

TALLINN UNIVERSITY OF TECHNOLOGY

School of Business and Governance

Department of Business Administration

Verner Sirola

**CREATING DIGITAL CUSTOMER EXPERIENCE IN THE RETAIL
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Supervisor: Iivi Riivits-Arkonsuo, PhD

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I hereby declare that I have compiled the paper independently and all works, important standpoints and data by other authors has been properly referenced and the same paper has not been previously presented for grading.

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Verner Sirola

(signature, date)

Student code: 166322TVTB

Student e-mail address: vepesirola@gmail.com

Supervisor: Iivi Riivits-Arkonsuo, PhD

The paper conforms to requirements in force

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(signature, date)

Chairman of the Defence Committee:

Permitted to the defence

.....

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TABLE OF CONTENTS

ABSTRACT	4
INTRODUCTION	5
1. DIGITALIZATION.....	7
1.1 Digitalization as a concept	7
1.2. Digitalization in retail	9
2. CUSTOMER EXPERIENCE	12
2.1. Creating customer experience	12
2.2. Touchpoints.....	15
2.3. Creation of customer value.....	16
2.4. Customer experience using big data	18
2.5. Challenges in digital customer experience	20
3. Possible technological applications for retailers.....	22
3.1. Multichannel	22
3.2. Omnichannel strategy	22
3.3. Mobile applications	23
4. RESEARCH METHODOLOGY	25
4.1. Interview as a data collection method	25
4.2. Qualitative research method	26
4.3. Content analysis	26
4.4. Reliability of the research	27
5. RESULTS OF THE RESEARCH	29
5.1. Technologies provided by retailers	30
5.2. Results in different phases of the buying process.....	31
5.2.1. Starting point	31
5.2.2. Before purchase.....	31
5.2.3. Purchase	31
5.2.4. Post-Purchase	32
6. DISCUSSION	33
CONCLUSION	34
LIST OF REFERENCES	36
APPENDIX.....	40

ABSTRACT

The purpose of this thesis is to answer the question “How retailers can use digitalization in creation of customer experience?”. This thesis aims to identify various factors brought by digitalization affecting customer experience in the retail industry and how retailers can benefit from digitalization in creation of customer experience. Qualitative method was decided to use in this research and content analysis as a method to analyze collected data. Data was collected from six interviews which were conducted via email in respondents’ request. Responses to the interview were printed out and coded to point out the main points of the interviews. Results were divided into two categories main categories. Research result are suggesting that customers each customer is experiencing customer experiences individual way and the same channel might generate positive customer experience to some customer and negative customer experience to others. Other important point that the research is pointing out is that technologies provided by the retailer should be working well. When digital channels have some issues, they might seem untrustworthy and therefore affect customer behavior. Customer might cancel the buying process or affect other customers in the post-purchase phase. Digitalization is affecting basically in every industry and it has a major effect to the retail industry. It seems like the digital development is nowhere near stopping and several new kinds of technologies are introduced and because of that, future research on this topic will provide continuously valuable information for retailers.

Keywords: digitalization, retail industry, customer experience, digital customer experince, digital channel

INTRODUCTION

Digitalization has changed our daily life over the past decade. Technological devices has become part of our everyday life and smartphones can be seen almost in everyone's hand. Various objects are transformend into digital environment such as newspapers, books, music, movies and even shopping. Digitalization can be seen in many industries such as finance, health care, communication, transport and retail. This thesis is focusing on digitalization in the retail industry and more specifically creation of digital customer experience in the retail industry.

Digitalization has started chain of events which is evolving and reforming the whole retail industry. In the retail industry, the change that digitalisation has brought have been taken seriously. Technological innovations and evolving digital environment has brought huge amount of different devices and different channels which consumer can use for communication with each others and with companies. A huge part of digital retail is done by few global retailing companies. These companies are like huge digital department stores that brings together millions of buyers and sellers around the world. The best-known platforms are Amazon, eBay, and Alibaba.

Improving customer experience has become the center of development of digital environment in the retail industry. Because of digitalisation and presence of various technologies and different channels, the customer experience has become more complex. Customers are demanding more integrated platforms where they are able to communicate with the retailer regardless of time or location. Because of complexity of customer expreience and its many factors retailers can generate competitive advantages and therefore gain more market share if they are effectively taking advatage of digital channels and big data analysis. It is also possible for retailer to lose market share as a result of digitalization if the retailer is not providing digital channels at all or poorly created channels.

Retail as an industry is in continuously facing new challenges improving customer experiences using digital platforms. Also, the role of the digital channels is increasing exponentially in the retail industry and customers are demanding more communication through digital channels.

Therefore it is important to research how digitalization is affecting the customer experience in the retail industry.

The aim of this thesis is to identify various factors brought by digitalization affecting customer experience in the retail industry and how retailers can benefit from digitalization in creation of customer experience. This thesis have one reserch question whis is also the research problem. The research questions is: How retailers can use digitalization in creation of customer experience?

For this thesis, it is important to understand the term digitalization itself and therefore the theoretical part of this thesis starts with discussing the digitalization itself and how it is defined. First part also introduces effects of digitalization in retail industry in general. Secondly, customer experience is taken under discussion and related issues such as the creation of customer experience, touchpoints, and customer value. In the third part, evolution of channel is intruduced from multichannel to omnichannel and theories connected to them are discussed. Since mobile applications are one of the biggest channels also mobile applications affects concerning the customer experience are discussed individually.

The empirical part of the thesis is conducted using qualitative research. Research material is collected using questionnaire which includes open-ended questions and the answers are analyzed using the theoretical part. Fourth part of the thesis introduces used methodologies and also explains the reasons for these selections. Data analysis is also explained. The fifth section of the thesis contains a discussion of the founded results. This section includes direct quotes from the interviews and also interpretations from the collected data. Direct quotes are used to generate reliability and validity for the research. Last part of the thesis includes conclusion where results from the research are discussed using existing literature. This part also introduces suggestions for the retailers how they should modify their creation of customer experience in digital channels.

1. DIGITALIZATION

For this thesis it is important to understand the term digitalization. Following chapter includes theories which are explaining the term digