processes (Jaworski, 2011).

Additionally, several reasons for diminishing relevance that had been identified in previous literature were summarized. For instance, scholars' writing style, inadequate understanding of commercial realities, and the slow pace of research and publishing all diminish the relevance of research (Ankers & Brennan, 2004). Also, academics can be said to focus too much on problem finding rather than problem solving (Hughes et al., 2012; Leavitt, 1989) and to use complex statistical models that practitioners might view as too abstract (Gummesson, 2006).

To identify and analyze the challenges of B2B research relevance from the point of view of top executives, a qualitative methodology was applied. Ten in-depth interviews were conducted and then analyzed using Arndt's (1985) widely referenced elements of a healthy discipline (i.e. knowledge, problems, and instruments) as an analytical framework. The article results in the identification of twelve challenges that characterize contemporary B2B research relevance from a top executive perspective.

 In relation to knowledge, the challenges for relevance involved the ways in which academic knowledge faces difficulties in serving the needs of top executives. Five challenges were identified: the executives' lack of awareness of concepts; the plurality of knowledge providers; the scarcity of knowledge dissemination; the complex lexicon used by academics; and the ineffective knowledge conversion between academia and top executives.

In the problems dimension, the challenges relate to a gap between what is known and unknown, as well as to difficulties in applying knowledge to practice. Four particular challenges were identified: researchers' limited boardroom access; difficulty in building linkages between researchers and practitioners; the context-dependency of executive problems; and the incongruent timing of research results for decision making.

Finally, the dimension of instruments refers to methods of knowledge creation and dissemination. Three challenges were identified in this regard. First, the relevance paradox means that top executives prefer so-called "hard methods" (e.g. statistical data), while at the same time admitting that intuition and other qualitative data fueled their decision making. Second, executives continue to use conventional tools even though they question their reliability and despite more innovative tools being available. Third, executives voiced their need for diverse perspectives in research.

The article contributes to the health of the B2B research discipline by uncovering how top executives view the challenges for research relevance. This can help scholars to adopt research designs that address some of the challenges. For example, the need for diverse perspectives encourages multidisciplinary research. As another

contribution, the article uses the knowledge-problems-instruments model of scientific balance to analyze research relevance in a novel way.

This article was co-authored. In writing the article, the current author conducted the literature review, managed the collected data, and transcribed the interviews. All authors took part in the data analysis and the writing.

4.2 Article II: Uncovering executive prioritization – Evaluating customer value propositions with the pairwise comparison method

Article II builds on the executive perspective by identifying themes related to the use of the pairwise comparison method (PCM) as a tool for prioritizing customer value dimensions in the retail context. In choosing a customer value proposition (CVP), executives identify, evaluate, and choose how their firm's offering relates to the creation of relevant customer benefits and the minimization of important customer sacrifices. This decision requires the prioritization of customer value dimensions.

Prioritizing customer value dimensions in relation to one another is problematic. There are numerous ways of eliciting opinions from executives regarding the importance of decision criteria. For example, simple importance rankings or point distribution tasks could be used, but they all involve a number of limitations. The PCM was therefore selected because: (1) making comparative judgments is easier than making absolute judgments of each criterion's importance (Saaty, 1977); (2) the inputs for PCM can include subjective concepts such as customer value; and (3) the PCM can be combined with a variety of other decision-making tools (Vaidya & Kumar, 2006). Thus, the PCM is analyzed from the executive perspective, with a focus on how executives perceive the PCM as helping to compare and weigh concrete, measurable customer value dimensions alongside abstract, subjective ones in order to form a customer value proposition.

The respondents were executives who represented a large retailer and some of its partners. Together, the group represents the retailer's shopping destinations and the shopping centers that comprise both the retailer's own chains (e.g. groceries, appliances, clothing) as well as partner chains (e.g. fashion, services, electronics). As each store present in a shopping center contributes to the center's overall customer value in some way, emphasizing individual priorities will assist the group of

executives in further developing the entire shopping center. The executives first made pairwise comparisons independently, and then engaged in a group discussion regarding the prioritization of customer value and the PCM.

As a result, this article first presents examples of PCM outputs and, second, identifies four themes that capture executive views of the PCM. First, by mapping out the outputs by responded or by value dimension, it is possible to identify areas of agreement as well as how the executives' views differ. For instance, those who prioritized symbolic value saw economic value as unimportant and vice versa. In contrast, there was considerable agreement on the importance of emotional value.

Second, the executives view the PCM as: (1) contextually dynamic (fits well with the executive mindset; adds structure to decision-making tasks); (2) comprehensive (forces respondents to think more; forces respondents to think in new ways); (3) able to elicit preferences (reduces complexity to paired comparisons; creates differences); and (4) able to provide feedback on consistency (insight on self-contradiction). The ability to provide executives with feedback on how consistently they answered was viewed as especially useful. However, the PCM experiences difficulty in capturing nuances, can greatly increase cognitive strain with complex problems, and has difficulty avoiding inconsistencies.

Thus, the PCM is viewed and recommended as a discussion-facilitating strategic tool, alongside other strategic tools. This article makes a contribution to the literature by using the PCM in a new way: as a strategic tool to be used to fuel future-oriented strategic discussion. It also illustrates the use of the PCM in choosing a CVP.

This article is single authored.

4.3 Article III: From selling to supporting – Leveraging mobile services in the context of food retailing

The third article examines the omni-channel retail context. Technological advances and customer mobility have both created opportunities for retailers to serve customers in novel ways. The article explores and analyzes how food retailers are leveraging mobile services (the mobile channel) to extend their business logic beyond in-store activities.

The theoretical background to this article involves two streams of literature: (1) service as a perspective for value creation and as a business logic; and (2) mobile

services as tools that help firms shift their attention from selling goods to supporting customers' value-creating processes in broader terms. First, according to the service perspective, customers buy resources or processes that support their own value creation (Grönroos, 2008; Gummesson, 1995). By combining firm-provided resources with their own, customers can create value for themselves (Vargo & Lusch, 2004, 2008). Firms that embrace service as a form of business logic focus on interacting with customers and participating in the customers' value-creating processes (Grönroos, 2008, 2011; Grönroos & Ravald, 2011; Payne et al., 2008).

Second, the mobile channel has become increasingly important for firms, since it provides ubiquitous access to information as well as the opportunity to provide highly personalized experiences to customers (Nysveen et al., 2005). Through mobile services, the firm can interact with its customers, engage with their value-creating processes, and deliver additional resources for their use (Grönroos, 2008; Grönroos & Ravald, 2011).

The article uses case examples, or vignettes (see Reinartz et al., 2011), to illustrate the research phenomenon. After identifying 114 retail mobile services, ten cases were selected for further analysis. The cases were selected to illustrate the various ways in which food retailers can extend their perspective from selling goods to supporting customers' value-creating processes.

As a result, Article III suggests a tentative framework for capturing the ways in which retailers "can use mobile services in their strategic quest to move from selling to supporting" (Saarijärvi, Mitronen & Yrjölä, 2014, p. 29). The stage and nature of the interaction are key elements of the framework. The stage of interaction refers to the individual customer's shopping process: are the mobile services used before, during, or after making the purchase? The nature of interaction characterizes the type of customer value created (utilitarian or hedonic).

This article is co-authored. In writing the article, the current author was solely responsible for data collection and the preliminary analysis. The current author also took part in the literature review, writing, and data analysis.

4.4 Article IV: Value creation challenges in multichannel retail business models

Article IV analyzes the challenges for omni-channel retail business models identified by top executives. In addition to specifying the value proposition (Article II) and the dimensions and ways in which customer value is created (Article III), retail executives must be able to build viable business models. Simply put, customer value creation and firm value creation (in this introductory portion referred to as value capture) must both occur.

As the theoretical background, the literature on business models is used as a lens through which value creation and value capture are viewed. Through a literature review, three key aspects of business models are identified. First, business model innovation involves new ways of either creating or capturing value (Amit & Zott, 2001). Second, business models should cater to specific customer needs (Teece, 2010). Third, competition increasingly takes place between business models (Chesbrough, 2010). The retail business model consists of three interconnected elements: retailing format, activities, and governance (Sorescu et al., 2011). These elements describe how value is created and captured (Amit & Zott, 2001).

Using semi-structured interviews with top executives from different retail environments, the article introduces a model of value creation challenges in the context of omni-channel retailing. The challenges are analyzed in terms of the three retail business model elements (i.e. format, activities, and governance). First, as customers effortlessly move between multiple channels, omni-channel formats can lead to a mismatch between customer and firm value. Second, retailers face increasing pressure to use their activities to form integrated total offerings to customers. Third, multiple channels might lead to organizational silos with conflicting goals. A careful orchestration of value creation is therefore needed to determine the roles and incentives of the channel parties involved.

This article is single authored.

4.5   The overall contribution of the articles

The contributions of each article are summarized in Table 6.

Table 6. Article contributions.

Article	Findings	Contribution
I	Twelve challenges that characterize contemporary B2B research relevance from a top executive perspective.	1) Building an executive perspective on research relevance. 2) Knowledge-Problems-Instruments as an analytical approach.
II	Four themes relating to the use of the pairwise comparison method (PCM) as a tool for prioritizing customer value dimensions in the retail context.	1) PCM used in a new way: a discussion-facilitating strategic tool. 2) PCM as a tool for executives. 3) Example of PCM use.
III	A tentative framework that captures the ways in which companies can use mobile services in their strategic quest to move from selling to supporting.	1) Mobile services allow food retailers to move toward service as business logic. 2) The service as business logic is analyzed according to the nature and stage of interaction. 3) Recognizing m-services as a differentiating factor.
IV	Three challenges for omni-channel retail business model elements (i.e. format, activities, and governance).	1) Analyzing business model challenges from the point of view of executives. 2) Empirical study in the mostly-conceptual business model literature.

As the purpose of this dissertation is to analyze how executives can incorporate a customer focus into their decision making in the context of omni-channel retailing, the four articles provide insights into this domain from different points of observation. Next, based on these article-level contributions as well as the framework developed in Chapter 2, a number of propositions are developed to address the research purpose.

5 Discussion and Conclusions

The purpose of this dissertation was to analyze how executives can incorporate a customer focus into their decision making in the context of omni-channel retailing. Executive decision making involves executives making sense of their environment, steering the company toward promising opportunities, and committing resources and setting goals for the organization. These activities are often characterized by a firm focus, which needs to be balanced with a customer focus. The customer focus for executive decision making was conceptualized as understanding customer value, creating customer value, and capturing value. Together, these three activities built the general theoretical framework for customer-focused executive decision making, which was further explored and discussed in the articles. The articles provide different insights into the domain of customer-focused executive decision making. Next, based on the insights gleaned from the articles, nine propositions are formulated in order to address the purpose of uncovering how executives can incorporate a customer focus into their decision making

5.1   Theoretical contributions and propositions

Theoretical contributions in qualitative research can take the form of new concepts, conceptual frameworks, propositions or midrange theory (Eisenhardt, 1989). Several scholars have made their contributions visible via propositions or "propositional inventories" (e.g. Boulding et al., 2005; Challagalla et al., 2014; Cornelissen & Lock, 2005; Gavetti & Rivkin, 2007; Hirschman & Holbrook, 1982; Jaakkola & Alexander, 2014; Kohli & Jaworski, 1990; Ruekert & Walker, 1987). Qualitative research can help to identify relevant constructs, which can then be used to develop general propositions on the phenomenon of interest (Gavetti & Rivkin, 2007; Strauss & Corbin 1994). Propositions can result from both literature-based and field-based insights (Jaakkola & Alexander, 2014; Kohli & Jaworski, 1990). For example, Gavetti

and Rivkin (2007) use their fieldwork as a basis for deducing general theoretical propositions.

Propositions can be regarded as theoretical statements that suggest something about a phenomenon or context; they capture insight or foresight regarding the theoretical or contextual domain. However, unlike hypotheses, propositions do not deal with measurable constructs. They operate at a more abstract level. The use of propositions is in line with the critical realist paradigm. Propositions are tentative statements about the nature of reality and require critical examination and testing by the scientific community (Järvensivu & Törnroos, 2010). In this dissertation, the propositions are developed from both the articles and the literature.

In this study, creating propositions was chosen as the means of making a contribution to the field because they enabled combining and highlighting the insights gained in the dissertation process, especially in synthesizing the implications of the articles. As propositions are more abstract in nature than hypotheses, they allow for the building of connections between the articles' findings. For example, Articles II, III and IV all include the concept of customer value, although they all approach it differently. By clarifying this dissertation's insights, the propositions shed light on how executives can incorporate a customer focus into their decision making in the context of omni-channel retailing. As the research is explorative in nature, the propositions operate at a general level.

In the process of developing propositions that meet the purpose of this dissertation, an outline, emerging from the theoretical discussions of customer value and executive decision making, was developed for formulating and categorizing the propositions. First, as stated in the introduction, the study of executive decision making should take into account the content, objectives, and process of decision making. Second, these three aspects of executive decision making, together with the tripartite customer focus of understanding customer value, creating customer value, and capturing value, were combined to form categories when developing the propositions. This outline, as presented in Figure 4, guided the development of the propositions. For each cell, one proposition was formulated to address the combination of an aspect of executive decision making and a customer-focused activity. This resulted in nine propositions for incorporating a customer focus into executive decision making. Roman numerals are used to indicate the articles that influenced the propositions. Their placement shows their contribution to each decision making theme and each customer-focused activity.

	Understanding Customer Value	Creating Customer Value	Capturing Value
Content	I	I, II	III, IV
Objectives	I, II, III	III	I, IV
Process	II, III	I, II	II, IV

Figure 4. How the articles contributed to the building of the propositions

Through a process of reflection and iteration, nine propositions were formed to investigate how executives can incorporate a customer focus into their decision making in omni-channel retailing[4]. These propositions are presented in Table 7. Next, the propositions are formulated.

5.1.1 Propositions on understanding customer value

First, Article I shows how executives sometimes lack sufficient understanding of the concepts necessary to talk about their reality or else are unaware of them (unawareness of concepts). Even though creating customer value is recognized as a central goal by executives, consultants, and scholars alike, executives might find it

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[4] In this dissertation, it would have also been possible to formulate principles instead of propositions. The concept of a marketing doctrine, i.e. a collection of principles, is gaining traction in the concurrent marketing literature (Challagalla et al., 2014; Homburg et al., 2015; Kumar, 2015). A marketing doctrine is "a firm's unique principles, distilled from its experiences, which provide firm-wide guidance on market-facing choices" (Challagalla et al., 2014, p. 4). It facilitates firm decision making by offering principles that provide both consistency and flexibility for decision makers throughout the firm. Yet, propositions were chosen here, since a marketing doctrine represents firm-specific principles and the current research setting pursued more general outcomes (Challagalla et al., 2014).

hard to talk about ways of creating customer value, and might even reduce it to customer satisfaction. The three key issues related to understanding customer value are: (1) the multidimensionality, (2) the subjectivity, and (3) the relativity of value (Eggert & Ulaga, 2002; Ulaga & Chacour, 2001). A view of customer value as the customer's overall evaluation of the relevant benefits and sacrifices (Rintamäki et al., 2007; Sheth et al., 1991; Woodruff, 1997) can help executives in reflecting on whether their decisions can either increase benefits or reduce sacrifices for customers (Anderson & Narus, 2004). Further, a multidimensional view of customer value helps to categorize the benefits offered to customers (e.g. utilitarian benefits vs. hedonic benefits), thereby strengthening the customer focus in decision making. Thus:

> P1: A thorough understanding of customer value (i.e. its subjective, relative and multidimensional nature) is vital for incorporating a customer focus into executive decision making.

Second, the objective of understanding customer value is to identify and generate opportunities for value creation. Following on from Proposition 1, executives can create customer value by offering new dimensions of value or by strengthening the current dimension(s) through new benefits or reduced sacrifices (Anderson & Narus, 2004). For instance, in Article II, executives translated emotional value to mean benefits such as personal service, special products and limited offers, product presentation, store atmosphere, visual cues, and enabling customers to relax and pamper themselves. To strengthen the focus on emotional value, retail executives could use the mobile channel to enable and encourage customers to share their shopping experiences (Article III). Thus, customer value should be the starting point for identifying and generating opportunities for value creation, not the technologies, such as mobile services. Proposition 2 is formulated as follows:

> P2: Through understanding what customers value, executives are able to identify and generate new venues for value creation by increasing (decreasing) relevant benefits (sacrifices) and choosing dimension(s) of value.

Third, to identify and generate new venues for value creation, executives can utilize the framework developed in Article III. This framework focuses on the nature and stage of the interaction with customers. The nature of interaction refers to the dimensions of customer value offered. For instance, hedonic customer value (i.e. emotional and symbolic value) often offers more opportunities for differentiation

and, therefore, can be a fruitful source for identifying and generating new options for value creation (Articles II and III). On the other hand, the stage of interaction refers to the individual customer's process (e.g. before, during and after purchase in Article III). Indeed, in the omni-channel environment, retailer differentiation is built on *how* retailers sell rather than what they sell (Sorescu et al., 2011). Thus, retailers can support their customers by creating benefits and reducing sacrifices related to the customers' purchase processes (Payne et al., 2008). By offering additional value outside the purchase situation, the retailer can enlarge its role in customers' lives. For example, a customer-focused retailer can offer various services before and after the customers visit the store (Article III). Hence:

> P3: In omni-channel retailing, customer-focused executive decision making benefits from considering both the stages of the customer's process (i.e. before, during and after purchase) and the customer value dimensions offered during each stage (i.e. economic, functional, emotional, and symbolic).

5.1.2 Propositions on creating customer value

Fourth, it is argued both here and in Article II that the customer value proposition (CVP) is a vital concept in establishing a customer focus in executive decision making. However, due to its widespread use, many organizations make propositions to their customers without a clear understanding of what the customers actually value (Anderson et al., 2006). There is a gap between what customers value and what firms propose through their CVPs. A customer focus increases understanding about customers and what they value, which enables executive decision making to develop CVPs that are more in line with what customers value. These CVPs offer enhanced customer value in the form of more relevant benefits, increased benefits and/or decreased sacrifices (Anderson & Narus, 2004; Rintamäki et al., 2007). Further, executives control important organizational resources involved in value creation. Without executives' involvement, CVPs might end up as empty slogans. Hence:

> P4: Through customer-focused executive decisions, firms are able to develop and leverage CVPs that are in line with what customers value.

Fifth, the CVP is more than a slogan and more specific than a brand. It has internal and external uses. Externally, it is a tool for differentiating and positioning the firm relative to the competition in terms of the benefits offered to customers (Anderson et al., 2006; Day & Moorman, 2010; Johnson et al., 2008; Rintamäki et al., 2007). In addition to being a device for positioning, internally the CVP guides and prioritizes organizational actions (Anderson et al., 2006; Frow et al., 2014; Simons, 2014). Executives translate their understanding of customer value into internal processes and their requirements (Woodruff, 1997). A customer focus is achieved by executives through first developing CVPs and, second, organizing the firm to deliver on those CVPs. In Article III, examples are provided of retailers using the mobile channel to deliver on their CVPs. For example, utilitarian value could be created by enabling price comparison, helping customers in their planning, making the purchase in advance, selecting the delivery method, enabling comparison of service- and store-related information, offering video guidance on product use, and personalizing promotions based on previous purchases (Article III). Thus, Proposition 5 states that:

> P5: In addition to positioning a firm's offering relative to competitors (i.e. external use), the CVP is also an executive tool for organizing the firm's processes and allocating resources for customer value creation (i.e. internal use).

Sixth, the literature argues for the building of CVPs around only a small group of relevant benefits (Anderson et al., 2006; Day & Moorman, 2010; Johnson et al., 2008). Offering every dimension of customer value will not result in differentiation and might even confuse customers (Anderson et al., 2006). Also, since the creation of different customer value dimensions requires different resources and capabilities, it would be costly to focus on more than a few dimensions (Article II). Therefore, prioritization is needed. To help with the prioritization, executives could use different decision-making tools. As executive decision making is often dominated by an appreciation for rigorous mathematical and statistical methods (Article I), the PCM is demonstrated to be one possible method for prioritizing customer value (Article II). Proposition 6 is formulated as follows:

> P6: When incorporating a customer focus into executive decision making, prioritization is a key component of customer value creation.

Table 7. Propositions for incorporating a customer focus into executive decision making in omni-channel retailing.

	Understanding customer value	Creating customer value	Capturing value
Content	P1: A thorough understanding of customer value (i.e. its subjective, relative and multidimensional nature) is vital for incorporating a customer focus into executive decision making.	P4: Through customer-focused executive decisions, firms are able to develop and leverage CVPs that are in line with what customers value.	P7: In capturing value, the CVP guides business model selection.
Objectives	P2: Through understanding what customers value, executives are able to identify and generate new venues for value creation by increasing (decreasing) relevant benefits (sacrifices) and choosing dimension(s) of value.	P5: In addition to positioning a firm's offering relative to competitors (i.e. external use), the CVP is also an executive tool for organizing the firm's processes and allocating resources for customer value creation (i.e. internal use).	P8: In capturing value, it is necessary to anticipate and analyze the challenges for the business model.
Process	P3: In omni-channel retailing, customer-focused executive decision making benefits from considering both the stages of the customer's process (i.e. before, during and after purchase) and the customer value dimensions offered during each stage (i.e. economic, functional, emotional, and symbolic).	P6: When incorporating a customer focus into executive decision making, prioritization is a key component of customer value creation.	P9: From the executive decision making point of view, understanding and creating customer value involve identifying, generating, and prioritizing venues for value creation, whereas value capture requires implementing, problem solving, and optimizing.

5.1.3 Propositions on capturing value

Seventh, the CVP acts as a customer-focused guiding principle for organizations (P5). The choice of a CVP will require executives to acquire appropriate resources and build specific capabilities (Anderson et al., 2006; Day & Moorman, 2010; Rintamäki et al., 2007; Simons, 2014; Articles II and IV). For instance, in Article II, executives translated functional value to mean things like accessible store locations, the store is easy to navigate, the staff solve customers' problems, there is no waiting in lines, and providing enough information for customers to be able to make comparisons. In this case, the retailer can capture value through gaining a larger share of the customer's wallet as well as cross-selling. On the other hand, symbolic value meant things like lifestyle, social responsibility, brand and store image, flagship stores, and stores located in upscale shopping centers. Here, value capture is based on high margins and customer word-of-mouth. Thus:

P7: In capturing value, the CVP guides business model selection.

Eighth, the business model is built on the sources of firm value identified and leveraged by executives, although the challenges for value capture should also be considered. The literature on business models mainly focuses on the positive aspects of value creation and value capture (e.g. how new technology enables new business models) (Amit & Zott, 2001; Grewal et al., 2012; Sorescu et al., 2011). After choosing the dimensions of value offered to customers, executive decision making should also take into account challenges such as whether the firm has the capabilities to create the value and whether customer value can be created profitably (Anderson & Narus, 2004; Day & Moorman, 2010). In Article IV, the value creation challenges for omni-channel retailers are analyzed. For instance, omni-channel retailers were found to face the challenge of avoiding internal conflict. To reduce internal conflict, retail executives could design performance measures, incentives, rewards, and an internal culture to motivate coordination and discourage harmful competition between channels. Therefore, it is proposed that:

P8: In capturing value, it is necessary to anticipate and analyze the challenges for the business model.

Ninth, the decision-making process for value capture is more specific and solution-oriented than the processes of understanding and creating value. Understanding and creating value involve creative thinking about customer needs and potential capabilities (Collis & Rukstad, 2008) as well as prioritizing which value dimensions to offer. Value capture, in turn, is concerned with building the necessary resources, capabilities and revenue model (i.e. the business model) to deliver and capitalize on the CVP (Day & Moorman, 2010; Johnson et al., 2008; Article IV). Hence:

P9: From the executive decision making point of view, understanding and creating customer value involve identifying, generating, and prioritizing venues for value creation, whereas value capture requires implementing, problem solving, and optimizing.

Together, these nine propositions unite the three customer-focused activities of understanding customer value, creating customer value, and capturing value. They also underline four key concepts related to customer-focused executive decision making: customer value, customer value proposition, business logic, and business model. For executive decision making, the CVP is the central concept, since it connects the customer and firm perspectives. Next, the managerial implications of this research are discussed.

5.2   Managerial implications

This dissertation provides a framework for customer-focused decision making for managers and executives. Understanding customer value, creating customer value, and capturing value will all enhance the customer focus in decision making.

By understanding the multidimensional nature of customer value (i.e. economic, functional, emotional, and symbolic), executives can make better decisions about what to offer their customers and how to compete in the marketplace. However, due to the multidimensionality of customer value, it is challenging to understand what is relevant and how to prioritize the different, often contradictory, aspects of customer value creation. For example, investing in efficiency enables lower pricing, while

improving the store atmospherics attracts more customers. Decision-making tools, such as the PCM, can aid in prioritization by reducing complexity to paired comparisons, eliciting preferences, and giving feedback on consistency (Article II).

In an omni-channel context, retail executives can shift their focus from selling to supporting by utilizing new channels. The current literature encourages firms to develop closer relationships with customers and to co-create value with them. For retailers, who have traditionally held the role of intermediaries between manufacturers and consumers, the service logic offers a way of enlarging their role. In Article III, mobile services were seen as a way for retailers to broaden their perspective from merely selling products to supporting customers' pre-purchase and post-purchase processes as well. Executives will benefit from expanding their view of the customer beyond the initial purchase situation. For example, in Article III the nature and stage of the customer interaction are used to develop a framework for customer value creation. Firms can use such frameworks when developing their own concepts that focus on customer interaction before and after the actual purchase situation or store visit, the dimensions of value offered at different stages of the customer process, and the overall consistency of value creation.

Further, omni-channel retail executives should focus on the overall business logic rather than on single channels and different channel-related activities. With consultants, academics, and the trade media all emphasizing the need for multichannel marketing, cross-channel integration, and omni-channel commerce, retail executives might find themselves lost in the jargon and so unable to determine what is relevant (Article I). Nonetheless, many retailers are currently performing omni-channel activities such as "order online, collect in store". Not having these activities might lead to a competitive disadvantage, since customers are increasingly more omni-channel in their behavior. In 2010, Zhang et al. predicted that the "ability to utilize multiple channels synergistically will be a prerequisite for successful [omni-channel] retailing" (p. 178). As more and more retailers are using these activities, they cannot lead to a competitive advantage in the long run. The channels, in themselves, are not important. What is of importance is the overall business logic as well as how each channel contributes to it (Articles III and IV). The omni-channel business model is concerned with developing customer relationships and orchestrating multiproduct, multichannel customer experiences by fully integrating the value chain (Weill & Woerner, 2015).

Finally, omni-channel retail executives should evaluate channels holistically, not just in terms of their revenue-generating abilities. Capturing value is becoming increasingly hard in many business contexts as competition lowers prices and

differentiating aspects are imitated. Value is being created, but firms are experiencing difficulties in gaining an equitable return on the value created. Since customer behavior is spread across a wide range of channels, executives should carefully consider each channel's role in customer value creation. For instance, in omni-channel retailing, customers exhibit showrooming behavior, which means that they utilize many free or low-margin services offered by firms while doing their shopping elsewhere. For example, the mobile channel can be used to provide value-creating services for customers (Article III), although these m-services themselves rarely create revenue. Thus, channels should be evaluated in terms of their contribution to customer value and/or firm value creation.

5.3   Limitations and future research

All research faces challenges and limitations, and this dissertation is no exception. This section discusses the general limitations of the current work and also proposes future research in this area. The article-level limitations are presented within each article.

The purpose of this dissertation was to analyze how executives can incorporate a customer focus into their decision making in the context of omni-channel retailing. The sections presented above have provided some perspectives on executive decision making in omni-channel retailing, but they cannot represent the problem area in all its complexity. After all, research requires resources and the making of trade-offs. Here, it was decided to abandon a single-research design (e.g. a single method or a single case), since the research was explorative in nature. Rather, each departure (i.e. article) analyzes one aspect of the larger problem area. The articles utilize different concepts and methods to uncover new aspects of the customer focus in executive decision making in omni-channel retailing. While the versatility of the datasets can be seen as a strength of this dissertation, it can be argued that the breadth of data is limited. However, to address the research purpose and follow an explorative approach, the choice was made to focus on generating diverse datasets. Consequently, the study was located in the context of discovery rather than the context of justification (Yadav, 2010). Nonetheless, more research in this managerially-relevant domain is needed. A case study that connects customer-

focused decision making with practical implementation would represent one potential future research direction.

Theoretically, this research conceptualizes the customer focus for executive decision making relatively lightly (understanding, creating, and capturing value). By anchoring the research to a strong research stream, such as the market orientation literature, this research could potentially have generated different results. However, due to emphasizing the executive decision-making perspective, it was decided to adopt a more explorative approach. The perspective focused on research into issues such as what affects the relevance of information used for decision making from the executives' view, how to prioritize different aspects of customer value when making decisions, how a firm can develop and enhance its business logic through new channels, and what the challenges for value creation are. Instead of using executive decision making as a perspective, future research could focus on aspects that affect executive decision making, such as the executives' mental models. Mental models are shared cognitive belief systems held by key decision makers (individual, team, company; Strandvik et al., 2014). Mental models, as well as other mental representations and frames, filter the decision makers' attention and guide their decisions (Birshan et al., 2014; Narayanan et al., 2011; Strandvik et al., 2014). Studying the executive mental models related to customers and customer value would provide a better understanding of a customer focus. For example, research could analyze how the mental models of more customer-focused executives differ from those of their more firm-focused counterparts.

The omni-channel retail context has gained some attention from scholars. Various aspects of customer behavior, customer management principles, and channel strategies have been studied. Most of the current research in this context is quantitative by nature, so it was decided to provide some balance by using qualitative methods. Also, this research brings an executive perspective to this context. Future research could assume another perspective that would add to a more holistic understanding of value creation.

It should be emphasized that this research is heavily immersed in the omni-channel retail context. This is evident in the fact that some propositions relate specifically to that context. However, that is not to say that qualitative research cannot be generalized beyond its context. Indeed, the problems that executives face when trying to incorporate a customer focus into their decision making can be considered relatively universal. It is therefore suggested that extending the current research mission (i.e. a customer focus to executive decision making) to other contexts will be relevant both theoretically and practically.

5.4 Conclusions

Research should aim to make a contribution to at least one of the following three domains: the conceptual domain (theory), the substantive domain (context and practice), or the methodological domain (Brinberg & McGrath, 1985; Ladik & Stewart, 2008). This dissertation makes a contribution to the conceptual and substantive domains.

The conceptual or theoretical domain refers to explanations of the central phenomenon. For instance, existing theory can be extended, refined, or limited by boundary conditions. A conceptual contribution can also take the form of an integrative review, the identification of a new phenomenon, or the development of a new theory to explain an old phenomenon (Ladik & Stewart, 2008). MacInnis (2011) has further identified ways of making a conceptual contribution. Here, the conceptual domain was approached using two strategies. First, this dissertation advocates adopting an executive decision making perspective in research (MacInnis, 2011). Advocating involves endorsing a particular perspective. Throughout this dissertation, it has been argued that executive decision making is an important perspective. It is through executive decision making that strategic shifts and turning points are made and emphases and objectives are set. Therefore, this perspective is highly relevant for researchers. Also, a better understanding of executive decision making will help marketers to earn a seat at the executive table.

Second, envisioning and relating (MacInnis, 2011) were used to conceptualize a customer focus for executive decision making. Envisioning involves identifying that something is missing or that something is important as well as seeing things in different ways. Here, envisioning was used to identify the importance of an executive decision making perspective for customer value creation. Further, what was missing was the way in which a customer focus could be incorporated into executive decision making. Many streams of literature advocate a customer focus or a customer orientation. However, a firm can only create customer value if the executives and their decision making are customer-focused. In reaching this customer focus, the research has been ambiguous. Researchers have previously identified certain activities, capabilities, and cultures that are related to a customer focus. In this dissertation, customer-focused executive decision making is conceptualized as decisions about customer value creation. Relating activities were used to synthesize relevant literature and conceptualize the customer focus. For instance, business and industrial marketing scholars have described value creation activities as involving

value analysis or understanding value, value creation, and value delivery or value capture (Anderson & Narus, 2004; Lindgreen & Wynstra, 2005; Lindgreen et al., 2012). These three activities were adapted and refined in this dissertation.

A contribution to the substantive domain adds to what is known about the context (Ladik & Stewart, 2008), which in this research is omni-channel retailing. Omni- and multichannel retailing have been previously studied from the perspectives of customer behavior, customer management, and channel management (e.g. Avery et al., 2012; Konuş et al., 2008; Kushwaha & Shankar, 2013; Verhoef et al., 2007). The strategic executive perspective has been absent from these studies, even though the omni-channel retail context poses many challenges to executive decision making. Analyzing customer focus in this context is especially fruitful, since customer behavior is currently in a state of flux and so executives can no longer rely on their current mental models of customers. This dissertation contributes to an enhanced understanding of omni-channel retailing in two ways. First, retailers are seen to increasingly add service elements to their business model via new channels, such as the mobile channel (Article III). The omni-channel context is driving a shift toward service as a business logic. Service researchers will find this context as fruitful for further study, while executives steering their companies toward a service business logic will benefit from recognizing the role of channels in this transformation. Second, the context brings about new challenges for retail business models, as illustrated in Article IV. New channels allow customers to search for alternatives and compare prices ubiquitously, while current retailer revenue models are still focused on transactions inside the store and online. By being aware of the challenges, executives can better design their business models to limit or avoid them.

While the focus of this dissertation was on conceptual and substantive contributions, one methodological contribution is made. In Article II, the pairwise comparison method (PCM) is used in a novel way. Unlike other PCM studies, the PCM is used in a rather simple, future-oriented decision task. This is because the PCM was viewed more as a discussion-facilitating strategic tool than as a method resulting in ready-to-use resource allocation percentages. Further, the executives participating in the study were themselves involved in and responsible for similar tasks (the CVP of a store brand). The PCM is vital in exposing the differences between executives' opinions and in evaluating how consistent their views are. For executive decision making, knowing the level of agreement and consistency is valuable because both the group and the individuals will be aware of more aspects, perspectives, and alternative courses of action (Bantel & Jackson, 1989; Lant et al., 1992; Miller et al., 1998; Wiersema & Bantel, 1992). This can ultimately improve the

quality of decisions (Miller et al., 1998). The PCM also improves the quality of strategic discussions, because its outputs provoke conversation by making each participant's priorities visible.

In addition, this dissertation discusses and synthesizes how propositions can be used to crystallize research outcomes. Previous researchers have used propositions to create a contribution, but without explicitly defining what a proposition is. Here, a proposition is defined as a theoretical statement that suggests something about a phenomenon or context. As theory is the description of a phenomenon, a proposition represents a tentative refinement or modification to a theory or else predicts a new theory.

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Original Publications

Challenges for B2B research relevance: a top executive perspective

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Abstract

Purpose – The purpose of the article is to identify and analyze the challenges of business-to-business (B2B) research relevance from the point of view of top executives.
Design/methodology/approach – Ten in-depth interviews with top executives from different B2B industries were conducted and analyzed by using Arndt's (1985) elements of a healthy discipline, i.e. knowledge, problems and instruments.
Findings – The findings reveal 12 challenges that characterize contemporary B2B research relevance from a top executive perspective.
Research limitations/implications – The research offers genuine top executive insight. More research from different perspectives is needed to broaden the understanding of B2B research relevance.
Originality/value – Reflecting B2B research with the identified challenges can contribute to better research designs, narrowing the gap between B2B scholars and practitioners. Altogether, it contributes to the health of the B2B discipline. The study also introduces a new approach to analyzing research relevance by using the elements of scientific balance.

Keywords B2B, Relevance, Executives

Paper type Research paper

Introduction

> A central notion in this view is that in any science, there should be some balance between the K [Knowledge], P [Problems], and I [Instruments] elements. If one of the three elements is allowed to dominate the other two, the discipline becomes unhealthy (Arndt, 1985, p. 13).

A gap between academics and practitioners is detrimental to the health of any research field (Reibstein *et al.*, 2009). It is a sign of imbalance between the elements of knowledge, problems and instruments (Törnebohm, 1971). By knowledge, we mean generalized, certified information related to an aspect of reality. Arndt (1985) argues that if a discipline is too afflicted by ***knowledgeitis***, it develops "empirically empty formal structures irrelevant to the problems". By problems, following Arndt, we mean the discrepancies between what is known and what is unknown or "from the uncertainties of applying generalized knowledge to concrete situations" (p. 12). A discipline afflicted by ***problemitis***, is one too concerned with "unconnected and narrowly defined problems", which means "shallow pragmatism and conceptual malnutrition" (p. 13). Instruments refer to techniques such as research design, models, questionnaire construction and statistical methods. A discipline beset by **instrumentitis** suffers from too great a focus on instruments that can erode the core of a discipline, which can then easily be defined narrowly in terms of research methodology. Challenges in any of these elements may hinder research relevance.

During the past decade, there have been many articles discussing research relevance both within marketing (Jaworski, 2011; Lilien, 2011; Varadarajan, 2003; Ottesen and Grønhaug, 2004) and business-to-business (B2B) research (Ankers and Brennan, 2004; Brennan and Ankers, 2004; Brennan and Turnbull, 2002; Reed *et al.*, 2004). In addition to adopting a researcher point of view, research relevance should be uncovered through the elements that constitute a healthy discipline:

1. knowledge;
2. problems; and
3. instruments.

Furthermore, because practitioners eventually determine what is relevant, exploring their opinions and perceptions is imperative. Particularly top executives who eventually make the most significant decisions should be involved when addressing research relevance. Top executives make large-scale long-term strategic decisions that influence the whole company, in contrast to the more tactical decisions taken at a managerial level. Moreover, top executives are often future-oriented and heavily focused on evaluating the opportunities of various investments and resource allocation decisions for the company (Möller, 2010).

B2B research can be defined as the study of commercial business relationships between organizations (Hadjikhani and La Placa, 2013, p. 294). The key types of phenomena studied include how businesses are organized in relation to their markets, suppliers, customers, competitors and other stakeholders. This research encompasses a wide spectrum of topics such as organizational buying, strategic outsourcing,

customer involvement and competing through resources in dyads, alliances and complex networks (Ford and Håkansson, 2006; Holcomb and Hitt, 2007; Möller, 2010; Hunt, 2013; Wilkinson and Young, 2013). Wilkinson and Young (2013, p. 394) view business markets as "complex adaptive systems in which order emerges in a self-organising, bottom up way from the actions and interactions of people and firms and other types of organisations involved". As argued by Cooke (1986), in contrast to B2C, it differs in terms of product and service differences, market and customer differences and differences in marketing activities (LaPlaca and Johnston, 2006). It can be argued that B2B research has, throughout the past three decades, been actively trying to explain observations of business relationships, networks and complex systems that traditional economic theory or behavioral approaches in consumer research and mainstream marketing could not fully explain (Hadjikhani and La Placa, 2013).

Furthermore, in the B2B context, specifically, the complexity of networks and relationships between multiple actors has been noted to increase demands for relevance (Åge, 2011). B2B markets comprise of adaptive systems where people, firms, activities, resources and ideas interact and control is dispersed among these actors (Wilkinson, 2006). Yet, while much research is conducted for instance on networks within B2B markets, according to some studies, managers in the B2B sector are neither aware of, nor impressed by, the theory in the field (Brennan and Ankers, 2004). Analyzing B2B research relevance from the key performance indicator (KPI) perspective makes a new contribution. It identifies the weaknesses and problems in relation to the KPI elements, and highlights the respective challenges. In addition, employing a top executive perspective shifts focus to those who both live and construct the B2B reality. Thus, the purpose of this study is to identify and analyze the challenges of B2B research relevance from the point of view of top executives.

The article is organized as follows. First, we review recent literature on what constitutes research relevance in scientific inquiry. In the methodology section, we address the data generation in the form of ten interviews with top B2B executives from various industries followed by data analysis. The top executives provide the perspective to B2B research relevance and the elements of knowledge, problems and instruments operate as an analytical tool. As a result, we present the key challenges that characterize contemporary B2B research relevance from the point of view of executives. Discussion and conclusions conclude the article.

Theoretical background

There are many ways of defining research relevance. According to Varadarajan (2003), it is the extent to which research addresses issues practitioners can influence and such effects that are of interest to them. It is also described as the applicability of research findings, concepts, theories, frameworks, models, measurement instruments or decision support tools to practical problems (Brennan and Turnbull, 2002; Jaworski, 2011). From the managerial standpoint, Jaworski (2011, p. 212) defines practical (managerial) relevance as the "degree to which a specific manager in an organization perceives academic knowledge to aid his or her job-related thoughts or actions in the pursuit of organizational

goals". This definition emphasizes the individual manager's view because a single manager is the one taking action and making decisions.

Different criteria for research relevance have been introduced. For instance, does the theory provide concrete action implications, do the outcome variables correspond to practical goals and does the theory accurately capture the phenomena that practitioners encounter (Cornelissen and Lock, 2005; Varadarajan, 2003). A further criterion of relevance is non-obviousness; it needs to go beyond the common-sense theory already used by practitioners (Varadarajan, 2003). Research also needs to be able to provide a credible, rich and contextualized description of the reality that managers and executives are experiencing to convince them of the applicability of findings to their own specific context and business. Moreover, timeliness of knowledge should be evaluated when judging practical relevance (Cornelissen and Lock, 2005; Thomas and Tymon, 1982). The information must reach decision-makers in companies at the right time to be able to influence their decisions and have impact. Yet not all information is used in the present moment, and it may influence future decisions too, especially if it affects practitioners' thought processes and mental models (Jaworski, 2011).

In addition to defining the relevance, previous literature has provided insights into the reasons why research relevance may be diminishing. Scholars' academic writing style, their inadequate understanding of commercial realities and the slow pace of academic research have been identified as characteristics that negatively affect the relevance of research. Academic research is often idealistic, general and slow (Ankers and Brennan, 2004). Academics are also argued to focus too much on problem finding rather than problem-solving (Hughes et al., 2012; Leavitt, 1989; Porter and McKibbin, 1988). Some argue that the trend of top academic marketing journals to favor quantitative modeling of statistical relationships between highly abstract constructs is detrimental to practical relevance (Brennan, 2004; Gummesson, 2006). These symptoms are also characteristic of an instrumentitis afflicted discipline (Arndt, 1985). It may result in a paradox, whereby the kind of research that academia values highest seems the least interesting to practitioners; the academic reward system does not encourage practically relevant research (Brennan and Ankers, 2004). In conclusion, there seems to be room for exploring the balance of a scientific discipline from the perspective of managerial relevance. Even though different perspectives to relevance have been used, approaching it through the analysis of knowledge, problems and instruments simultaneously captures important aspects of the phenomenon. It also provides a novel way to address managerial relevance.

Methodology

A hermeneutic qualitative research methodology was adopted (Arnold and Fisher, 1994) to identify and analyze the challenges of B2B research relevance from the point of view of top executives (Granot et al., 2012). Qualitative research takes into account complexity and context, and allows for the persona of the researcher and of the informant to emerge. Furthermore, qualitative research acknowledges the

Table I Informants of the study

Informant	Gender	Work experience	Field of business
A	Male	15 years, development director	Retail and hospitality management
B	Male	30 years, CEO and member of board	Construction business
C	Male	25 years, CEO and member of board	Real estate and logistics
D	Male	15 years, CEO	Healthcare industry
E	Male	20 years, CFO and CEO	Variety of industries including electricity, public management
F	Female	17 years, director	Real estate and leasing services
G	Male	20 years, CEO and Chairman of Board	Variety of industries including retail and service industry
H	Female	35 years, CEO, Board room member	Catering and logistics industries
I	Female	15 years, Corporate Responsibility Director	Forest industries
J	Male	27 years, CEO	Manufacturing (metals)

importance of the respondent's experience, intuition, common sense and interpretation in achieving new knowledge (Gummesson, 2006). Qualitative research may be one way to bridge the gap between research and practice. It provides contextualized and concrete findings (Granot *et al.*, 2012) that complement the generation of new knowledge accumulated through quantitative research. A qualitative research approach avoids eliminating the context, which is seen as important in determining research relevance from the point of view of top executives. The reason for utilizing this methodology was to achieve a rich description of the top executive perspective on B2B research in relation to their own work, company and business. Following Jaworski (2011), the perceptions of individual managers or executives about research relevance are crucial because they are the ones who make decisions and take action in organizational contexts.

We chose to capture the perspective of top executives through in-depth interviews. Interviewing "enables the understanding of participants' thought processes, values, aspirations and professional and life stories in context" (Granot *et al.*, 2012, p. 548). Ten Finnish top executives from companies in various B2B fields and industries operating globally were interviewed to uncover how they, operating in their respective business realities, perceived the challenges of B2B research relevance. Top executives are a very relevant group of people determining the relevance of research. They operate at an international level, make decisions simultaneously both on tactical and strategic matters and have to deal with complex issues such as managing networks and multi-layered systems. Detailed information about the interviewees is given in Table I. The interviewees were selected through purposive sampling to acquire varied and rich perceptions and opinions on research relevance. Characteristics of B2B environments such as long-term customer relationships, complex buying processes and networked operations were applied as company selection criteria. The interviewees' role and position in the organization and the amount of experience were also considered. Both female and male top executives were included. The interviews were conducted by a senior researcher who also has extensive experience from working on several companies' boards of directors.

The interviews were broadly structured and organized around Arndt's three categories:

1 knowledge;

2 problems; and

3 instruments.

Questions were asked in each category, for example, "What kind of Knowledge (K) do you perceive as relevant for your business and for your decision-making?", "What kind of Problems (P) should researchers be focusing on?", "What kind of research Instruments (I) and methods do you think produce appropriate knowledge for your business and decision-making?" Follow-up questions were asked about each area based on what the interviewee brought up. However, the general nature of the interviews was open-ended; the participants were encouraged to speak about the themes in their own language and from their own perspective (Carson *et al.*, 2001). The interviewer did not restrict the answers by providing definitions of such aspects as research relevance or B2B research for the informants. Therefore, interviewees' understanding and definition of B2B research and academic research in general varied. This can also be seen in the interview data. However, the purpose of this study was not to evaluate the status of the B2B research field as such, but to approach research relevance genuinely from the perspective of top executives. The interviews took place between June and August 2013, and they lasted approximately one hour each. They were recorded and distributed among all the authors, who then listened to and made notes about them. Listening to the interviews individually helped the researchers to then build together a more synthesized consensus of the most important themes emerging from the interviews.

Finally, the analysis process began with the framework of knowledge, problems and Instruments (Arndt, 1985). Consequently, knowledge (K) is defined here as generalized information that relates to relevant aspects of top executives' realities. Problems (P) are defined here as relating to relevant questions and problems that arise from discrepancies between knowledge and specific executive contexts. Finally, instruments (I) relate here to the relevant means and methods of knowledge creation and its dissemination to top executives. The data were first categorized and each category was considered from the point of view of relevance. Through a process of constant comparison, data generated by the top executives were classified into each category. This theory-driven combination of Arndt's (1985) elements and top executives' experience helped discover, explore and classify challenges for research relevance in the contemporary

Table II Challenges for B2B research relevance

Research Relevance	Arndt's (1985) three elements of scientific inquiry and scientific balance:		
	Knowledge	Problems	Instruments
Challenges	**Unawareness of concepts**: Not enough concepts in research to capture executive reality in a B2B context (B2C concepts are often inappropriate) **Plurality of knowledge providers:** Executives search information from *other sources* than the academic community	**Limited boardroom access:** Researchers are unaware of the decision-making process and the embedded corporate logic **Difficulty in building researcher–practitioner linkages:** Executives find it difficult to convert curiosity into research questions	**Relevance paradox:** Methods generating statistical data are highly valued, however qualitative data fuels intuitive decision-making **Conventional tools:** Traditional market studies and customer satisfaction surveys are often preferred for ease of use, simultaneously their intrinsic value is questioned
	Dissemination scarcity: Researchers not interested in spreading results beyond academic forums	**Context-dependency of problems:** The relevance of the problem/research question (as perceived by executives) depends on: The firm's strategy and market position	**Need for diverse perspectives**: More multidisciplinary research is needed also in a B2B context.Need for diverse perspectives: More multidisciplinary research is needed also in a B2B context
	Complex lexicon: Researcher lexicon negatively affects how research is converted into practice **Ineffective knowledge conversion:** Researchers lack the will – and practitioners the resources – to convert research results to relevant knowledge for executives	The executive's personal doctrines, education, experience, values and ideologies frame **Incongruent timing:** The research process does not fit with the executive's decision-making process (research is slow in relation to executives' purposes)	

executive landscape. In the next section, we discuss the findings in more detail.

Findings

We have classified the data into three columns depending on whether they relate to the element of knowledge, problems or instruments as described by Arndt (1985) (Table II).

A total of 12 interrelated themes emerged that uncover how top executives perceive the challenges of B2B research relevance.

Challenges related to knowledge

Challenges linked to the element of Knowledge captured aspects of the executive reality in the B2B context. They uncovered the challenges related to the ways in which academic knowledge can serve top executives.

The first challenge identified is that of unawareness of concepts. Based on the data, interviewees perceived a lack of appropriate concepts depicting the B2B reality, especially when compared to the B2C business environment. Clearly, even though such concepts exist, many of our interviewees lacked awareness of them, which is a symptom of the gap between academia and practitioners in general. The situation of course depends on the personal characteristics of the executive, and whether they are more or less familiar with the appropriate research. Conceptual deficit was also seen to be the result of a lack of institutions providing appropriate data about B2B markets:

> I think B2B has been left with less [research] attention. Maybe B2B research has only concerned the area of selling, because consumer research does not traditionally identify selling as a concept as much. The traditional selling concept belongs to the B2B side; selling services and industrial products [. . .] but I would be interested in for instance the decision-making criteria in companies as opposed to individual people [. . .] There's a lot of

statistical data available about consumers [. . .] but not about the B2B markets [. . .] – Development director (retail and hospitality management).

The second challenge identified in the data related to the knowledge element is plurality of knowledge providers. Besides academic knowledge, top executives use other sources of knowledge like consultants. Knowledge generated by consultants is often more suited to the specific business context of a company and utilizes global data banks that researchers do not have access to. As one CEO put it:

> There are a lot of positive sides to research knowledge. The benefits include that you can always say that it is objective in a certain way; it conceptualizes different entities through a theoretical vocabulary, which acts as a toolkit. It is often claimed that consultants produce knowledge through PowerPoint slides [. . .] thus academic research is trustworthy and produced according to certain rules, these are its strengths. But the weakness is that it is outside the management's decision-making process – CEO and Chairman of Board (variety of industries including retail and service industry).

The third challenge identified in the data related to the knowledge element is dissemination scarcity. The interviewees perceived that they did not receive enough offers from those who produce relevant knowledge. To be able to benefit from research knowledge, they had to be active themselves:

> I think there is much too little research on offer about the topics that I have mentioned. I don't know the reason for this. Is it because of our business context; the health care industry [. . .]? Public healthcare is such a context that they don't offer these studies to you [. . .] you almost have to be aware of how to order these type of studies in order to be able to utilize them – CFO and CEO (variety of industries including electricity and public management).

The fourth Knowledge-related challenge is the problem of complex lexicon. The language used by researchers to communicate their research is different to that top executives are used to. For instance, according to one of our interviewees, "researchers are excited about details and findings whereas executives look for general relevance" (CEO and chairman of board, variety of industries). Another interviewee perceived

that even though she herself could understand the language, it was difficult to explain it adequately to persuade others within her organization of its value:

> I used to belong to a marketing network project [. . .] It was very good, they coordinated and did benchmarking and roundtables and other things. But there was the problem that even though I followed it all the time and thought that I understood what it was about, it was still very difficult to bring it to my own people in my organization. The language was so difficult and strange for many people. Many did not understand what it was all about – Corporate Responsibility Director (forest industries).

The fifth Knowledge-related challenge identified is ineffective knowledge conversion between academia and top executives. Researchers lack the will and practitioners the resources to effectively convert knowledge:

> There is a huge abundance of all kinds of information [. . .] The amount of such information seems to be increasing all the time. I feel that I cannot possibly know whether I have all the information that's out there and that researchers have already produced. For me, there's value in processing existing knowledge and bringing it, offering it in appropriate packages. One could call it commoditization or commercialization [. . .] My experience is that there's a lot of stuff, for instance online and elsewhere, but how to dig it up and produce it to your own business field and your own need – Director (real estate and leasing services).

Similarly, the interviewees perceived that for academic knowledge to be more relevant; it should be more tailored to their specific context. To address the challenge of ineffective knowledge conversion, researchers could also make their findings more approachable by offering concrete examples rather than theoretical statements:

> Concrete business cases always help in understanding. If I think about the marketing study that was conducted within the packaging project [a research project], I thought that there was quite a lot of theoretical content included. The concrete business cases in a way create value for businesses. I do understand that researchers need to think about the theoretical value too. How to utilize the results of that study in practice [. . .] that was not actually very easy – Corporate Responsibility Director (forest industries).

Challenges related to problems

Challenges related to the problem element are characterized by a gap between what is known and unknown and difficulties in applying knowledge into practice. The first challenge identified from the data is that from the point of view of top executives, researchers have limited boardroom access. Hence, they cannot be aware of the decision-making processes and embedded corporate logics. A researcher who is a stranger to the executive realities will always struggle to identify the appropriate problems to be studied or the appropriate knowledge they can provide. This can negatively affect relevance:

> Researchers do not even have an understanding of how top management makes decisions. They do not know what is being discussed for instance when we talk about our customer strategy. They cannot imagine it, because they have never been in that world. It is important that the researcher knows the management's way of thinking. Consultants, on the other hand [. . .] meet them every day [. . .] It is important for those producing knowledge to know how the decision-makers think and make decisions in their business – CEO, Chairman of Board (variety of industries).

The second challenge identified from the data was the difficulty in building linkages between researchers and practitioners resulting from their divergent needs and goals. Researchers' interest in making a scientific contribution may be in conflict with practitioners' interest in applying existing knowledge more directly to their problem and context:

> It has to be intuitively determined. What I meant was that these studies, if you can call them studies, use too simple, too abstract questions that are not

tailored to this business field or our operational processes in any way. So analyzing in more depth – whether the result is good or bad – is merely guesswork. If something is represented as the best option – it is unclear to us why it is so. – CFO and CEO (variety of industries including electricity, public management).

In addition, executives have difficulty formulating the problems that they need knowledge to resolve. One of the executives had started in a new industry where he had to operate in the interface of public and private and where he felt challenges in formulating his problems and interests to specific ways of reaching answers:

> I am interested at the moment in competitor analysis, but I don't know how to do it – I don't have any kind of an approach for doing such a thing – CFO and CEO (variety of industries including electricity, public management).

The third challenge related to problems was the context-dependency of problems. For instance, as one CEO described, the firm's strategy and market position guide what should be studied and what kind of problems should be solved:

> In general, corporations operate according to their strategy and what has been predetermined. So there is not much room for ad hoc research. You do the kind of things that are determined by the strategy and if sustainability was a top page issue in the strategy, then that's what we were doing. It was a punch line that went through the whole organization then. So we are more interested in activities that are aligned with the strategy. Things that have an effect are also the things that are interesting – CEO and member of board (construction business).

In addition, the executive's personal qualities such as previous history, education and doctrine, experiences and values have an influence on what is considered worth researching. As one informant stated:

> [. . .] some information that I've received from there [a consulting company] I've found to be accurate and they have gained my trust. I have been following them for a while and noticed that they have similar observations so I can trust them – Director (real estate and leasing services).

The fourth challenge related to the problem element considered the incongruent timing of research in relation to executive decision-making. Problems that should be studied often concern the future, in the form of "weak signals that create scenarios" (Development director, retail and hospitality management). However, research knowledge often lags behind due to the slow pace of conducting and publishing research. As one former CEO of a global retailer put it:

> There are other kinds of knowledge that easily outperform academic research knowledge in executive decision-making. Even though I strongly support scientific knowledge, in most cases the relevance of research knowledge is lost when it reaches executive decision-making because it is too slow; it arrives too late – CEO, Chairman of Board (variety of industries).

Challenges related to instruments

When considering the instrument element, the data showed that there remains friction between the methods of knowledge creation and its dissemination. The first challenge identified related to Instruments was the relevance paradox, meaning that the top executives justify their decisions based on different criteria than they actually use. Although there is a wealth of research available in B2B contexts conducted with different methodologies including hard and soft methods, the top executives may pay attention only to certain type of research. Admitting that intuition and other qualitative data fueled their decision-making processes, top executives still prefer the so-called "hard methods" or statistical data:

Of course the basic setup starts from hard methods. Methods that emphasize numbers and observations based on that. It is straightforward. It does not require such interpretation besides just interpreting the numbers, whether they are high or low in that specific context – Development director (retail and hospitality management).

The second challenge, related to the above, is that of the conventional tools used by executives. Even though B2B research is today conducted with a variety of innovative methods, according to our data, top executives seem to be unaware of them. Many of our interviewees mentioned, for instance, customer surveys as something they use on a regular basis, but the relevance of these methods is decreasing all the time. Many executives are faced with the need to measure performance only based on conventional tools that have been used for long. For instance, the balanced scorecard may illustrate the issues that must be measured because they are of strategic importance, but top management might not necessarily perceive the way they are measured to be trustworthy or relevant:

I'm thinking about [. . .] well, I think you can say it's research when we do these customer satisfaction surveys regularly. I can say for myself that I don't trust the results very much. And yet we make decisions based on the results. Where do we go, what do we do. Can you believe it? I think there's a stone unturned; how can we get information in real time about what our customers really think? – Director (real estate and leasing services).

And another thing is that there is a clear need to study [. . .] companies use measurement instruments that are too simple. Or let's say that in a new company, the only instrument used to measure the personnel's well-being is how many days they are absent from work on sick leave. I mean large-scale measurement instruments and research that focuses on personnel well-being from different perspectives. Are they happy in their work, what motivates them. Studies that not only identify a problem, but also give some insights on what should be done about it – CFO and CEO (variety of industries including electricity, public management).

Finally, another challenge identified in the data related to Instruments was need for diverse perspectives. Interviewees said that new approaches combining different scientific disciplines could significantly enhance the relevance of research:

I have encountered this research concept of service design. The idea is that different researchers from the fields of education, psychology, and design invite a group of clients or go where the clients are and ask them how things should be from their point of view. In this business, it is kind of unique because you can understand it the other way around. Or to begin with, that there is such a method existing – CFO and CEO (variety of industries including electricity, public management).

In the board room, from the point of view of relevance of knowledge, we should have sociologists, humanists, information scientists as well as culturally oriented people so that the relevance angle of decision-making would be fully taken into account before making the decision [. . .] In a way, the relevant knowledge is filtered through one's personal doctrine, which is why it would be good to have people with versatile education and experience – CEO, Chairman of Board (variety of industries).

Discussion

The operating environment of top executives is highly challenging, which highlights the need to base decisions on timely and accurate information. Indeed, the role of top executives' is to process information that enables decision-making. In this process, diverse sources of information are used. Because of the over-supply of information, it is even more critical to identify what eventually is relevant. In this study, we have focused on a single perspective, i.e. how top executives view the relevance of academic research. Our findings highlight the challenges that

arise from the top executive realities and reflect what top executives perceive to be problematic in terms of the relevance of B2B research. On the basis of the identified challenges, three general issues are outlined and briefly discussed below.

First, top executives often make decisions based on a combination of their past experience, intuition, common sense and emotions (Gummesson, 2006). It should be remembered that top executives' own frame of reference is a filter that is often used when evaluating B2B research. If the new knowledge does not fit well with their existing mental models and beliefs, they are quite likely to judge it untrustworthy (Strandvik et al., 2014; Gummesson et al., 2014). Here, an unawareness of concepts may also extend the gap between researchers and practitioners.

Second, in the top executive framework, relevant B2B research must serve decision-making. However, the issue of B2B research relevance can also be approached from perspectives other than evaluating the instrumental use of the research. In addition to enhancing the quality of decisions, research knowledge, sometimes generated through conventional tools, can be used as the basis for discussion in the board room. For instance, although marginal changes in customer satisfaction surveys may seem trivial, they can be used to explore and evaluate the role of customer satisfaction and its managerial implications within specific business contexts.

Third, the success criteria of academic and practically relevant research are different. There is often a gap between researchers' goals and the strategic priorities of companies. These should be better aligned to improve research relevance. In that respect, challenges such as a complex lexicon, inefficient knowledge conversion and limited board room access are examples of the different worldviews of researchers and top executives. These challenges, combined with the fact that research knowledge often lags behind because of the slow pace of academic research, may contribute to top executives' lack of trust in academic knowledge and researchers.

Conclusion

The purpose of this study was to identify and analyze the challenges of B2B research relevance from the point of view of top executives. To achieve this, ten top executives from various B2B fields were interviewed. They provided insight into contemporary issues related to B2B research relevance. As a result, 12 challenges to the relevance of B2B research were identified. Considering B2B research in light of those challenges can contribute to better research designs, narrowing the gap between B2B scholars and practitioners. Altogether, it contributes to the health of the B2B discipline. The study also introduces a new approach to analyzing research relevance by using the elements of scientific balance (Arndt, 1985). The findings help the B2B academic community to reflect upon research relevance from a fresh perspective and react to the challenges identified. The elements help go beyond traditional boundaries of research relevance and uncover new aspects of the critically important phenomenon.

However, some caution should be applied when addressing the research findings. First, as our research did not aim for statistical generalization, we can only provide preliminary, albeit genuine, insights into what top executives think hinders

B2B research relevance. As our findings suggest, research relevance is very much tied to the business field and context. The views of top executives working in, for example, industrial marketing and a knowledge-intensive field could be expected to differ. More research would be warranted including comparing different industries and investigating operational managers' perceptions of what constitutes relevant B2B research. In addition, studying how the challenges can be reflected at different stages of the research process would provide interesting information on B2B research relevance. Solving the identified challenges was beyond the scope of this study, however, that could offer a possible future topic. On a more general level, our study illustrates that the elements of knowledge, problems and instruments can also be used to explore the managerial relevance of any discipline.

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Uncovering Executive Prioritization: Evaluating Customer Value Propositions with the Pairwise Comparison Method

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Abstract

Creating customer value is a managerial priority. The role of executives is to choose what type(s) of customer value to propose to customers in the form of a customer value proposition (CVP). The decision is a complex one, because executives have to compare and weigh concrete, measurable elements alongside abstract, subjective ones. The purpose of this paper is to identify themes relating to the use of the pairwise comparison method (PCM) as a tool for prioritizing customer value dimensions from the perspective of retail executives. As a result, this paper first highlights examples of PCM outputs, and second, identifies four themes that capture executive views of the PCM.

Keywords

1. Introduction

The trick is to make informed trade-offs… (Campbell & Whitehead, 2014, p. 1)

Retailing executives strive to understand different aspects of consumption behavior so they may make large-scale, long-term strategic decisions regarding key resources and processes such as locations, branding, and store concepts. Consumers' shopping and buying decisions in retailing cannot be simplified down to price or location alone, since consumers also search for things like social interaction, self-affirmation, and experiences in their shopping [1]. The concept of customer value captures the full spectrum of consumer behavior, including both concrete, measurable competitive aspects (e.g., price, quality, location, and opening hours) as well as abstract,

subjective elements such as atmospherics, play, and consumption meanings. Customer value is seen as a driver of both customer satisfaction and loyalty, which is why it has found its place on the executive agenda [2]. Indeed, the executives' role is to identify, evaluate, and choose how their offering relates to the creation of relevant customer benefits and the minimization of important customer sacrifices, that is, they decide what type(s) of customer value they propose to their customers in the form of a customer value proposition (CVP).

Choosing a CVP is a complex decision, because executives have to evaluate and compare concrete competitive elements with abstract ones. They have to identify the relevant aspects on which customers base their decisions, find a way to weigh the importance of these dissimilar decision criteria, and finally select the most important ones as priorities. Retailers recognize that soft criteria, such as atmospherics and self-expression, play an important role in consumption, but find it hard to compare them with more concrete competitive criteria such as price or opening hours. This paper adopts the pairwise comparison method (PCM) to elicit executive priorities regarding customer value dimensions, because it has been found useful in comparisons of more subjective criteria against more objective ones [3]. The PCM can be used in evaluating and calculating the relative importance percentages for a set of decision criteria, but it has not been previously used in a decision setting involving customer value.

To investigate how retail executives prioritize customer value dimensions as a basis for their future CVP, the PCM is applied in a shopping center setting. In this setting, the center's overall value proposition is heavily dependent on the mix of stores present in the center, since the stores affect how customers perceive the shopping center [4] [5]. Finn and Louviere found that over 70 percent of variance in consumer perceptions of shopping center image was accounted for by the tenant stores in the center [5]. For instance, the presence of a discount store was associated with significantly weaker perceptions of quality, wide selection, good service, and latest fashions, but a stronger perception of low prices of the overall shopping center [5]. That is why the executives responsible for the shopping center must evaluate how the store mix contributes to the center's overall customer value proposition.

The purpose of this paper is to analyze how retail executives utilize the pairwise comparison method (PCM) as a tool for prioritizing customer value dimensions. The respondents include a large retailer's executives and partners. Together, the group represents the retailer's shopping destinations and shopping centers that comprise both the retailer's own chains (e.g., groceries, appliances, clothing) as well as partnering chains (e.g., fashion, services, electronics). As explained above, each store present in a shopping center contributes to the center's overall CVP in some way, so highlighting individual priorities will serve the group of executives in developing the shopping center further. To uncover how executives of different retail chains operating in the same destination prioritize customer value dimensions, the PCM is applied. After making the paired comparisons individually, the executives discussed their views on the method.

The paper is organized as follows. Section 2 provides the theoretical background focusing on customer value and the CVP. In section 3, the methodological approach is discussed. Section 4 presents the findings, identifying how executives view the PCM and illustrating how the PCM results can spur strategic discussion. Finally, section 5 comprises a discussion section and presents the conclusions.

2. Theoretical Framework

2.1. Customer Value Proposition

The customer value proposition is a managerially-oriented concept used to position the company in the market in terms of customer value [6]. A CVP positions the company relative to the competition by answering the questions: "Who is the target customer?", "Why should the customer buy it?", and "What are we selling?" ([7], pp. 107-108). A CVP thus specifies the differentiating benefits and sacrifices related to an offering. It is important to focus only on competitive elements on which the company equals or outstrips the performance of its rivals [8]. These types of decisions involve multiple trade-offs for companies as simultaneously investing in all types of customer value is rarely possible or even wise. Therefore, prioritization is a requirement of developing a CVP.

The CVP ties the customer and company perspectives together for value creation and the creation of competitive advantage [6]. Ideally, the CVP represents the complete customer experience in terms of what the customer considers to be relevant value-creating benefits [9]. An efficient CVP helps customers compare and categorize the offering in relation to the competition, for example, when they divide offerings into groups they like and do not like. To help customers make these comparisons, a CVP should concentrate only on one or two differentiat-

ing elements that resonate with the targeted customer segments [8]. Thus a competitive CVP is one that attracts and serves targeted customer segments.

Beyond its role as a positioning device, the CVP also orients the company to focus on delivering the customer benefits articulated in the CVP. The competitiveness of a CVP should be evaluated on how well company resources and competencies suit the delivery of the promised value [6]. The CVP should therefore reflect business model areas where the company can create a competitive advantage [10]. A price-driven value proposition, for instance, could be based on economies of scale. The choice of the type of customer value to include in a CVP carries major implications for retailers in areas such as segmentation, training, concept development, branding and marketing communications. For example, a price-driven retailer will provide services and applications that enable its customers to compare prices and save money in delivery charges, whereas an experience-oriented retailer will offer services that inspire customers with ideas and stories [11].

2.2. Choosing Customer Value Dimensions for Comparison

The development of a CVP can be characterized as a choice of one or more main types, or dimensions, of customer value. To investigate how retail executives evaluate, compare, and prioritize these customer value dimensions as a basis for their future CVP, the PCM is applied. The first step in the PCM process is to choose the decision criteria for the comparisons. Therefore, a literature review was conducted to identify relevant customer value dimensions. It should be noted that making the paired comparisons is a cognitively demanding task. As the number of criteria increases, the number of required comparisons grows rapidly [12]. A high number of pairwise comparisons can lead to information overload, threatening the quality of the final decision. Thus, either the number of compared decision criteria should be limited, or the researcher needs to find ways of handling incomplete data [12]. As a rule of thumb, the number of compared priorities should preferably be restricted to a maximum of seven [13]. Adding more priorities results in a greater number of comparisons, and this cognitive strain can lead to great inconsistencies in responses. Therefore the aim of the literature review was to reach a limited set of value dimensions that characterize the most relevant aspects of customer value without serious overlap.

Customer value is a customer's subjective evaluation of the positive and negative consequences of owning or using a product or service, "the ultimate reason that people buy what they buy" ([6] p. 621; [14] [15]). It is a multidimensional construct, reflecting both utilitarian/economic and psychological/hedonic benefits and sacrifices related to a firm's offering [2] [6] [15]-[18]. There are numerous ways of further categorizing customer value dimensions, such as from more concrete and objective to more abstract and subjective or from more transaction-centered to more interaction-centered [18]-[22]. Following Rintamäki *et al*. [6], this paper conceptualizes customer value as consisting of economic (focus on price), functional (focus on solutions), emotional (focus on customer experience), and symbolic (focus on meaning) dimensions (**Table 1**). They capture the relevant dimensions of customer value without serious overlap between dimensions.

Economic customer value relates to customer perceptions of an offering's price [2]. Some customers make purchase decisions based solely on price, and such consumers are either unable or unwilling to spend the amount necessary to acquire higher quality products or services. However, these customers might be willing to sacrifice time and effort (*i.e.*, functional value) to obtain the best price. Some other consumers look for the best relation between quality and price, and will upgrade to a more expensive product if they perceive the quality increase to outweigh the price increase [6]. Thus, economic value is defined as "the lowest price or the best tradeoff between quality and price" ([6], p. 627).

Functional customer value is related to convenient shopping solutions that minimize the customer's functional sacrifices such as time, physical effort, and cognitive strain [19]. A product is perceived as having functional value, if it is well-equipped to perform its intended function [14]. For retailers, functional value is created when the retailer offers products that meet its customers' needs, help customers make the right decisions, and orchestrate a convenient shopping solution [6] [23]-[25]. Here, functional value is defined as "finding the right products with as little time and as little physical and cognitive effort as possible" ([6], p. 627).

Emotional customer value is related to the experiential aspects of shopping. Following Sheth *et al*., we define emotional value as the "perceived utility derived from an alternative's capacity to arouse feelings or affective states" ([14], p. 161; see also [6]). For customers appreciating emotional value, the shopping experience becomes an end valued in its own right [19] [20]. Emotional value emphasizes the role of the store environment and atmosphere, including the use of visual, auditory, and olfactory cues, and personal service [26] [27].

Table 1. Definitions used when conducting the pairwise comparisons.

Priority	Definition used	References
Economic Customer Value	Economic value is defined as "the lowest price or the best tradeoff between quality and price." (Rintamäki *et al*., 2007, p. 627)	Rintamäki *et al*., 2007; Smith & Nagle, 2005; Gale, 1994; Zeithaml, 1988
Functional Customer Value	Functional value is defined as "finding the right products with as little time and as little physical and cognitive effort as possible." (Rintamäki *et al*., 2007, p. 627)	Babin *et al*., 1994; Sheth *et al*., 1991; Sweeney and Soutar, 2001
Emotional Customer Value	Emotional value is defined as the "perceived utility derived from an alternative's capacity to arouse feelings or affective states" (Sheth *et al*., 1991, p. 161; Rintamäki *et al*., 2007)	Sheth *et al*., 1991; Sweeney and Soutar, 2001
Symbolic Customer Value	Symbolic value is defined as "positive consumption meanings that are attached to self and/or communicated to others." (Rintamäki *et al*., 2007, p. 629)	Rintamäki *et al*., 2007; Belk, 1988; Flint, 2006; Smith and Colgate, 2007; Solomon, 1983

Symbolic customer value is related to the self-expressive aspects of consumption [6]. Flint sees symbols as "special kinds of social objects that stand for something; they have meaning and when used are intended to convey a shared meaning to a receiver, who incidentally can be oneself (*i.e*., self-communication)" ([28], p. 352). Symbols and symbolic value are in play when buying, using, or owning a product represents something other than the product's obvious function [6]. We follow Rintamäki *et al*. in defining symbolic value as "positive consumption meanings that are attached to self and/or communicated to others" ([6], p. 629). Symbolic value is thus created when customers choose a brand or a retailer that is socially interpreted as enhancing the positive image of themselves. Even products traditionally seen as purely utilitarian can be purchased for their social, symbolic value [14]. While symbolic benefits are related to positive consumption meanings such as confidence and status, symbolic sacrifices relate to negative consumption meanings that can result in feelings of shame, or that conflict with self-image.

3. Methodology

3.1. The PCM as a Tool for Uncovering Executives' Views and Preferences

There are numerous ways of eliciting opinions from executives on the importance of decision criteria. They could simply rank the relative importance of the customer value dimensions; however, this approach has been criticized because it is too abstract and often results in inconsistencies [29]. The executives could also express their views using traditional five- or seven-point Likert scales, which would yield importance weights for the criteria [30]. Nonetheless, in this type of setting, they may evaluate many or even most priorities as important, which would not facilitate strategic discussion [31]. As a third option, executives could be asked to distribute points (usually 100) across the decision criteria, but this approach might also result in little variance in perceived relative importance [30]. As a fourth option, they could compare each criterion against each other one in a series of pairwise comparisons. Based on these comparisons, the relative importance weights for the criteria could then be calculated. This last option, called the PCM, is used in this paper since it provides more information than the other methods and does not suffer from the same limitations [32]. Furthermore, the PCM suits executive decision making for a number of other reasons. First, making comparative judgments is easier than making absolute judgments of each criterion's importance [33] [34]. Second, the inputs for PCM can include subjective concepts such as customer value. Third, the PCM can be used with a variety of other decision-making methods [3].

The PCM is adopted to reveal customer value priorities in positioning a retail chain. The dimensions of customer value (*i.e*., economic, functional, emotional, and symbolic value) represent the criteria on which to base the positioning decision. As Saarijärvi, Kuusela, and Spence ([35], p. 637) observe: "In comparison to other methods that often return little variance in perceived importance, PCM offers more information." The PCM uncovers three types of information: first, it provides the rankings of the compared priorities (*i.e*., which is the most important priority), second, it provides the relative weights of the priorities, and third, it assesses how consistently the comparisons were made. The PCM is thus a suitable method for identifying how executives view the relative importance of decision-making criteria. It has been widely used in many disciplines, often as a part of the Analytic Hierarchy Process (AHP) [13] [33] [34] [36]. The business literature shows AHP has been used

in various decision-making situations such as media selection [37], marketing-driven business strategy design [38], product portfolio decisions and new product concept evaluation [39].

3.2. The Data Generation Process

The data generation process comprised five phases (**Figure 1**). First, the decision problem was formulated-focusing on using the PCM for prioritization and decision making (see [3] for a review of the different approaches used with the PCM and AHP). Second, a literature review was conducted to identify and select customer value dimensions for comparison. Third, two pilot sessions with students were used to test the PCM answer sheet and rehearse for the actual data generation. Based on these steps, some small changes were made to the questions and definitions given to the participants. Fourth, the data was generated as part of a large retailer's seminar for a group of its executives and partners. The executives are responsible for the development of the retailer's shopping destinations and shopping centers that consist of both the retailer's own chains (e.g., groceries, appliances, clothing) and partner chains (e.g., fashion, services, electronics). The partners were executives from retailers that operate in the shopping centers.

In the beginning of the fourth phase, the participants attended a presentation on customer value and its four dimensions. Definitions for each customer value dimension were given both as part of the presentation and as a handout (**Table 1**). Participants were encouraged to ask questions if something remained unclear, and they were asked to write down what each customer value dimension meant in their specific business context. This was done in order to facilitate thinking and enabling the respondents to complete the pairwise comparisons. A summary of executives' context-specific translations of customer value is shown in **Table 2**. Then, the pairwise comparison method was explained to the participants and the comparisons were made. Again, respondents were encouraged to ask questions if they felt anything was unclear. The instructions for making the comparisons were given both orally and in written form. The pairwise comparisons were gathered using a standard interval scale shown in **Figure 2**. The scale has been documented to have robust psychometric properties and has been extensively used since its introduction in an AHP setting [34] [40] [41]. The decision task was to evaluate which dimensions of customer value were priorities for their retail chain in the future. The form consisted of comparisons for each customer value pair (six comparisons in total).
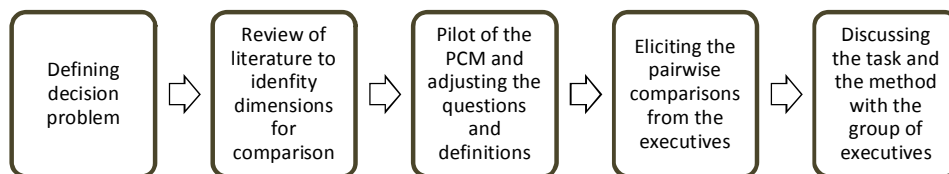
Figure 1. The data generation process.

Table 2. Executive "translations" of customer value dimensions.

Customer value dimension	Examples of executive "translations" of customer value into their specific business
Economic	Price image, prices and quality that attract the large masses A good price-quality ratio, special offers, season sales Customer loyalty programs, private label products
Functional	Product presentation, products that customers want Store location and coverage, store located in many shopping centers Store size, store is easy to navigate, no waiting in line Staff solves customers' problems Providing enough information for customers to be able to make comparisons, trustworthy
Emotional	Personal service, the role of staff and manager Special products and limited offers Product presentation, products that go well together Store atmosphere and visual cues Customers can relax and pamper themselves
Symbolic	Life style, values and social responsibility Store image, brand awareness, brand image advertising Flagship stores, stores located in upscale shopping centers Product brands, customers care about the products

Before the fifth phase, the participants were asked to answer three additional questions after completing and submitting the pairwise comparison form. This was done to help the respondents discuss their views regarding the PCM by comparing it to these other methods. In these questions, the problem presented to the participants was exactly the same, but the method of response was different. First, the participants were asked to rank the different dimensions of customer value based on their importance. Second, the participants were asked to distribute 100 points among the value dimensions. And third, the participants evaluated each dimension's importance on a 5-point Likert scale.

Finally, in the fifth phase, a group discussion was conducted on the PCM and the prioritizing of customer value dimensions. The whole session lasted nearly two hours. The participants were encouraged to engage in a group discussion on the qualities of the PCM as a strategic tool. Later, the interview recording was transcribed and analyzed along with notes made by the researcher during data generation.

3.3. Analysis

After data generation, customer value preferences for each participant were derived from the pairwise comparison. Then, inconsistencies in the pairwise evaluations were calculated. In the context of the PCM, inconsistencies refer to a participant's conflicting comparisons. There should be transitivity of preferences as well as agreement on the strength of directionality (e.g., if a < b and b < c, then a should be <c). In reality, some level of inconsistency often arises. The level of inconsistency is therefore calculated for each set of comparisons. Achieving less than 10 percent inconsistency is considered very good [39]. Consistency ratios of the pairwise comparisons are summarized in **Table 3**.

The retail chain you work for is developing its positioning on a five-year time horizon. Your task is to decide on which customer value dimensions to invest in. For each pair of customer vale dimensions, evaluate according to your own view, which one is more important for your positioning in the future.

ECONOMIC CUSTOMER VALUE | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | FUNCTIONAL CUSTOMER VALUE

1	Both are equally important
3	This priority is slightly more important than the other
5	This priority is more important than the other
7	This priority is clearly more important than the other
9	This priority is extremely more important than the other
2,4,6,8	Intermediate values

Figure 2. The interval scale used in the pairwise comparisons.

Table 3. Inconsistency levels.

Respondent	Inconsistency	Area of retailing
A	4.00%	Fashion, clothing
B	6.70%	Fashion, footwear
C	5.50%	Hypermarket
D	3.09%	Hairdressers
E	3.84%	Hypermarket
F	14.94%	Groceries
G	9.48%[a]	Groceries
H	54.78%	Hypermarket

[a]The response was adjusted to achieve consistency.

Eight sets of pairwise comparisons were made and five of them achieved an inconsistency level of 10% or less. Using a technique developed by Saaty [13], the inconsistent responses were adjusted in an attempt to reach an acceptable inconsistency level. This was executed by comparing pairwise comparisons with each priority's eigen value to identify the most inconsistent judgment and then adjusting that value. Thus, response G obtained acceptable consistency. However, two responses remained highly inconsistent. Normally the respondents would be asked to complete their survey forms again, but this was deemed unnecessary, since the data were already quite rich and the executives are time-constrained.

The group discussion data and researcher notes were analyzed using a qualitative approach. As a result, the data were categorized into four themes: contextually dynamic, comprehensiveness, preference-elicitation, and feedback on consistency. In the next session, the findings are discussed.

4. Findings

4.1. Using the PCM to Identify Executives' Views

Saarijärvi *et al*. explain that the PCM can identify executives' opinions regarding their relative priorities as well as the inconsistencies of such preferences [35]. Here, the PCM is used to identify which customer value dimensions were seen as priorities and how the opinions varied between respondents. The objective is to demonstrate how the PCM results can fuel strategic discussion regarding the shopping center positioning.

The PCM data analysis began by deriving the actual relative weights resulting from the pairwise comparisons. The weights were calculated utilizing the eigenvector method, which is widely used with the pairwise comparison matrix [42]. These relative weights, organized by customer value dimension, are shown in **Figure 3**. For each respondent, the evaluations add up to 100%. From the figure, it is apparent that opinions vary regarding the relative importance of economic and functional dimensions. At the same time, only respondent B views emotional value as unimportant, and only respondents E and G see symbolic value as a priority.

Examining **Figure 3**, the PCM reveals the one or two top priorities of each respondent while clearly highlighting the value dimensions with low relative weights. Emotional value clearly emerges as a priority for all but one respondent. Economic customer value, in turn, is not seen as a priority by most of the respondents. It is however, the number two priority for two respondents. This suggests that respondents were not keen on positioning themselves first and foremost as a cheap brand or a discount retailer. In the group discussion, the respondents expressed the opinion that focusing on economic value would not constitute doing profitable business:

I tried to imagine what the customers would actually expect. What types of things could be important, in relation to where we want to be in the marketplace? Of course, we don't want to be in the space with the lowest margins. On the other hand, customer expectations are also about to change…at least some of the customers. There will always be those focusing only on price. The type of experiential shopping and such is sure to increase, and people are willing to pay more for it. (Respondent E)
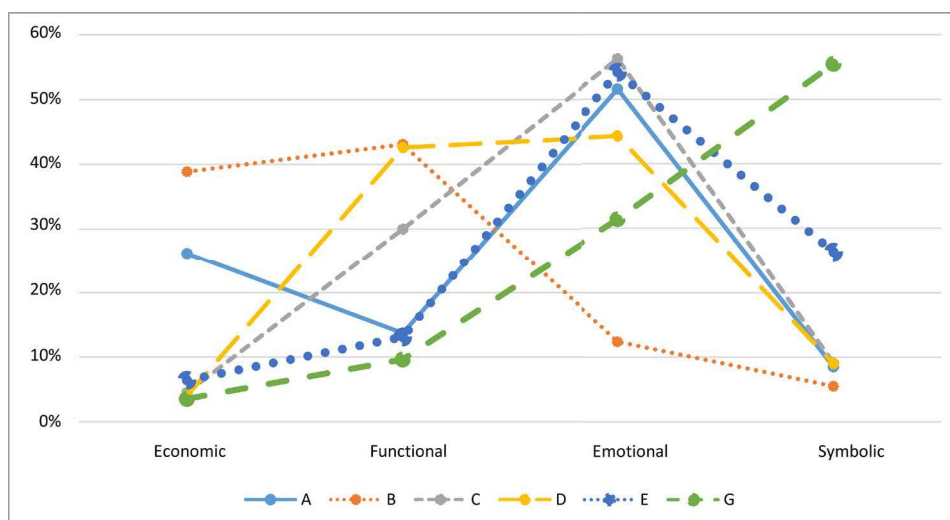

Figure 3. Executive evaluations of customer value priorities.

In the quoted excerpt above, economic value is abandoned in favor of experiential shopping, exemplified by emotional customer value. While some respondents perceived economic value as important, they also acknowledged the challenges in creating it. One respondent answered bluntly: "The concept is currently unable to create economic customer value." Other respondents also noted that their price level was above average, but emphasized that they are not competing on price:

Like B said before, profitability and profitable business is found on that side of customer value. It isn't in bulk merchandise. (Respondent E)

I agree, and for us also, the customer doesn't really care about the exact price, the economic value dimension doesn't stand out in our business. Our concept is heavily focused on the functional value: it's easy for the customer and with high quality. And emotional value is definitely an important part of the concept. That is, a good experience and good service. (Respondent D)

Organizing the data around the respondents makes isolating their different views a relatively simple task (**Figure 4**). These differences appear as vertical deviations in each line, so the more horizontal a line is, the closer the respondents' opinions regarding the relative importance of that customer value dimension. For economic value, for instance, respondents C, D, E, and G all rank it as unimportant with the relative weight being below 10 percent, while respondents A and B both see it as their second priority. Functional value, in turn, is seen as important by three respondents, and unimportant by three. Interestingly, emotional value is ranked as the top priority by five respondents, while one respondent views it as relatively unimportant. For symbolic value, only two respondents rank it as important.

4.2. Executives' Views of the Pairwise Comparison Method

The overall reception of the PCM was positive. In the discussion, the executives told the researcher that the PCM form was straightforward to answer, although the decision problem itself was perceived as difficult. The executives' perspectives on the PCM are next discussed through four themes: contextually dynamic, comprehensiveness, preference-elicitation, and feedback on consistency (**Table 4**).
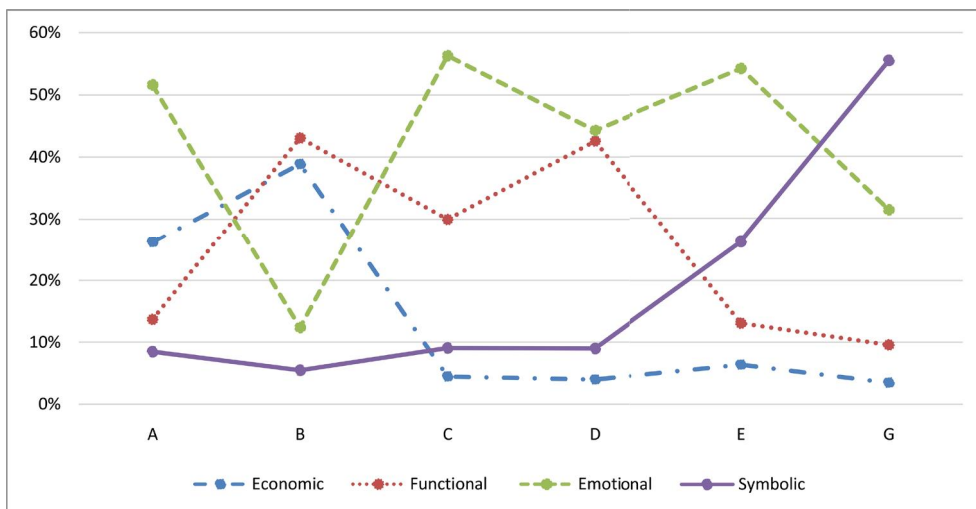
Figure 4. Customer value priorities by respondent.

Table 4. Executive views of the PCM.

Theme	Strengths	Weaknesses
Contextually dynamic	Fits well with the executive mindset; Adds structure to decision tasks	Difficulty in capturing nuances
Comprehensiveness	Forces respondents to think more; Forces respondents to think in new ways	Cognitive strain increases greatly as number of compared items increases
Preference-elicitation	Reduces complexity to paired comparisons; Creates differences	Does not provide ways of resolving differing viewpoints
Feedback on consistency	Insight on self-contradiction	Difficult to avoid inconsistency

Contextually dynamic

Most respondents perceived the method as a simple tool that could be useful and relevant in their own decision making. As one respondent notes: "It is easy to imagine that a method such as this pairwise comparison could be used as a helpful tool in many situations. I feel we should use tools like these." When asked to elaborate on the situations in which they could use the PCM, the respondents suggested the PCM could be used as a part of prioritizing, strategy-making, or as a basis for strategic discussion:

These types of value-related judgments and goals that we're making now, these would definitely be useful for us to use. At least in our company. (Respondent H)

I can imagine that these types of tools or analytical methods would be very useful as a part of going through the strategy and goal setting. We have to think in terms of different viewpoints and what dimension would in fact be the most important in our organization. (Respondent C)

Executives felt the method and the decision task were relevant to them, since in the course of their strategic work they had to make value-related judgments and take different viewpoints into account. Many reported that they could relate to the method and the customer value dimensions:

When we're designing a new shopping center, we don't use the pairwise comparison as such, but we do go through these things. At least subconsciously. For example, in which direction should we lead the development and who are our customers in five or ten years. We do talk about similar things to these customer value dimensions, like what would our customers appreciate. But it isn't in such a structured form. (Respondent B)

The approach used here succeeded in capturing the relevant decision criteria and structuring the decision in a way that mirrors the actual discussion around developing positioning for a shopping center. However, it should be highlighted that the perceived usefulness of the PCM/customer value approach was specifically related to future-oriented, strategic decision problems. The respondents felt that other, more short-term, decision problems could be solved using traditional economic analysis.

Comprehensiveness

A second theme emerging from the discussion was the comprehensiveness of the method. Respondents felt they needed to concentrate on filling in the PCM form. They reported feeling that they had to "ponder about things more than in the other form" and acknowledging that "your thoughts go further as you fill more of these." This was seen as a major benefit of the approach. Others responded with similar thoughts:

Somehow I feel that the pairwise comparison is harder, but in a way also better, because you had to think. You always had to drop one of the paired dimensions to a weaker status. (Respondent B)

I felt that that was a good thing in the pairwise comparison. That you were being forced to think more, which at least in my opinion could lead to a better outcome than making another, faster type of ranking…that you think and argue with yourself as to why you are placing this mark exactly here. (Respondent C)

Related to the above comments, respondents also recognized that they had to explore previously ignored relationships between certain criteria. By having to explicitly compare each pair of criteria, respondents perform a more thorough evaluation of their importance. A "faster type of ranking" might easily lead to a ranking based solely on a vague overall assessment, or one dimensional comparison of the criteria. On the other hand, comprehensiveness can also be a demerit if too many criteria are offered for evaluation, as described in the methodology section.

Preference-elicitation

Making choices is often difficult, especially when there are several dissimilar options, as was the case here. The PCM breaks the multiple-option problem down to a series of pairwise comparisons, which are easier to make. The respondents emphasized that the method forces the respondent to make trade-offs between the priorities:

You have to make a choice. Of course you can always put all of the crosses in the middle of the line, but then you're lying to yourself. You have to value some options more than the others, and that shows in the end result. (Respondent B)

The executives were strongly averse to assigning the value of 1 on the scale. Indeed, one respondent noted that "in real life, rarely are any two things of even value." Because respondents rarely evaluate alternatives as being of equal importance, the PCM will yield fairly large differences between the priorities, which in turn might aid decision making.

Feedback on consistency

As mentioned in the methodology section, applying the PCM also involves calculating the degree of incon-

sistency for each participant. Inconsistencies as such can also be a source of important information. The executives told the researcher that being informed of how much they contradicted themselves was in itself valuable. However, trying to avoid inconsistency in making the comparison added a degree of difficulty:

It was pretty difficult to go through all the comparisons and set them into a ranking in a way. I felt that as I reached the next comparison, that I'm already making choices that contradict each other. For example, in the previous comparison I valued emotional customer value highly, but in the next I felt it wasn't so important. It was pretty difficult. (Respondent F)

So you disagreed with yourself. (Respondent B)

It happens easily. (Respondent C)

Indeed, three respondents' answers did not reach an acceptable level of inconsistency. Even after adjusting the responses, two were left with unacceptable inconsistency.

5. Discussion and Implications

5.1. Outlining the Contribution

This paper adopts the pairwise comparison method to offer a new perspective on evaluating customer value propositions. The purpose of this paper is to analyze how executives utilize the pairwise comparison method (PCM) as a tool for prioritizing customer value dimensions. Using the multidimensional customer value concept and prioritizing the customer value dimensions with the PCM, it was possible to uncover executive preferences on different ways of creating customer value. Eight executives representing a large retailer and its partners made pairwise comparisons of customer value dimensions to uncover which value dimensions they viewed as priorities for future positioning. After completing the pairwise comparisons, the group discussed how the respondents viewed the PCM approach in relation to strategic decision making. As a result, four themes capturing the executives' perspectives on the PCM were identified: contextually dynamic, comprehensiveness, preference-elicitation, and feedback on consistency.

This paper aims to make a contribution in a number of ways. First, the study departs from other PCM or AHP studies by using a rather simple, future-oriented decision task. This is because the PCM is viewed more as a discussion-facilitating strategic tool than a method resulting in ready-to-use resource allocation percentages. Indeed, the PCM is useful in highlighting differences in executives' opinions as well as providing feedback on how consistent their views are. In the illustrative example described above, for example, there is considerable agreement that emotional customer value is important for almost all of the retail chains operating in the same retail destination. On the other hand, disagreements were evident regarding other customer value dimensions. For a group of executives, however, disagreements can act as a valuable resource, because the group and the individuals will be aware of more aspects, perspectives, and alternative courses of action [43]-[46]. Being aware of these issues, the group can discuss them, if necessary hire consultants, and collect more information on the problem, which might ultimately improve the quality of decisions [43].

Secondly, the PCM is seen as a viable tool for executives, since it is easy to understand the basic principle through which the comparisons are made and the weighting in terms of importance is calculated (e.g., the theme contextually dynamic). Although the mechanism is simple, the task of making the comparisons is cognitively demanding, which was seen as a benefit by the respondents (e.g., comprehensiveness). The method imposes structure on a decision problem and makes the respondents think about relationships between criteria they might otherwise ignore. They have to make trade-offs (Skinner, 1969), and the process of making those trade-offs is of value to the executives (preference-elicitation). Additionally, the PCM provides feedback on consistency, which was perceived as useful in reducing decision bias.

Third, the paper sheds light on the possible ways of using the PCM in practice. In the respondents' view, the PCM is most suitable for situations involving strategic, abstract, and future-oriented problems, where instead of financial analysis the executives have to rely more on their preferences, intuition, and subjective evaluations. The PCM was seen as a supportive tool for a group decision setting where it is important to make everyone's preferences visible (**Figure 5**). For a customer-oriented organization, the PCM could be used to uncover customer value priorities on different levels of the organization, in that it might reveal whether executive, manager, and employee priorities are aligned. In addition to decisions regarding the CVP, the PCM, combined with other managerial tools, could be valuable in evaluating and prioritizing a variety of strategic issues such as new busi-
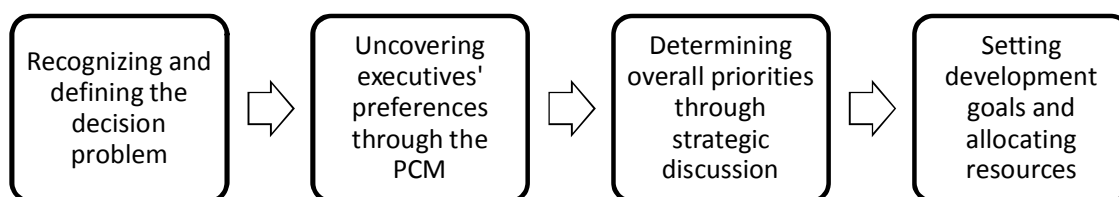
Figure 5. PCM as part of strategy work.

ness opportunities, company values, and markets. The PCM can also add strength to other decision-making methods that require preference judgments for their inputs [3]. As Raghubir *et al*. write, one function of metrics is to convert "distinct decision alternatives that are initially incomparable into a set of consequences scaled on desirability so that it is possible to evaluate and contrast different alternatives" ([47], p. 69). Here, the PCM can help in "turning intangibles into value" ([47], p. 69).

5.2. Study Limitations

A few limitations in the research setting were identified. First, the compared priorities (here, the four dimensions of customer value) need to be defined unambiguously to reach a shared understanding of what constitutes a given priority. This is a demanding condition considering the complex nature of the customer value concept. This was achieved by providing the respondents with pre-defined, theory-based explanations of each customer value dimension. Each value dimension was discussed in a group setting and questions regarding it were answered. In the second phase of data generation, the participants were also encouraged to write down specific examples of how each value dimension was understood in their business context.

Second, the role of the specific business context should not be underestimated. For instance, this study investigated how a group of executives would prioritize customer value in their own context and retailers not representing a shopping center or shopping destination context might not prioritize emotional customer value. Future studies could utilize the same customer value/PCM setting in different contexts to investigate whether similar patterns emerge. Would industrial organizations focus more on the utilitarian dimensions of value, for example? Is the variance among the priorities linked to cognitive diversity among the executives [43]?

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From selling to supporting – Leveraging mobile services in the context of food retailing

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ABSTRACT

To safeguard their existence in the face of harsh competition, food retailers have shifting their attention from goods to service. In this development, mobile services have emerged as suitable venues for intensifying companies' service orientation. To address this phenomenon, the purpose of this study is to explore and analyze how mobile services are leveraged to serve customers better in the context of food retailing. With the help of 10 case examples the perspective is extended from food retailers' in-store activities to supporting customers' processes at the pre- and post-purchase stages. As a result, a tentative framework is suggested that captures the ways in which companies can use mobile services in their strategic quest to move from selling to supporting.

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1. Introduction

In the harshly competitive world of food retailing, companies seek and explore new ways to safeguard their existence. Many food retailers are faced with eroding market shares as hard discounters take larger shares of customer spend driven by the difficult economic conditions. Consequently, traditional food retailers are increasingly shifting their strategic focus from goods to service; that is, identifying new opportunities to serve their customers in ways that go beyond the traditional exchange of food retailers' goods and customers' money.

In this evolution, the internet plays a key role as it allows the effective and efficient transfer of relevant resources, such as information and knowledge, for customer use without constraints of place or time (O'Hern and Rindfleisch, 2009). A recent study by ComScore (2012) of US consumers reveals that four out of five smartphone owners use their devices to shop. However, it can be argued that companies have failed to identify the potential of the internet in broader terms as their perspective on internet utilization has remained rather limited in scope. In the context of food retailing in particular, companies have focused on generating online transactions or using the internet as yet another marketing communications channel. A recent study by the digital marketing agency, Latitude (Miloslavsky, 2010), reveals that shoppers want more

mobile tools to improve their food retailing experience. The Marketing Science Institute's research priorities also emphasize leverage of opportunities by new media (MSI Research Priorities 2012–2014). The MSI's interest in research proposals on mobile platforms, location-based services and their impact on consumers further amplifies the importance of mobile services. There is clearly a well-established demand for additional support for customers' processes related to food consumption. Food retailers have over-emphasized bricks to the detriment of clicks and have not considered the opportunities to deliver customer experience at the pre-purchase and post-purchase stages (Tynan and McKechnie, 2009; see also, Gummerus and Pihlström, 2011).

Technological advances and customer mobility have created opportunities for serving customers in ways that go beyond the traditional exchange. Companies are provided with tools to extend their focus from goods to providing customers with additional support for their own processes. For example, US department stores such as Macy's, Nordstrom, and Target have established applications that assist customers searching for suitable gifts for friends and family according to their individual preferences. Organic food retailer, Whole Foods Market, allows customers to check whether or not their preferred groceries are available or even on offer in their nearest store. Moreover, with the help of a mobile application called ShopSavvy, customers are able to scan product tags within the store and get price comparison information. Pizza Hut has developed a mobile application that helps customers design their own pizzas. What characterizes these mobile services (hereafter m-services) are companies – or customers themselves – designing and delivering solutions to help customers in their daily activities in ways that go beyond the

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company's traditional offering. Attention is shifted from transactions to providing additional support for customers' individual processes, such as coming up with an idea for a present or helping customers compare prices. Hence, m-services are not only used as a vehicle to sell more goods to customers, but its potential is harnessed to support customers' various value-creating processes in broader terms.

Specifically in the context of food retailing, various m-services have recently been introduced that readjust the companies' focus from goods toward serving customers. Through m-services (i.e. content and transaction services delivered via a mobile handheld device (Gummerus and Pihlström, 2011)), food retailers are able to influence the situational prerequisites of consumption (Rudolph and Emrich, 2009), and diversify their holistic experience designed for customers. The new m-services revolutionize the ways in which customers make decisions by giving them convenient access to a vast amount of information and providing them with applications that can be integrated into their everyday activities. Uncovering the breadth and depth of the value opportunities enabled by these m-services is critically important; companies need to know the factors driving the m-service revolution (see Woodall et al., 2007; Martin et al., 2004). Moreover, in order to go beyond single m-service attributes toward a more holistic understanding, focus should be placed on exploring and comparing the variety of different m-services and their value-creating logics. This understanding can help companies fully harness the potential of m-services in designing their strategic positioning. Consequently, pressure is exerted on both reconfiguring the role of m-services in companies' marketing activities and extending opportunities from the mere facilitation of online transactions. However, there is little or no research investigating m-services from the perspective of fueling companies' increasing service orientation and supporting customers' value-creating processes. Too often companies limit their focus to selling goods, without considering the opportunities for enhanced value creation in broader terms. To that end, the purpose of this study is to explore and analyze how food retailers leverage m-services in serving customers.

The paper is structured as follows. Section 2, the theoretical background to the study is provided in the form of service as business logic, value creation and m-services. Section 3, 10 case examples are briefly discussed and analyzed to empirically illustrate the ways in which food retailers leverage different m-services, after which a tentative framework is suggested. Section 4 of the study comprises a discussion section and conclusions.

2. Theoretical background

To address the purpose of this study, the role of existing theory should not act as a theoretical straitjacket but offer guidance for addressing the study purpose (Gummesson, 2002). Prior theory is used to approach the research phenomenon and find ways of defining the research problem (Carson et al., 2001). Given the novelty of the research phenomenon, the study is characterized by discovery and description rather than prediction and control (Laverty, 2003) and it is focused on the conception of new ideas and constructs (Yadav, 2010). In that respect, two literature streams are reviewed prior to the research purpose.

First, service – both as a perspective to value creation and as business logic – has attracted a vast amount of attention due to the intensive efforts to reconfigure its role within current marketing theory (Edvardsson et al., 2005; Grönroos, 2008a, 2011; Grönroos and Helle, 2010; Vargo and Lusch, 2004, 2008). In the context of this study, understanding service as business logic is important in addressing the study purpose because it provides a theoretical lens through which to view the food retailers' recent shift in attention toward establishing new ways to serve customers better.

Furthermore, literature around customer value is briefly discussed to complement the understanding of the customer's value-creating process.

Second, m-services are understood here as mechanisms through which food retailers can enable their strategic shift toward serving their customers (see Saarijärvi, 2012). They are regarded as tools that help companies shift their attention from selling goods to supporting customers' value-creating processes in broader terms. To address the opportunities that emerge, prior research on m-services is also briefly discussed.

2.1. Service as business logic

During recent years there has been growing interest in service as a fundamental concept within marketing (Grönroos, 2008a, Vargo and Lusch, 2004, 2008). According to Vargo and Lusch (2004, 2008) and Vargo et al. (2008), goods are only transmitters of service and act as a means for the customer to benefit from the company's competences. Value for the customer is not created by the company, in that it is not embedded in goods during the manufacturing process, but is something that the customer controls (Grönroos, 2008a, 2008b; Lusch et al., 2006). For this value to be actualized the customer must continue the marketing and consumption processes by combining the resources provided by the company with other resources, such as their own capabilities to use, maintain, repair, and adapt the appliance to his or her unique needs, usage situation, and behaviors (Vargo and Lusch, 2004; Grönroos, 2008a). From the customer's point of view, these value-creating processes are used by customers to manage their own activities and are often linked to a diverse set of processes, resources, and practices that customers have in relation, for example, food consumption (Payne et al., 2008). Consequently, in addition to goods or services provided by the company, additional resources, such as information, knowledge, or special expertise, are needed to actualize the value potential of the offering (Grönroos, 2008a, 2008b). Therefore, whether customers buy goods or services as such is irrelevant. What customers buy are resources or processes that support the customer's own value creation (Grönroos, 2008a, Gummesson, 1995). Companies should not be distracted by the divide between goods and services, but should shift their attention in understanding customers' value-creating processes to where the value potential is eventually actualized (Grönroos, 2008a).

From the company's perspective, service as business logic means that the company is interested in going beyond the traditional exchange in supporting customers' value-creating processes. In this regard, interactions hold the key. Interactions are understood as situations where the actors are involved in each other's processes and have opportunities to affect each other (Grönroos, 2011) and provide additional resources for value-creating processes. Consequently, companies that aim to serve customers should establish interactions with the customers to support their value-creating processes; as such interactions permit firms to influence the customer's value actualization process. The company becomes an active participant in the customer's value-creating process instead of acting only as a passive facilitator (Grönroos and Ravald, 2011; Grönroos, 2008a). With the help of interactions the company generates opportunities to make sure customers receive the value intended (Grönroos, 2008a). In doing so, the company takes a broader perspective on the customers' creation of value than can be achieved merely through selling goods.

Recent technological advancements are very much in tune with the shift toward serving customers as they provide companies with tools to reach out to customers' contexts and customers' value-creating processes in much better ways than before. In the context of food retailing, companies are extending their focus from in-store activities toward a more holistic understanding of their

customers' daily routines, activities and processes (Tynan and McKechnie, 2009). Companies base their strategies on service as business logic rather than goods logic, and consequently identify opportunities to support customers' value-creating processes by providing them with additional resources – not just goods, but also information and other service activities – in a value-supporting way (Grönroos, 2007). To successfully follow this strategy, food retailers must strive to understand how, when and why the value potential of the groceries eventually actualizes in their customers' sphere, and how the company can provide support in those processes. In these efforts, m-services offer unique opportunities for making these strategic initiatives more tangible.

In addition to understanding how to support customers' value-creating processes, it is critical to uncover *what kind of value* customers are able to create through their m-service usage. In general terms, customer value can be defined as comparative, personal, and situational preference experience (Holbrook, 1999), and is increasingly considered a multi-dimensional construct addressing the diverse ways in which customers perceive value (e.g. Sheth et al., 1991). This naturally carries major implications for managers too. For example, food retailers that build their competitive advantage on offering the lowest prices should primarily be investigating providing such support through m-services that help customers save money. In contrast, customers that are motivated by the more emotional aspects of food consumption should receive mobile tools to satisfy those aspects. Consequently, instead of focusing wholly on the mobile channel to enhance customers' value creation that is driven by heterogeneous personal goals and motives, food retailers should carefully analyze the opportunities available in relation to the type of customer value they are strategically engaged in. In that respect, it is critically important for food retailers designing their m-service strategies to understand whether customers are driven by utilitarian or hedonic value. Bettman (1979) argues that the utilitarian perspective on customer value views customers as rational problem-solvers where consumption is first and foremost understood as a way to accomplish some predefined end (Rintamäki et al., 2006; see also Carpenter, 2008). Babin et al. (1994) complement this view by describing utilitarian value as cognitive, functional, task-related and instrumental. In the retailing context, utilitarian value consists of benefits such as convenience and sacrifices such as time, money, and effort (Rintamäki et al., 2006). Hedonic customer value, in contrast, is appreciated as an end in itself; it is self-purposeful and appreciated in its own right (Rintamäki et al., 2007). Hedonic value is about entertainment and emotions, it is non-instrumental, experiential, and affective (Babin et al., 1994), and often characterized by benefits such as entertainment and exploration and sacrifices such as negative emotions and stress (Rintamäki et al., 2006). Consequently, firms ought to carefully consider the nature of interaction in relation to their strategy and the type of customer value they intend customers to create; i.e. the company's value proposition should clearly show whether it favours utilitarian or hedonic interactions. To conclude, viewing customer value through its utilitarian and hedonic aspects uncovers the broader nature of customer value and thus, provides a natural basis for exploring and analyzing how m-services are leveraged to serve customers better in the context of food retailing.

2.2. M-service

The value potential of the recent advances within information technology has been explored within various and partly overlapping domains including, for example, e-commerce (Hammond, 2001; Ramanathan, 2010; Story, 2005), e-CRM (Chen et al., 2007), m-commerce (Benou and Vassilakis, 2010; Chae and Kim, 2003; Clarke, 2001; Gummerus and Pihlström, 2011; Ngai and Gunasekaran, 2007), e-merchandising (Martinez and Aguado, 2008),

mobile marketing (Varnali and Toker, 2010), e-service (Heinonen, 2006; Heinonen and Strandvik, 2009; Rowley, 2006; Surjadjaja et al., 2003), and m-services (Zarmpou et al., 2012; Gummerus and Pihlström, 2011). The range of topics have covered a wide area of themes including strategy, tools and applications, acceptance and adoption, perceived value, business models and technological developments (Varnali and Toker, 2010; Ngai and Gunasekaran 2007). What characterizes all these literature streams, including m-service, is the customer being increasingly liberated from time and place constraints, which offers customer benefits that are not available through other channels (Benou and Vassilakis, 2010; Gummerus and Pihlström, 2011; see also Heinonen, 2006).

Consequently, given the ubiquitous and universal access to information and the opportunity to provide highly personalized experiences to customers, m-services have become increasingly important for firms (Nysveen et al., 2005). The huge potential in delivering m-services through mobile devices created by the combination of rapidly developing technology and high uptake rates of mobile devices has been recognized for more than a decade (Bitner et al., 2000). Following Gummerus and Pihlström (2011, pp. 521–522), m-services can be defined as 'content and transaction services that are accessed and/or delivered via a mobile handheld device (PDA, mobile, cellular or phone, GPS, etc.) based on the interaction/transaction between an organization and a customer'. Consequently, technology mediation is another defining characteristic of m-service; it makes m-service different from traditional service and enables new venues for value creation. This naturally has major strategic implications for companies that are increasing their service orientation and shifting attention toward serving instead of selling. As companies are able to design and deliver mobile presence anywhere and at any time (Erdem and Karakaya, 2005; Varnali and Toker, 2010), the role of the company is extended from being a supplier of goods toward being able to provide customers with support in much broader terms than they have previously been accustomed to. The company is able to interact with customers via a variety of m-services that assist customers in their everyday processes beyond the traditional boundaries of food stores (Klabjan and Pei, 2011). Current research specific to the retailing context, shows that consumers who own a smartphone perceive social media and other applications provided by the retailer as valuable in the in-store environment (Sands et al., 2011). From the service perspective, this opens up new opportunities for companies to provide customers with relevant value-supporting resources that further diversify the value customers are able to create; firms can provide customers with additional resources, such as real-time information anywhere, regardless of time and place (Lee et al., 2012). Through m-services the company can create interactions with its customers, engage with their value-creating processes and deliver additional resources for their use (Grönroos, 2008a; Grönroos and Ravald, 2011). In conclusion, integrating research on m-services with the recent theoretical discussion around service as business logic offers clear synergic outcomes (Heinonen and Strandvik, 2009). In establishing successful interactions, customer access to the internet is naturally a critical antecedent (Fig. 1). New generations of mobile devices have fueled the increasingly flexible access to the internet (Sumita and Yoshii, 2010), which is why the device itself is no longer as critical in determining the opportunities of the internet; whether companies' applications are accessed via PC, laptop or mobile device is of secondary interest. Therefore, research should also explore the nature of the m-services that companies currently use to support customers' value-creating processes. New and innovative m-services are rapidly emerging, a development that exerts further pressure on understanding their value-creating logics. To gain a holistic understanding of the research phenomenon, it is of the utmost importance to identify and investigate the variety of ways in
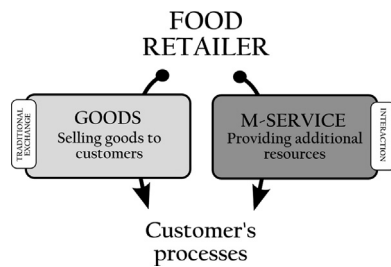
Fig. 1. Establishing interaction through m-services.

which m-services are used in practice, which will also contribute to addressing the study purpose as well as helping to build the tentative framework. Furthermore, being aware of the opportunities presented by m-services today can help to identify the value-creating opportunities of tomorrow. Being aware of current practices offers a basis for designing and developing future m-services. This understanding can then be used to build a tentative framework capturing how companies can use m-services in their strategic quest to move from selling to supporting.

3. Method

3.1. Data generation

To address how food retailers actually leverage services, the current research focuses on example cases from diverse food retailing contexts. Using case examples, or vignettes (see Reinartz et al., 2011), to illustrate the research phenomenon has been established to be a suitable research strategy for understanding the interaction between a phenomenon and a context (see Dubois and Gadde, 2002). Here, the cases themselves were, however, of secondary interest; they facilitate the understanding of something else (Stake, 2005) and act as a vehicle for generating and shedding new light on the issues related to the increasingly important phenomenon. Consequently, through multiple case examples preliminary empirical insights could be generated into the ways in which food retailers use m-services in practice, and they were considered as an effective way to capture the central characteristics of the phenomenon (see Rubalcaba et al., 2012; Nordin and Kowalkowski, 2010).

The data collection was limited to the food retailing context. As a research context, it offered a global and dynamic business environment to address the emerging research phenomenon and provided the access required to generate interesting and diverse illustrations of m-services from which a tentative framework could be suggested. The data collection process consisted of two distinct phases. First, using mobile application stores, various retailing-related online sites, forums and blogs (such as Retail Customer Experience and Springwise), the authors identified 114 m-services that were used by global retailers in the period between 1st January 2011 and 31st December 2012. The search was augmented by using search engines with keywords such as *mobile retailing* and *retail mobile apps*. M-services developed and launched both by food retailers and third party actors were included. These services and their brief descriptions are listed in Appendix. Second, of these m-services, 17 were identified as being provided by food retailers.

The data collection process also focused on m-services that were designed to serve customers in their everyday activities beyond the traditional exchange between goods and money. The objective was to come up with a set of case examples that illustrated the various ways in which food retailers extend their perspective from selling goods to supporting customers' value-creating processes. In this phase, the authors assessed, compared and discussed each of the m-services identified in the second phase and excluded parallel and similar examples. As a result, 10 m-services were selected for further analysis that captured the diverse ways food retailers use m-services to serve customers better. These services were established by different food retailers from Europe and North America.

Additional secondary data was generated from the food retailers' website. This included general information about the company, its value proposition and strategy. Data was also collected about the general purpose of the m-service; why it was established; at whom it was targeted; and how, where and when it was meant to be used. As a result, summarized descriptions of each service application were generated. They offered a well-grounded insight into the ways in which the food retailers – by establishing m-services – shifted their attention from merely *selling* goods toward *serving* customers.

3.2. Data analysis

Analysis is about giving data significance; it is a process of investigating something to find out what it is about and how it works (Corbin and Strauss, 2008). The process of qualitative analysis is about investigating a substance and its components to determine their respective properties. First, the summarized descriptions of the case examples were explored in-depth by uncovering the interaction through which additional resources were provided to support customers' value-creating processes. This included carefully analyzing what was the food retailer's purpose of the m-service and for what purpose it was designed. Following the logic of extensive case study research, the case examples offered a good basis for making comparisons between different m-services that were characterized by their shared purpose of serving customers. After this initial review of the basic characteristics of each case example a more formal analysis was pursued including basic content analysis techniques such as classification. The nature and logic of the case examples, including characteristics such as type of the additional resources were classified and grouped into larger entities. Studying different examples of how companies use m-services facilitated the description of distinct patterns that capture the research phenomenon. Data analysis consisted of using these patterns iteratively and developing, refining, and adjusting the tentative framework. The process of data analysis focused on uncovering the logic of the food retailers' m-services: what fundamentally characterized the m-services at hand?; what constituted them?; what kind of solution did they offer to customers?; what kind of customer benefits did they provide?; and what kind of customer sacrifices did they mitigate? The overarching purpose was to uncover what it is in m-services that help companies serve their customers better.

Moreover, the data analysis process was rather cyclical than linear one. Conclusively, both theory and empirical data played important roles in the research process. The research was not deductive since no pre-determined hypotheses were developed from existing theory and statistically tested. Nor was the process purely inductive in nature, as the role of existing knowledge in terms of the theoretical discussion around service, value creation and m-service were emphasized in approaching the research phenomenon. Thus, although these two basic aspects of inquiry seldom exist as clear-cut alternatives (Eriksson and Kovalainen, 2008), here abductive logic (Alvesson and Sköldberg, 2000; Dubois and Gadde, 2002; Gummesson, 2000) was preferred to characterize the roles of existing theory and the case examples. For example, customer value theory in terms of value dimensions (economic, functional, emotional, and symbolic) was used when analyzing the m-services. Accordingly, the focus was on the interplay between the empirical world and the existing theory in order to establish new forms of knowledge and understanding; the existing theory offered initial guidance for developing the framework, but the set of m-services used in the data analysis ultimately provided the direction. Consequently, the research process as a whole consisted of

intertwined research activities and was characterized by constant movement between theory and empirical reality represented by the case examples.

Table 1 briefly outlines the value creation logic of the case examples.

4. Results and discussion

The data analysis was applied to construct a tentative framework to capture the ways in which food retailers serve their customers through m-services. The framework is characterized by two dimensions: first, *the stage of interaction* describes the point in the customer process at which additional resources are provided with the help of the m-service. Second, *the nature of interaction*

reveals whether the interaction established by the food retailer through the m-service is driven by utilitarian or hedonic characteristics. Both perspectives – the stage of interaction and the nature of interaction – must be addressed when considering the potential of m-services to amplify the food retailers' service orientation and the change of perspective from selling to supporting in the course of establishing a broader perspective on serving customers (Fig. 2). Two building blocks of the framework are discussed in more detail below.

4.1. Stage of interaction

The stage of interaction captures the point at which the interaction with the customer's value-creating process first occurs.

Table 1
Summarizing the case examples.

| M-service	Description
Publix mobile app	Publix Super Markets is a US supermarket chain focusing on premium quality food retailing. Its value proposition is 'Publix – Where shopping is a pleasure', which emphasizes delivering experiential value to its customers. Publix strives to differentiate itself from other food retailers that focus on lowest prices. With the Publix mobile application customers can create a customer profile that saves different shopping lists and meal recipes, watch weekly deals and recipe videos, and scan pharmacy products to renew prescriptions. Furthermore, recipes can be sorted in categories, such as child-friendly, ethnic, and slow cooking, while shopping lists are automatically arranged by store aisle.
S-Group's Foodie	S-Group is a Finnish cooperative enterprise that provides services for retail industries in Finland, Russia and the Baltic States. The company offers its customers an application called Foodie that provides customers with tailored food recommendations based on the customer's preferences. Foodie allows customers to share their shopping lists with friends and family, who in turn can amend the list. It carries over 5000 built-in recipes from which customers can choose according to their preferences. Furthermore, during use of the application Foodie learns more about the customer's preferences, which makes future recommendations more accurate.
ICA	ICA is one of the leading food retailers in Northern Europe with 2200 stores in Sweden, Norway and the Baltic States. The mission statement of the company says it focuses on making 'every day a little easier'. To do so ICA offers a mixture of m-service applications. First, ICA Handla provides customers with recipes, shopping lists and weekly ads. Second, ICA Grillfest is a grill-themed recipe and tip application. It has some of the same functions as the Handla application, but it is clearly targeted for more recreational use. Third, ICA To Go features store information and mobile coupons.
Meijer's Find-It	Meijer is a privately owned company operating in North America. With over 200 stores, the company delivers its value proposition by being customer centered and focusing on competitive spirit, freshness and 'familyness'. The company has established a variety of mobile applications that help customers in their in-store activities, including an app for recipes, coupons and meal planning as well as for finding wine to match. Find-It is yet another application that helps customers track where each food item is located within Meijer stores. The company provides customers with m-services to save time as it assists them in finding the right products quicker.
HarvestMark	HarvestMark is a third party service designed to help both retailers and consumers trace food products to their suppliers. The consumer version works both online and as a mobile application. Consumers can type in product codes or scan barcodes to find information about the product's farming and manufacturing practices, packaging, countries of origin, and safety issues. Every registered product has its own results page, which also shows who the producer is and if the groceries are certified as organic.
Kraft's iFood Assistant	Kraft Foods is an American grocery manufacturing and processing conglomerate. Kraft's iFood Assistant mobile application provides users with recipes and ideas that can be turned into shopping lists. Users can search for recipes that use the ingredients they have at home. Favorite recipes can be stored in a recipe box that is also synced with the customer profile at kraftfoods.com. The recipes are also displayed by phases and in video format, so users can benefit from the app after the shopping trip. The shopping list can be updated by scanning product barcodes at home or in store.
Whole Foods Market's Missions app	Whole Foods Market is increasingly focusing on providing consumers with a holistic approach to health instead of merely providing healthy food products. The Whole Foods Market Missions app helps users learn about and adopt a healthier lifestyle. It uses small games, 'missions', as a way of activating users. On completing missions, users earn awards and medals. By using the app, users gradually learn about healthy cooking, nutritional information and other aspects of a healthy lifestyle. There is also a social element that encourages users to share achievements and health information with friends.
Stop & Shop Supermarket's Scan It! application	The Stop & Shop Supermarket Company is an American grocery and pharmacy retail chain of 390 stores. The company's Scan It! application is used as a part of the retailer's self-service concept. Customers can scan the products by themselves and put the groceries in their bags. They can then pay for their purchases at the checkout without having to open their bags. Additionally, the application provides customized deals based on the customer's purchase history. By scanning the items, customers can also earn discounts. Thus, the Scan It! application helps customers keep track of their spending, save time at the checkout and save money, too.
Tesco Home Plus's Shopping wall	In its South-Korean chain Home Plus, Tesco is offering its customers a convenient way to do their daily grocery shopping. The retailer has put up posters in high-traffic areas, such as bus and metro stations. These posters feature pictures of products with QR codes (Quick Response). Using a free mobile application on their smartphones, customers waiting for a train can scan these codes to order groceries. The groceries are then delivered to the customers' homes by the end of the day.
Food Lion	Food Lion is a US-based grocery chain of 1300 supermarkets. Food Lion is using an aggressive pricing strategy, which is supported by its MVP customer loyalty program. The company's customers can sign into its MVP program to have coupons sent to their mobile devices. The Food Lion application also features weekly specials, the ability to manage shopping lists, a store locator and recipes. The recipes are displayed in categories such as holiday recipes, healthy menus, desserts and drinks. The application also features alerts for new products and in-store events.
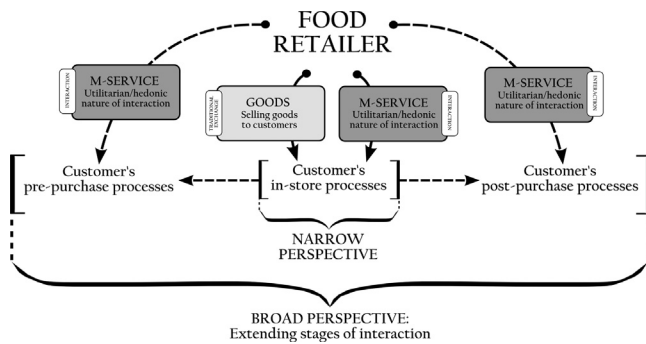
Fig. 2. Using an m-service to broaden the perspective from selling to supporting.

During the data analysis process it was soon apparent that focusing on supporting customers' value-creating processes only within the food store would be far too limited an approach. To that end, as depicted in Fig. 2, m-services offer the food retailers opportunities to support customers' pre- and post-purchase activities, and as a result, extend the stages of interaction between the food retailer and the customer. Through m-services companies are able to establish interactions not only within the food store, but also before and after the purchases are made; they provide food retailers with tools to access customer contexts effectively and efficiently anywhere and anytime (see Varnali and Toker, 2010), and to achieve a broader perspective on customer value creation.

For example, Publix's Event Planning application assists customers plan memorable events by offering guidance on designing appropriate menus or selecting suitable tableware. The Aisle Finder, in turn, serves a customer while in the store by delivering information about the exact location of food products. Although the majority of the m-services are targeted at supporting customers' processes at a specific stage, whether during pre-purchase, in-store, or post-purchase processes, some can support customers at several stages. For example, S-Group's Foodie is designed to help customers plan their shopping beforehand, informs them of food items on sale, and also reminds them what to buy by accessing their personal shopping lists. Ultimately, the stage of interaction is about understanding the opportunities to support customers' processes outside the food store – whether before or after the in-store activities. With the help of m-services companies can move beyond the traditional in-store service environment and take a more active role in supporting their customers' various value-creating processes related to food retailing, which is wholly in line with the basic characteristics of service (see Grönroos, 2008a).

4.2. Nature of interaction

In addition to understanding how the food retailer can extend its support from the in-store processes toward its customers' pre- and post-purchase processes, it is essential to consider the nature of interaction. That involves considering the kind of customer value the interaction can ultimately generate, that is, what kind of value the customer is able to create when using the m-service. It is, however, the customer who is in charge of the resource integration process during which the value potential eventually actualizes (see Grönroos, 2008a). Consequently, regardless of the stage of interaction, m-services can be used in support of the customer value creation either in utilitarian or hedonic terms. As depicted in Table 2, through m-services companies can on the one hand assist their customers to accomplish predefined ends or increase convenience by decreasing time and effort (see Rintamäki et al., 2006). On the other hand, m-services can be used that are non-

instrumental, experiential, and affective (Babin et al., 1994) and are self-purposeful and appreciated by customers in their own right (Rintamäki et al., 2007).

For example, the *Scan It* application allows customers to scan the food items themselves and even get discounts, and consequently, save both time and money, resulting in utilitarian value. The Whole Foods' Market's Mission application, in turn, adopts a holistic perspective on supporting customers desiring a healthier lifestyle by motivating customers to achieve certain goals and share their achievements with friends and family. Hence, the m-service encourages customers to create more hedonic value by engaging with the emotional, experiential and social aspects of food consumption. Naturally, it is customers' own resources in terms of their skills and experience of using the m-service, combined with other contextual factors (see Gummerus and Pihlström, 2011, Sands et al., 2011) that ultimately determines whether or not value can be created.

5. Conclusions

In response to increasing competition, food retailers are looking to m-services for new and innovative ways to serve their customers and differentiate themselves from their competitors. More specifically, many companies are faced with increasing competition from hard discounters making them re-evaluate their competitive strategies, put more emphasis on service, and therefore investigate how to serve customers better through m-services. To address this phenomenon, the purpose of this study was to explore and analyze how food retailers leverage m-services to serve customers better. To achieve this, 10 case examples were selected for further analysis. Recent theoretical discussion around service as business logic and m-services was used to guide the research process. As a result, a tentative framework was suggested for capturing the basic building blocks supporting leveraging m-services when increasing the food retailers' service orientation. It will help both scholars and practitioners understand how food retailers use m-services in serving customers and help companies extend their perspective from providing goods to supporting the customers' value creation in broader terms. Moreover, the framework can be used as a lens to reveal the opportunities provided by m-services in the context of food retailing, and once revealed they can be addressed.

The implications of the study are threefold. First, m-services can help food retailers extend their roles from in-store activities toward a broader and more meaningful role in customers' lives (see Fig. 2). In these reconfigurations of roles, understanding *the nature and stage of interaction* is critically important, not only for food retail managers, but also for third party companies and individuals who design and develop such m-services. Through different m-services, food retailers are no longer restricted to selling goods, but can both extend the interaction from the in-store to pre- and post-purchase processes.

Second, viewing m-services as only an alternate delivery mechanism for the firm's basic offering is far too limited. On the contrary, m-services allow food retailers to amplify their value propositions, whether based on economic, functional, emotional, or symbolic customer value (see Rintamäki et al., 2007), and also to diversify the food retailing experience by adding new dimensions, a topic that has been acknowledged as important for future retailers (Verhoef et al., 2009). By incorporating m-services as an integral part of their basic offering, food retailers are better able to help, take care of and support customers in ways that would not be possible merely by selling goods. By designing and delivering such m-services that support customers' value-creating processes food retailers can redefine their roles as resource providers. They

Table 2
Tentative framework for understanding food retailers' m-service leverage.

	Customer's pre-purchase processes	Customer's in-store processes	Customer's post-purchase processes
Utilitarian interaction (economic, functional)	Comparing prices; planning what to cook; planning what to buy; using an m-service to buy the groceries in advance; deciding what to buy and the groceries being delivered to the home; comparison of product-, service- and store-related information.	Finding the right products quickly; avoiding queuing through self-scanning and earning discounts at the same time; comparison of product and service related information.	Video guidance helping customers prepare meals; providing customers with personalized price promotions on the basis of their previous purchases.
Hedonic interaction (emotional, symbolic)	Planning memorable events; designing healthier meals; and helping customers achieve lifestyle missions and goals.	Tracing and exploring the origin and background of the products; scanning product tags and being inspired by alternative recipes and ideas.	Receiving feedback on the healthiness of the groceries; helping customers achieve lifestyle missions and goals; and sharing one's own food consumption experiences with others.

are not only suppliers of goods, but offer more resources for customers to use, which is the basic determinant of service as business logic (Grönroos, 2008a, Grönroos and Ravald, 2011). Hence, the proposed tentative framework – as well as the case examples themselves (see Appendix) – provides managers with guidance to identify the wide range of opportunities through which they can harness the potential of m-services in amplifying their strategic shift toward serving customers better.

And third, as differentiation by product attributes becomes increasingly difficult, those food retailers that succeed in harnessing the potential of m-services in serving customers further safeguard their existence in the future. Ultimately, customers using m-services as a natural and embedded part of their consumption and everyday activities is inevitable. Customer empowerment, technological advancements, different initiatives that demand customer data to be made available for the customers' use combined with easily available tools and appliances are drivers that will vigorously fuel the development. In moving toward that end, food retailers have the opportunity to take an active role in creating and developing m-services that match this reality, or can remain passive and risk their current competitive edge. Consequently, the defining question for food retailers may no longer be who has the most attractive product category or the best location, but which food retailer manages to create the most attractive mixture of m-services fine-tuned to support – and more importantly – engage in customers' value-creating processes from pre-purchase through the in-store environment and beyond to post-purchase. With the help of m-services companies are able to connect with their customers before, during and after the purchase. Therefore, different service applications offer excellent opportunities to support customers' *processes* instead of the limited focus on selling customers goods.

This study provides preliminary insight into using m-services as a strategic tool to intensify the companies' service orientation in the context of food retailing. The tentative framework suggested in this study provides a solid basis on which to build future research. However, given the qualitative nature of the study and the limited number of case examples, the proposed framework is only tentative in nature. The original list of various m-services, although extensive, cannot be regarded as all-encompassing owing to the rapid evolution of both the volume and breadth of m-services. Moreover, the consumption context, in terms of situational or psychological factors, did not prove to have as major a role in this study as it did in previous m-service studies (see Gummerus and Pihlström, 2011), as the primary purpose was to explore and analyze how m-services are leveraged by the companies in serving customers in the context of food retailing. To fully address the value-creating opportunities of m-service from the service business model perspective, more research is needed from other business contexts, including retailing as a whole. Future research should especially focus on taking a customer perspective on food retailers' various m-services and uncovering the potential and effect of m-services. This would provide empirically well-grounded insight into the practices and processes how customers eventually use m-services in their everyday activities and whether food retailers succeed in facilitating these activities in a value-supporting way. Moreover, future research should also address the impact of such m-services to outcome measures such as customer satisfaction and customer loyalty. By incorporating the customer perspective, a basis for designing m-services that support customer processes before, during, and after in-store activities can be further developed, which will in turn help food retailers in reconfiguring their role from selling to supporting.

Appendix. M-services related to retailing identified in the manual search.

Case	Context	Source/website
Adidas Urban Art Guide	Fashion ; Sports	⟨http://www.springwise.com/tourism_travel/urbanartguide/⟩
Adidas interactive digital signage	Sports	⟨http://www.themalaysianinsider.com/litee/tech/article/adidas-debuts-point-click-and-buy-window-display/⟩
Aisle411	Food retail; General retail	⟨http://aisle411.com/⟩
AisleFinder	Food retail	⟨http://www.aislefinder.com/Default.aspx⟩

American Eagle Outfitters: The Best Shot & Live Your Life	Fashion; Social media	⟨http://www.ae.com/web/international/index.jsp⟩
Ann Summers BlippTease App	Fashion; Other	⟨http://www.retail-week.com/home/multichannel/ann-summers-launches-virtual-fitting-room-app/5040317.article⟩
Avon mark.girl	General retail; Social media	⟨http://www.facebook.com/mark-girl⟩
Barnes and Noble Nook	Other	⟨http://www.barnesandnoble.com/⟩
Best Buy Mobile App	General retail	⟨http://itunes.apple.com/us/app/best-buy/id314855255?mt=8⟩
Blippar	Advertising	⟨http://blippar.com/⟩
Blockbuster	Customer relationship; Other	⟨http://www.blockbuster.com/⟩
Brightkite	Advertising; Social media	⟨http://mashable.com/2010/12/10/brightkite-group-text/⟩
Canadian Tire Retail	General retail	⟨http://itunes.apple.com/ca/app/canadian-tire-retail/id403884878?mt=8⟩
CardStar	Customer relationship	⟨http://www.mycardstar.com/⟩
Casino	Food retail	⟨http://www.just-food.com/comment/food-retailers-going-mobile_id114124.aspx⟩
Cellfire	General retail	⟨http://itunes.apple.com/us/app/cellfire-mobile-coupons/id284965674?mt=8⟩
Color Me Stila	General retail	⟨http://www.mobilecommercedaily.com/stila-bolsters-cosmetic-sales-via-virtual-makeover-app/⟩
Costco app	Wholesale	⟨http://itunes.apple.com/us/app/costco/id535509415?mt=8⟩
Coupons.com	General retail	⟨http://www.coupons.com/⟩
DoCoMo	Customer relationship	⟨http://www.nttdocomo.com/services/osaifu/id/index.html⟩
Drugstore.com/Beauty.com	General retail; Cosmetics; Drugs & pharmaceuticals	⟨http://www.mobilecommercedaily.com/2010/03/30/beautycom-launches-app-for-its-growing-number-of-mobile-customers⟩
eBay Fashion App	Fashion; Auction retail	⟨http://mobile.ebay.com/iphone/fashion⟩
eBay: Watch with eBay	General retail; Auction retail	⟨http://mobile.ebay.com/ipad/watchebay⟩
Fashion Kaleidoscope	Fashion	⟨http://itunes.apple.com/us/app/kaleidoscope-fashion-inspired/id505876558?mt=8⟩
Food Lion	Food retail	⟨http://www.mobilecommercedaily.com/food-lion-offers-loyalty-program-coupons-via-mobile-app/⟩
Foodie	Food retail; Social media	⟨http://fi.foodie.fm/⟩
Foursquare	Information; General retail; Customer relationship; Social media	⟨http://www.mobilecommercedaily.com/top-10-mobile-commerce-apps-of-2010/⟩
Free2Work	Information; Other	⟨http://www.free2work.org/⟩
Gilt Groupe	Fashion; General retail	⟨http://www.gilt.com/⟩
Glamour Magazine: Apothecary Wall	Fashion; General retail	⟨http://creativity-online.com/news/glamour-pulls-a-homeplusinspired-shoottoshop-move-for-fashion-week/232756⟩
Google Favorite Places	Information; General retail	⟨http://www.google.com/help/maps/favoriteplaces/⟩
Google Glasses	Information	⟨http://bits.blogs.nytimes.com/2012/04/04/google-begins-testing-its-augmented-reality-glasses/⟩
Greencross	General retail	⟨http://www.greencross.se⟩
Gucci	Fashion	⟨http://www.luxurydaily.com/gucci-goes-mobile-with-in-store-service-app/⟩
HarvestMark	Food retail	⟨http://www.harvestmark.com⟩
HSN	Advertising; General retail	⟨http://www.mobilecommercedaily.com/top-10-mobile-commerce-apps-of-2010/⟩
Hugo Boss	Fashion	⟨http://itunes.apple.com/fi/app/hugo-boss/id336828564?mt=8⟩
ICA	Food retail	⟨http://www.ica.se/⟩
IKEA Catalog	General retail	⟨http://www.retailcustomerexperience.com/article/197915/Augmented-reality-is-part-of-IKEA-s-2013-catalog⟩
Isaac Mizrahi New York app	Fashion	⟨http://www.isaacmizrahiny.com/news/48⟩
Kohl's Mobile App	General retail	⟨http://itunes.apple.com/us/app/kohls/id472014516?mt=8⟩
Kraft's iFood Assistant	Food retail	⟨http://www.kraftrecipes.com/media/ifood.aspx⟩
L'Oréal Mobile Taxi Shops	Fashion; Cosmetics	⟨http://brand-innovators.com/uncategorized/loreal-cmo-shares-results-from-mobile-taxi-shops-initiative/⟩
L'Oréal Paris: My L'Oréal Colorist	Information; Cosmetics; Social media	⟨http://www.mobilemarketer.com/cms/news/content/13381.html⟩
Lancôme Make-Up	Fashion; General retail; Cosmetics; Social media	⟨http://www.mobilemarketer.com/cms/news/database-crm/4452.html⟩
Lego App4+	General retail; Toys	⟨http://play.google.com/store/apps/details?id=com.lego.bricksmore&hl=fi⟩
Lego Creationary	General retail; Toys	⟨http://itunes.apple.com/us/app/lego-creationary/id401267497?mt=8⟩

Light Speed Mobile	General retail	⟨http://www.lightspeedretail.com/⟩
LoyalBlocks	General retail; Customer relationship	⟨http://www.loyalblocks.com/⟩
Macy's in-store navigation app	General retail	⟨http://itunes.apple.com/us/app/macys/id341036067?mt=8⟩
Macy's interactive campaigns	Fashion; General retail	⟨http://www.mobilecommercedaily.com/2012/05/23/macy%E2%80%99s-ramps-up-in-store-mobile-experiences-with-multifaceted-campaign⟩
McDonald's McRib	Restaurant	⟨http://www.mobilemarketer.com/cms/news/advertising/8053.html⟩
Meijer's Find-it	Food retail	⟨http://itunes.apple.com/us/app/meijer-find-it/id386911976?mt=8⟩
Metro Group's Real supermarkets app	Food retail	⟨http://www.future-store.org/fsi-internet/html/en/26768/index.html⟩
Mr Porter	Fashion	⟨http://www.mrporter.com⟩
myShopanion	General retail; Social media	⟨http://www.mobilecommercedaily.com/zappli-gets-500k-in-funding-updates-myshopanion-shopping-app/⟩
Nordstrom	Fashion	⟨http://www.forbes.com/sites/kellyclay/2012/04/06/nordstrom-sees-15-3-increase-in-retail-sales-following-introduction-of-mobile-pos-devices/⟩
Ocado On The Go	Food retail	⟨http://www.ocado.com/theocadoway/award-winning%20service/ocadoOnTheGo.html⟩
OpenTable	Information; Restaurant	⟨http://itunes.apple.com/us/app/opentable/id296581815?mt=8⟩
Oxfam: Shelflife	Auction retail	⟨http://www.bbc.co.uk/news/technology-17152221⟩
Papa John's Pizza	Restaurant	⟨http://www.apple.com/webapps/entertainment/papajohnspizzamobileweb.html⟩
PICKKA Med	Health & well-being; Drugs & pharmaceuticals	⟨http://www.marketwire.com/press-release/search-tech-innovator-unveils-mobile-apps-for-health-and-wellness-market-1179321.htm⟩
Pizza-online.fi	Restaurant	⟨http://pizza-online.fi/⟩
Price Grabber	General retail	⟨http://www.mobilecommercedaily.com/pricegrabber-aims-for-simplified-mobile-shopping-via-enhanced-mobile-app/⟩
Publix Mobile App	Food retail	⟨http://www.publix.com/Mobile.do⟩
QVC App	Advertising; General retail	⟨http://www.mobilecommercedaily.com/top-10-mobile-commerce-apps-of-2010/⟩
Rakuten	General retail	⟨http://image.www.rakuten.co.jp/com/global/careers/business/strategy/⟩
Ralph Lauren – Collection	General retail	⟨http://itunes.apple.com/us/app/ralph-lauren-collection-fall/id294067384?mt=8⟩
Ralph Lauren Rugby – Make Your Own	General retail	⟨http://itunes.apple.com/fi/app/rugby-ralph-lauren-make-your/id330035307?mt=8⟩
Redbox	Other	⟨http://www.redbox.com/⟩
RedLaser	General retail	⟨http://redlaser.com/⟩
Regalii	Social media; Other	⟨http://www.regalii.com/⟩
Rent the Runway	Fashion	⟨http://www.renttherunway.com/⟩
Rite Aid	Health & well-being; Drugs & pharmaceuticals	⟨http://www.riteaid.com/⟩
RNKD	Fashion; General retail; Customer relationship; Social media	⟨http://www.rnkd.com/⟩
Robert Mondavi Winery	Restaurant; Social media; Other	⟨http://www.marketwire.com/press-release/scvngr-robert-mondavi-winery-and-franciscan-estate-combine-forces-for-special-blend-1351963.htm⟩
Sainsbury's app	Food retail	⟨http://www.sainsburys-live-well-for-less.co.uk/products-values/nectar/get-the-sainsbury's-smartphone-app/⟩
Samuel Adams	Restaurant	⟨http://www.mobilemarketer.com/cms/news/software-technology/11810.html⟩
Saw Dust Boogers	Information; General retail	⟨http://www.sawdustboogers.com/webapps/toolbox-starter-kit/⟩
Scheels	Sports	⟨http://www.scheels.com/shop/en/scheels-catalog⟩
Sears ManageMyLife	Information; Other	⟨http://www.managemylife.com/⟩
Sears2go	General retail	⟨http://itunes.apple.com/us/app/sears2go/id305449194?mt=8⟩
Sense Networks	Information; Advertising; General retail	⟨http://www.sensenetworks.com/⟩
Shopkick	Information; Advertising; Customer relationship	⟨http://www.shopkick.com⟩
Shopnow	Information; General retail	⟨http://www.shopnow.com/⟩
ShopSavvy	General retail	⟨http://shopsavvy.com/⟩
ShopStyle	General retail	⟨http://itunes.apple.com/us/app/shopstyle-mobile/id314673827?mt=8⟩

SK Telecom Q Store	Other	⟨http://www.sktelecom.com/⟩
Starbucks App	Restaurant; Customer relationship	⟨http://www.starbucks.com/coffeehouse/mobile-apps⟩
Starwood Preferred Guest App	Customer relationship; Hotel	⟨http://itunes.apple.com/us/app/spg-starwood-hotels-resorts/id312306003?mt=8⟩
Stop & Shop Supermarket: SCAN IT!	Food retail	⟨http://www.stopandshop.com/our_stores/tools/scan_it_mobile.htm?svcid=SCAN_IT_MOBILE⟩
Suica/Mobile Suica	Other	⟨http://www.mobilesuica.com/⟩
TapBuy	Information; Other	⟨http://techcrunch.com/2011/11/01/tapbuy-deals-mobile-shopping-without-the-hassle/⟩
Target App	General retail	⟨http://itunes.apple.com/us/app/target/id297430070?mt=8⟩
Tesco Home Plus	Food retail	⟨http://www.tesco.com/⟩
The Body Shop/iButterfly	Cosmetics	⟨http://www.marketing-interactive.com/news/28596⟩
The Find Catalog/Tablet	Information; General retail	⟨http://www.mobilecommercedaily.com/2011/05/24/crate-and-barrel-sephora-among-national-brands-in-new-catalog-app⟩
The Home Depot app	General retail	⟨http://itunes.apple.com/us/app/the-home-depot/id342527639?mt=8⟩
The Organic Wine Find	Information; General retail	⟨http://www.apple.com/webapps/searchtools/organicwinefind.html⟩
TheFind Mobile	Information; General retail	⟨http://www.thefind.com/tablet⟩
Ubox: Mobile Vending Machine	General retail	⟨http://www.retailcustomerexperience.com/article/184187/Ubox-makes-mobile-vending-machines-a-reality-in-China⟩
uGuX: Amazon & eBay Shopping App	General retail	⟨http://www.apple.com/webapps/searchtools/amazonebayshopping.html⟩
Walmart	General retail	⟨http://itunes.apple.com/us/app/walmart/id338137227?mt=8⟩
Walmart: Shopycat	General retail; Social media	⟨http://www.shopycat.com/⟩
Walmart: Superama	General retail	⟨http://itunes.apple.com/br/app/superama-movil-para-ipad/id488768664?mt=8⟩
Verifone: SAIL	General retail; Other	⟨http://www.sailpay.com/⟩
What's The Wait?	Information; Restaurant	⟨http://whatsthewait.mobi/⟩
Whole Foods Market Mission App	Food retail; Health & well-being; Social media	⟨http://www.wholefoodsmarket.com/apps/index.php⟩
Whole Foods Market Recipes App	Food retail	⟨http://www.wholefoodsmarket.com/apps/index.php⟩
Victoria's Secret	Fashion; General retail; Social media	⟨http://itunes.apple.com/us/app/victorias-secret-all-access/id336860594?mt=8⟩
Viggle	Customer relationship; Social media; Other	⟨http://www.viggle.com/⟩
Winn Dixie	General retail	⟨http://www.winndixie.com/Pages/Home.aspx⟩
Yihaodian augmented reality stores	General retail	⟨http://itunes.apple.com/us/app/wu-xian1hao-dian/id561927089?ls=1&mt=8⟩
Yoox.com	Fashion	⟨http://www.yoox.com/⟩

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Value Creation Challenges in Multichannel Retail Business Models

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Abstract

Purpose: The purpose of the paper is to identify and analyze the challenges of value creation in multichannel retail business models.

Design/methodology/approach: With the help of semi-structured interviews with top executives from different retailing environments, this study introduces a model of value creation challenges in the context of multichannel retailing. The challenges are analyzed in terms of three retail business model elements, i.e., format, activities, and governance.

Findings: Adopting a multichannel retail business model requires critical rethinking of the basic building blocks of value creation. First of all, as customers effortlessly move between multiple channels, multichannel formats can lead to a mismatch between customer and firm value. Secondly, retailers face pressures to use their activities to form integrated total offerings to customers. Thirdly, multiple channels might lead to organizational silos with conflicting goals. A careful orchestration of value creation is needed to determine the roles and incentives of the channel parties involved.

Research limitations/implications: In contrast to previous business model literature, this study did not adopt a network-centric view. By embracing the boundary-spanning nature of the business model, other challenges and elements might have been discovered (e.g., challenges in managing relationships with suppliers).
Practical implications: As a practical contribution, this paper has analyzed the challenges retailers face in adopting multichannel business models. Customer tendencies for showrooming behavior highlight the need for generating efficient lock-in strategies. Customized, personal offers and information are ways to increase customer value, differentiate from competition, and achieve lock-in.

Originality/value: As a theoretical contribution, this paper empirically investigates value creation challenges in a specific context, lowering the level of abstraction in the mostly-conceptual business model literature.

Introduction

The development of online services and the diffusion of information technology have enabled new ways for consumers to interact with retailers. For example, Forrester Research predicted in a 2012 report that electronic commerce would grow 62 percent by 2016 in the United States and 78 percent in Europe (Trendwatching, 2012). In addition to online retailing, smartphones and other mobile devices have thoroughly altered the retail landscape. Mobile devices have changed the way customers seek products, pay for them and tell others about them (Grewal, Roggeveen, Compeau and Levy, 2012). For instance, according to a recent study by ComScore two thirds of smartphone owners have undertaken shopping activities (e.g., comparing prices, using coupons or locating stores) on their phones (Retail Customer Experience, 2012).

Online and mobile shopping and communication mechanisms, or channels, are frequently used by customers. Channels are "mechanisms for communication, service delivery, and transaction completion" (Berry, Bolton, Bridges, Meyer, Parasuraman and Seiders, 2010, 155). Channels are, for example, brick-and-mortar stores, vending machines, kiosks, mobile devices, catalogs, and online storefronts (Berry et al., 2010). The multichannel customer group is found to be increasing in size and importance to retailers (Wakolbinger and Stummer, 2013; Rangaswamy and Van Bruggen, 2005; Verhoef, Neslin and Vroomen, 2007), but traditional retailers have failed to react to the emergence of new channels. Walmart and Target, for example, have online sales under two percent of total sales (Rigby, 2011). Multichannel customers tend to spend more money than single-channel customers (Rangaswamy and Van Bruggen, 2005; Neslin, Grewal, Leghorn, Shankar, Teerling, Thomas and Verhoef, 2006), at least those customers who purchase products from multiple categories or from more hedonic categories, such as cosmetics and video games (Kushwaha and Shankar, 2013). However, former studies have suggested that multichannel customers have higher expectations for the quality of service than single-channel customers (Wallace, Giese and Johnson, 2004). Traditional retailing formats simply won't suffice any longer (Rigby, 2011), because forerunner retailers are exploiting cross-channel synergies to create unique value propositions for customers. Thus, retailers are faced with the challenge of reconfiguring their conventional business models.

Existing research on multichannel retailing has mainly compared channels without contributing to a holistic understanding of how different channels coexist in the same business model. It has also largely explored customer behavior in multichannel settings, focusing on channel usage, channel migration over time, and channel switching behavior. For example, goals, needs, customer inertia, perceived risk and situational factors affect the selection and use of different shopping channels (Neslin et al., 2006; Ansari, Mela and Neslin, 2008; Thomas and Sullivan, 2005; Valentini, Montaguti and Neslin, 2011). At the same time the company perspective has been largely neglected in empirical studies (with the exception of Avery, Steenburgh, Deighton and Caravella, 2012). It is not known how retailers are adopting multichannel business models and what challenges they meet.

A multichannel retail business model utilizes multiple channels in the creation of customer and firm value. A single-channel business model, in contrast, only utilizes one channel for value creation. The adoption of multichannel business models increases complexity in terms of creating value for both parties. To better understand how retailers are responding to changes in technology as well as customer behavior, this study's purpose is to identify and analyze the challenges of value creation in multichannel retail business models. This objective is addressed through semi-structured interviews with top executives from different retailing environments. An analysis of the challenges of multichannel business models will enable retailers to avoid or solve these challenges and develop the academic understanding of business models in general.

Theoretical background

Value creation can be understood through the business model concept. It is *"a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network"* (Shafer, Smith and Linder, 2005, 202). Doganova and Eyquem-Renault (2009) see business models as "market devices",

i.e. calculative and narrative tools that allow entrepre-neurs to explore a market and to materialize their in-novation, e.g. a new product. They build on Magretta's (2002) view of business models as *"stories that ex-plain how enterprises work"* (with a plot, characters and their motivations). A business model captures mana-gerial choices and their consequences, e.g. contracts, decisions, and practices related to policies, assets, and governance (Casadesus-Masanell and Ricart, 2010). A business model thereby is based on management's expectations regarding sales, costs, and the behavior of customers and competitors, which is why it needs to be constantly updated in evolving markets (Teece, 2009). For a business model to be successful, it also has to be coherent, and the calculations need to work, i.e. the economics behind the value creation logic need to result in profits (Magretta, 2002).

Value creation in business models

A business model describes customer and firm value creation as well as the value creation of all stakehold-ers. Thus, a business model is more than a revenue model, i.e. *"the specific modes in which a business mod-el enables revenue generation"* (Amit and Zott, 2001, 515). For the purposes of this paper, customer value is seen as the result of customers' subjective evaluations of a product, experience or any other offering (Hol-brook, 1999; Zeithaml, 1988; Noble, Griffith and Wein-berger, 2005). This evaluation is based on benefits and sacrifices related to the offering. The evaluation can be related to monetary aspects as well as social interac-tion, symbolism, and experiential aspects (Balasubra-manian, Raghunathan and Mahajan, 2005). Customers then choose the alternative which leads to the most customer value (Holbrook, 1999; Zeithaml, 1988).

The sources of value creation, or value drivers, are fac-tors that enhance the total value created by the busi-ness. For example, in electronic business, value drivers are novelty, lock-in, complementarities, and efficiency (Amit and Zott, 2001). In the retailing context, the cre-ation of customer value is tightly connected to crea-tion of shopping experiences (Sorescu, Framback, Sin-gh, Rangaswamy and Bridges, 2011). Customer value is created when the customer and the retailer utilize and combine different resources during the shopping

experience. These resources can be tangible, such as the products and the retail space, or intangible, like the creativity of a customer or the competence of a sales-clerk. Firm value in turn is created by the achievement of company goals, such as acquiring customer informa-tion, achieving high customer satisfaction, or earning profits.

Business model elements

Various categorizations of business model elements exist in the literature. For example, Chesbrough (2010) lists value proposition, market segment, value chain structure and assets, revenue mechanism, cost struc-ture and profit potential, firm position within the value network and competitive strategy as functions for the business model. Johnson, Christensen and Kagermann (2008) argue that the business model consists of a cus-tomer value proposition, a profit formula, key resourc-es, and key processes. Shafer, Smith and Linder (2005) in turn classify business model components into four categories: strategic choices, the value network, creat-ing value, and capturing value. Yet another categoriza-tion is presented by Doganova and Eyquem-Renault (2009). They group business model components into three building blocks: the value proposition (the offer-ing), the architecture of value (partners and channels), and the revenue model. Amit and Zott (2001) see the business model as consisting of transaction structure, content, and governance. The content of transaction refers to the goods or information exchanged, and the resources and capabilities required in the transaction. The structure refers to the participating parties, their links, and how they interact. Transaction governance *"refers to the ways in which flows of information, re-sources, and goods are controlled by the relevant par-ties. It also refers to the legal form of organization, and to the incentives for the participants in transactions"* (Amit and Zott, 2001, 511).

Table 1 presents selected business model definitions that in addition to being perhaps the most accepted ones, highlight the variety and similarity of different definitions in the literature. From the definitions, a few generalizations can be made. First, it is clear that the business model describes both customer and firm value creation (e.g. value propositions, value delivery, exploi-tation of opportunities, and revenue models). Second, business models are strategic tools for innovation and

Table 1: Selected business model definitions

Authors	Definition	Implications
Amit and Zott, 2001	"A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities." (p.511)	Business model innovation can be achieved through value drivers: novelty, lock-in, complementarities, and efficiency.
Teece, 2010	A "business model defines how the enterprise creates and delivers value to customers, and then converts payments received to profit." (p.173)	A business model should be non-imitable and honed to meet specific customer needs.
Chesbrough, 2010 (based on Chesbrough and Rosenbloom, 2002)	A business model's elements are (p.355): - value proposition; - market segment; - value chain structure and assets; - revenue mechanism; - cost structure and profit potential; - firm position within the value network; and - competitive strategy	Business model innovation is a tool to achieve competitive advantage, but managerial emphasis, such as experimentation and leadership of culture, is needed to drive the organizational change.

differentiation. Third, business models describe the selection and coordination of activities, i.e. they take an 'activity system perspective' (Zott and Amit, 2010) to value creation.

Retail business models

In the retail context, Sorescu et al. (2011) build on Amit and Zott's (2001) business model definition, and argue that the retail business model *"requires explicit consideration of interdependencies among, and choices of:(1) the format that describes the way in which the key retailing activities will be sequenced and executed, (2) the diverse activities that need to be executed to design, manage, and motivate the customer experience, and (3) the governance of actors that perform these activities, the roles they play and the incentives that motivates them."* (Sorescu et al. 2011, S5). Thus, Sorescu et al. (2011) propose that the retail business model consists

of three interconnected elements: retailing format, activities, and governance. These elements and their interdependencies define *"a retailer's organizing logic for value creation and appropriation"* (Sorescu et al. 2011, S5). Retailing formats position the retailer to meet the preferences of desired customer segments. Formats entail decisions about location, opening hours, products, price level, promotions, level of service, the customer interface, and store atmosphere. The structure of value creation directly affects the scalability, adaptability and flexibility of the customer experience (Amit and Zott, 2001). The chosen format sets the boundaries and content of retailing activities (Sorescu et al., 2011). Activities are the processes needed to create customer value within a particular format. Activities are for example purchasing, logistics, warehousing, displaying of products, customer service, selling, data mining, and branding. Retailing governance concerns the roles

and motivations of the participants of value creation. Roles can for example mean, how much self-service is expected from customers (Sorescu et al., 2011). Key retailer stakeholders are customers, employees, competitors, suppliers, IT and other service providers and governmental stakeholders. Governance describes the ways in which information, product and resource flows are managed by the parties of value creation.

Value creation in multichannel business models

To exploit the best features of channels, multichannel retail business models are adopting new formats, such as "click-and-mortar" (Rangaswamy and Van Bruggen, 2005) or the "online-and-mobile retail" business model (Lin, 2012). For example, the option to return products to the stores might lower the barrier to order online. Channel characteristics include for example, availability, possibility of real-time communications, adaptability of the customer interface, and ease of use. Channels also vary in terms of how easily customers can change to a competitive retailer's channel (lock-in), and their ability to capture information on customer behavior (Dholakia, Kahn, Reeves, Rindfleisch, Stewart and Taylor, 2010).

Multichannel business models can enhance value creation through segmentation, efficiency or customer satisfaction (Neslin and Shankar, 2009). For example, adding new channels to the business model can be an efficient way to reach new market segments, enhance customer satisfaction or customer loyalty (Berman and Thelen, 2004; Zhang, Farris, Irvin, Kushwaha, Steenburghe and Weitzf, 2010). To achieve efficiency, a multichannel business model is used to lower expenses related to serving customers. The goal is to guide customers into using low-cost channels. From the segmentation point of view, a multichannel business model is a way of segmenting the market, i.e. serving different segments in different channels. Customers are categorized according to their channel preferences (Neslin and Shankar, 2009). However, there are myriad possible criteria for segmentation, such as channel purchases (Konuş, Verhoef and Neslin, 2008), other metrics of channel use, or responsiveness to marketing activities (Ansari et al., 2008; Thomas and Sullivan, 2005). Customers do not always choose the channel that is most optimal for the retailer, so directing marketing activities are needed (Neslin and Shankar, 2009).

The multichannel business model can also be a way of increasing customer satisfaction, for example by encouraging customers to use the channels that best suite them in different phases of their shopping process. This type of model requires close integration of channels (Neslin and Shankar, 2009). The objective is to encourage customers to make use of all retailer-provided channels. This broader interaction, for example purchases from different channels, can be seen as the development of the customer relationship (Venkatesan, Kumar and Ravishanker, 2007). If the channels support each other, customers will make additional purchases and the customer relationships are utilized more efficiently.

Method

The purpose of this study is to identify and analyze the challenges of value creation in multichannel retail business models. To meet this purpose, qualitative interviews with top executives from different retailing environments were used to generate the data. These environments differed in terms of the offering (e.g. specialty products like videogames and fishing equipment; products for larger audiences, like electronics; department stores with wide product ranges), amount of competition (high or low), and the adoption of multichannel business models by firms (common or uncommon).

The interview is a way to quickly generate data from a practical phenomenon. It is also a suitable method when studying complex phenomena such as multichannel business models. However, the interview data does not describe actual behavior, but the interviewees' thoughts, evaluations and reasoning (Silverman, 2005). Overall, seven interviews were made between December 2011 and March 2012. The interviewees were CEOs, heads of business units, and senior consultants. Purposive sampling was used to select the interviewees in order to gather varied views on the phenomenon. The interviewees' amount of experience, role within their organization, as well as the organization's business model and environment were considered in the selection. Both female and male interviewees were included in the data generation. Interviews were made until no new themes emerged in the following inter-

views. The interviews lasted an hour on average, with the interview transcripts being 12-18 pages in length in the word processing program's default settings.

The interview form used in this study was semi-structured, i.e. it had narrow, confirmatory questions as well as explorative ones that acted as a list of themes to discuss. First of all, the interviewees were asked to describe their current position in the organization and how they saw the current retailing environment. Secondly, the interviewees were asked how the multichannel environment is affecting retailers' business models. Thirdly, the interviewees were asked to discuss the major challenges their organization or retailers in general are facing in the multichannel environment. It is worth mentioning, however, that the nature of the interviews was open-ended, meaning that the interviewees were encouraged to speak from their own perspective and introduce themes and opinions they considered important to multichannel retailing. Follow-up questions relating to these themes were asked.

The data analysis began by organizing data into three categories representing the retail business model elements (i.e. format, activities, and governance). Comments relating to retailing formats, for example, were grouped into the format category. Data that did not fit into the categories (e.g. answers to questions about the interviewee's role in the organization) was used as background information in the analysis. The analysis continued by separating value creation challenges from the rest of the data and then exploring these challenges further. Finally, the identified challenges were labeled as value mismatch, customer experience integration, and internal conflict. In the next section, the findings are discussed in more detail.

Findings

The multichannel environment presents a host of challenges for retail business models. The findings suggest that adopting a multichannel retail business model requires critical rethinking of the basic building blocks of value creation. First of all, the structure of value creation, i.e. the retail format, becomes more complex as retailers use and combine different channels to create new types of customer interfaces. Secondly, the activi-

ties that enable value creation have to be integrated to manage value creation across channels. Thirdly, governance of the value creation has to be realigned to avoid internal conflict among channels. These findings will be presented in the following sections.

Challenge for retailing formats: Value mismatch

In a multichannel business model, the retailer chooses a mix of customer value-adding or cost-lowering channels to create company value. However, as customers effortlessly move between multiple channels, multichannel formats can lead to a mismatch between customer and company value. Multichannel customers might change retailers as they move from one channel to another (see for example van Baal and Dach, 2005). Customers can "cherry-pick" benefits, like customer service and advice, from different channels and retailers. This form of customer behavior is dubbed "showrooming" or "research shopping" (Neslin et al., 2006; Konuş et al., 2008). The value creation challenge, therefore, is to choose a mix of channels that not only create customer value but also capture the economic value equivalent to the customer value created. As one interviewee observes, a combination of high-reach and low-cost channels might be a viable multichannel business model:

"If your prices are competitive, then you should go multichannel. People go to electronics stores and check the shelves. And if they could find lower prices from competitors in an easy way, then they would go there. But in the future, people's use of time will be emphasized. So that if you're easily reachable and the competition is not, you will have more sales because of it."
                    -Development director, specialty retailer

The multichannel environment can have negative consequences on loyalty, since it is easier to find and compare alternatives. For example customers that migrate from traditional channels to the online channel are found to have smaller purchases and loyalty over time, possibly due to decrease in interaction between the retailer and its customers (Ansari et al., 2008). Mobile applications have also made customers more price-sensitive by being able to compare prices anywhere (Grewal et al., 2012). On the other hand, multichannel customers are argued to be more loyal than single-channel customers (Kumar and Venkatesan,

2005), and they might be willing to pay higher prices to interact with retailers and brands they know and trust (Neslin et al., 2006). Thus, a business model aimed at fostering customer loyalty might be effective against showrooming:

"I don't know if it's a threat. It is possible and it happens. [...] But if you're a patron of a certain retailer, you tend to concentrate your purchases. You stay in those assortments, chains, formats. But of course if you're looking for a certain service or a product that is easy to compare among different retailers, then it is possible that when you switch channels, you also switch retailers."

-CEO, grocery retailer

Some interviewees did not view showrooming as a major concern. They saw customer loyalty schemes as tools for motivating and engaging customer to the value creation. This lock-in via loyalty schemes (Amit and Zott, 2001) might then be an effective way to fight showrooming. Another way to motivate customers is to stage superior shopping experiences, as one interviewee comments:

"If you succeed in that, the degree of engagement will grow. What I mean is, when you can make the interaction with us... When the customer feels the interaction is effortless, easy. He or she can do it at a convenient time. I think the result is a higher brand image and engagement."

-Development director, specialty retailer

While the interviewees recognized showrooming behavior as a challenge to value creation, they also proposed that it could be managed by developing rational and emotional ties between the customer and the retailer. Retailing format decisions such as positioning, offering selection, pricing, service, and store atmosphere are means of developing ties to specific customer segments.

Another problem with showrooming behavior is the difficulty in proving whether it happens and to what degree (Stephens, 2013):

"It's difficult to say. We have this [...] customer loyalty system and if we look at the average customer, he or she visits our stores two times a year [in offline store chain].

And the [online store chain] customer surfs the website frequently, but only makes purchases a couple of times a year. The problem is this: how many times the [offline store chain] customer visits the store without buying anything?"

-CEO, electronics retailer

Retailers do not have the abilities to measure customer visits to stores, especially when customers only visit the store to browse items. Measurement difficulties also apply to online channels, when customers do not login to the retailer's service. Retailers therefore should avoid over-relying on their existing measures of customer behavior, and utilize additional information sources, such as in-store surveys or market research, to acquire a more complete view of customer paths to purchase.

Challenge for retailing activities: Customer experience integration

The second value creation challenge is the integration of different channels. That is, retailers face pressures to use their activities to form integrated total offerings to customers. Retailers must choose which value-creating activities are coordinated across channels to utilize synergy effects and create more value for the customer.

In many cases, customers use multiple channels to look for and evaluate products before committing to a purchase decision (Balasubramanian et al., 2005; Rangaswamy and Van Bruggen, 2005; McGoldrick and Collins, 2007). For many customers the online channel has become a useful information tool for comparing prices, checking availability and evaluating different brands, but the actual purchases are made in the store channel (Berman and Thelen, 2004; Rangaswamy and Van Bruggen, 2005). According to the interviewees, this change in customer behavior creates a need to coordinate value propositions and other marketing activities across channels:

"The promise that is given there, for example about product information or availability, naturally must be kept. That's the core of the business. That whatever is promised online is also kept.

-Director, retail consulting

"With the online store, we want to highlight what we're selling in our offline stores. And that is, that we are a department store. You can have anything. And if we have those products in our online store, then you'll probably realize that we have the same products at our offline stores."

-Head of online channel, department store

Customers form expectations from all encounters with the retailer, and these expectations must be met on each channel. Retailers can also use these effects to promote other channels, like in the quotes above. Likewise, an experience at a single channel will affect the image of the whole retailer. The elements needing integration discussed in the interviews were: pricing, offering, the overall customer experience, and information systems.

"Some of our competitors have different pricing strategies, but we have consistent prices. What you see online, you can get it at the same price offline."

-Managing director, specialty retailer

In general, retailers tend to use the same pricing scheme across all channels, because price differences might lead to customer confusion or cannibalization and conflict between channels. However, in some cases retailers can use different prices, by using channel-specific promotions, additional payments for collection and delivery, and selling different products at different channels (Neslin and Shankar, 2009). Nonetheless, the overall opinion was that most activities and elements should be integrated:

"In Finland a lot of retailers start going multichannel by opening online stores. To me that scenario is risky. Because if you start your online operations in a way that the end experience is bad for the online customers... if the pilot is using a too narrow offering or a different brand so that it doesn't appeal to the customers like the brick-and-mortar brand... if that experience is bad, then it can result in rejection and going to the competitors'. "

-Senior retail consultant

Retailers develop their channel-specific capabilities through pilot projects. The pilot is usually a new, standalone business unit, so that it can be eliminated quickly

if necessary. The new pilots as standalone units face the risk of frustrating customers, if they are too distant in terms of the customer experience:

"The important thing is that there aren't just a lot of channels. [...] The most important thing is how the customer experiences it. Does she view the online channel as a different thing than the traditional way to interact? Many are saying that the retailer should appear similar in all channels. Whether the customer goes to a store or views the mobile device or the internet, the "look and feel" should be the same. The experience should be the same. -Senior retail consultant

We should serve the customer how and where he or she wants. [...] I mean we should be available in an easy way in all channels that our customers use. And the activities between these channels should be seamless. You order a product with your smartphone, and then return it to the offline store. The experience for the customer should be such that customer sees it as a coherent and seamless service."

-Development director, specialty retailer

Instead of only focusing on having the same "look and feel" across channels, the activities performed should also be integrated to allow flexible customer journeys. The design of the customer journey involves decisions about how and in which channels sales and customer service takes place (Peterson et al., 2010). In an integrated business model, sometimes called cross-channel retailing (Chatterjee, 2010), information, money and products can move freely across channels from the customer's point of view, and the customer can also be seen as being in charge of the process. The customer can exploit channel-specific benefits and avoid channel-specific sacrifices throughout the shopping process (Chatterjee, 2010):

"The overall offering, that is being multichannel, is the thing. You have to enable the customer to act in a multichannel way. That's the catch: that you give the option. The customer can go to our website and find a nice product, so he or she can check that it is available in these two stores, but it can also be delivered to him or her."

-CEO, electronics retailer

This integrated model creates great demands for re-

tailers in terms of product logistics, identification of customers and information system integration. The channels cannot be too different in terms of offerings, prices and other elements, which might lower the channels' ability to respond to local customer needs and competition (Chatterjee, 2010). For example, the need for cross-channel customer information was apparent in the interviews:

"In order to serve your multichannel customers, you would need information from all the channels and it would have to be in real time. [...] If the customer has for example bought a product online or from the stores and there's a problem with it the next day... So he or she calls the retailer's customer service. If the customer service doesn't know what's up, it won't leave a good purchase experience. The different channels really must be closely integrated in the sense of information systems."

-Director, retail consulting

Customer information should be available to each channel in real-time, which requires integration of information systems. However, too much integration might lead to inability to exploit the distinct nature of different channels and to adapt to differing customer needs:

"You can't tie down the online store in any way. The connection needs to be loose. You cannot set your goals too closely, because customers' shopping habits are changing so rapidly. But whether the online and physical stores should have the same assortment... there are a lot of opinions. Some small adjustments, like what is specific to the current market, like what can be done in in-store marketing, is acceptable. But if you stray too far, you lose the concept. But I do emphasize that you can't shackle the border of online and offline stores, because the situation is evolving so quickly."

-CEO, electronics retailer

The challenge is to find the right degree of integration between channels. The interviewees emphasized that customer behavior is so complex and in constant change, that the retailers are facing great challenges in keeping with the change. As a solution, the business model could be designed so adaptable that it could serve a variety of customer needs and situations. On the other hand, too loosely integrated channels might lead to customer frustration, if the offerings, prices and activities differ significantly across channels. The shared view was that the company should find the optimal degree of integration through a process of trial-and-error.

Challenge for retailing governance: Internal conflict

Adopting multiple channels might lead to the creation of organizational silos with conflicting goals, lowering the firm value created when serving customers. Hence, the creation of the right kind of organizational structure is said to be the most pressing challenge in multichannel retailing (Zhang et al., 2010). The same view was apparent in the interviews. However, decentralized governance of channels might be a viable option in some cases:

"First retailers are piloting and keeping the online store separate. That way it's easier to establish and experiment. And you gain evidence of the implications. This way you don't have to solve these channel conflicts yet."

-Senior retail consultant

"Governance can be decentralized to business units. If the units have high growth goals, they are given the liberty to arrange their own activities. Then a certain business unit can have differing strategies from the rest of the business. For example, in these large retailers that are heavily investing in combining the online and brick-and-mortar channels, there are certain forerunner business units leading the change. In those business units, the managers are in charge of implementing this strategy."

-Director, retail consulting

A large number of retailers use decentralized governance models so that each channel has its own logistics, marketing and other functions. Another common governance mechanism is to separate channels into remote and store channels, because they differ so greatly in their value creation activities (Zhang et al., 2010). The decentralized organization enables a better focus and flexibility to respond to channel-specific competition and customer needs. When establishing online operations, for example, many retailers give the new channel's management freedom to adapt the business to channel-specific characteristics. Nonetheless, de-

centralized governance might be inefficient, because each channel has to organize its own activities (Zhang et al., 2010). It might also create situations where different channels of the same retailer compete:

"This channel conflict or jealousy between channels is a problem. We need tools to fight things like resistance to change. The activities at the traditional, physical stores are... they've been the same forever. And we need change in a lot of places. Resistance to change is normal for people. But we need to start thinking in terms of the whole."

-Development director, specialty retailer

The elements related to managing internal conflict were work assignments and training, attitudes, measurement, and incentives. Some interviewees expressed the opinion that conflict arises from not understanding the other channels. Where possible, employees could have work assignments that let them see how different channels are part of the same business:

"The same employees run the brick-and-mortar store and the online store. Everyone's doing everything."

-Managing director, specialty retailer

"So far everything is going well. The stores are really motivated. They feel that this change is also bringing them more customers. Of course it is a challenge to train 2,500 store employees. It is a challenge, but so far it is going well for these stores."

-Head of online channel, department store

The employees will be more motivated, if they see the multichannel business model as creating more value for not only the company, but also their specific channel. The right attitude should be oriented around the customers and the business as a whole rather than having a business unit-centered view:

"The employees need to be taught the right attitude, so that... in a way, the people at our stores need to realize that the online store isn't the enemy, that they both have the same goals. In many cases the viewpoint is centered on business units, so they only see their own unit... they don't see the company's benefit. I guess this is common."

-Development director, specialty retailer

Business unit or channel-centered views to business were seen as harmful to the overall value creation in the business model. Beyond training and attitudes, performance measurement was named as a challenge to the governance of the multichannel business model:

"Broadly speaking, the principle is that we should measure the company through the total development of revenues, not from the view of a single channel's evolution. Because it can't be based on anything other than the total company's volumes in sales, customer visits, purchase times and so on. Whether that is developing positively independent of whether the purchases are made online or in-store. There are a lot of ways in which to distribute resources for development, but the overall view is the starting point."

-Director, retail consulting

More important than performance measurement are the reward policies and incentives of managers and staff. The incentives should be aligned to meet the retailer's overall goals:

"The organizational incentives are one of the most critical elements. The leadership and management of people and the whole concept should begin with personnel incentives and the right triggers to drive the organization into being multichannel. [...] Of course, also training and communications and other kinds of leadership are needed as well, but in my opinion the incentives are the critical element."

-Director, retail consulting

A careful orchestration of value creation is needed to determine the roles and incentives of the channel parties involved. The choice of retailing governance is not a simple choice between the dispersed and the integrated business model. Rather, it is about finding the right degree of integration, i.e., which activities are coordinated at the corporate level and which at the channel level (Zhang et al., 2010).

The main findings and their implications are summarized in Table 2. First of all, multichannel formats face the threat of customer showrooming behavior, i.e. customers utilize a retailer's services to determine the best products and then purchase the products from low-price competitors. To add to the challenge, the ex-

Table 2: Value creation challenges in multichannel retail business models		
Retail business model element	**Multichannel value creation challenge**	**Implications**
Format	How to align firm and customer value creation?	The channel mix should balance customer value creating (e.g., high level of service) and firm value creating channels (e.g., low costs, high reach). The channels should be designed to create rational or emotional ties between the retailer and its customers, so that customers utilizing high-cost channels would purchase from one of the retailer's channels.
Activities	How to enable value creation that utilizes multiple channels?	Retailers should coordinate some activities across channels to allow customer value creation from cross-channel synergies (e.g. order online and pick up at store, or compare in-store and order online). This customer experience integration requires harmonizing positioning, branding, pricing, and offering across channels, as well as investments in centralized information systems and logistics.
Governance	How to avoid internal conflict in organizing value creation across multiple channels?	Designing performance measures, incentives, rewards, and internal culture to motivate internal coordination and discourage harmful competition between channels.

tent of showrooming behavior is very difficult to measure. Secondly, retailing activities should be coordinated and integrated to a degree that enables customers to seamlessly interact with the retailer across channels. This would require the coordination and integration of pricing, offerings, customer experience, and information systems across channels. Thirdly, the adoption of new channels and the integration of existing ones forces retailers to rethink their governance models. The governance model (e.g. performance measurement and incentives) should motivate employees and managers to maximize the total value created by the business instead of maximizing value in certain channels.

Discussion and conclusions

The aim of this paper was to explore the challenges of value creation in multichannel retail business models. The challenges were analyzed in terms of the retail business model elements, i.e. the retailing format, activities and governance. First of all, retailing formats, that have traditionally been the stages for both serv-

ing customers (customer value creation) as well as receiving customer information and payments (company value creation), are now facing pressures as customers switch to other purchasing channels after receiving benefits, such as advice or product information. This form of customer behavior, dubbed "research shopping" or "showrooming", is forcing retailers to reinvent their formats. What is needed is a better way to tie-in the customers to the retailer so as to allow for company value creation (sometimes referred to as value capture). Creating such ties in retailing is challenging, because retailers ultimately sell customer experiences. This business model design theme of lock-in (Amit and Zott, 2001) is difficult to achieve, because the ties are not contractual or technological in nature but more based on customer satisfaction and motives for repeat patronage.

Secondly, retailing activities needed to create superior customer experiences have to be coordinated across channels and formats. The elements discussed were, for example, pricing, offerings, and the overall customer experience. The degree of integration seems to be a choice between higher adaptability to channel-specific characteristics and a more coherent customer experience / brand image. Third, in line with earlier research (Zhang et al., 2010), retailing governance is perceived as the greatest challenge for value creation in multichannel retail business models. If the value creation is managed separately among channels and business units, internal conflicts can emerge to hinder value creation.

As a theoretical contribution, this paper empirically identifies value creation challenges in a specific context, lowering the level of abstraction in the mostly-conceptual business model literature. The business model reflects a firm's logic of value creation for itself and its customers, but due to the complex nature of

multichannel business models, aligning these two goals becomes challenging. This challenge of value mismatch can be enlarged in situations where retail executive's focus too much on the customer value creation logic of their business models, ignoring or downplaying the role of firm value creation (Shafer et al., 2005). For example, retailers might create a lot of value for their customers through value-adding format and activity choices, such as service, product demonstrations, long opening hours, and store atmosphere, but end up losing sales to low-cost competitors.

As a practical contribution, this paper has analyzed the challenges retailers face in adopting multichannel business models. Customer tendencies for showrooming behavior highlight the need for generating efficient lock-in strategies. Customized, personal offers and information are ways to increase customer value, differentiate from competition, and achieve lock-in. Retailers have utilized their loyalty schemes, CRM activities and analytical capabilities to create such offers (Grewal et al., 2012). On the other hand, price-driven retailers can find ways to benefit from the situation by encouraging showrooming. Conflicts can be avoided with clearly defined roles and incentives. Managers should think of the company in terms of the whole and set performance measurement as well as incentives accordingly. In contrast to previous business model literature, this study did not adopt a network-centric view. By embracing the boundary-spanning nature of the business model (Chesbrough, 2010), other challenges and elements might have been discovered (e.g. challenges in managing relationships with suppliers). However, the focus of this study was on the value creation of retailers and their customers, and the interaction between these parties. Future research could therefore concentrate on investigating value creation drivers and challenges in a broader scope that encompasses more stakeholders.

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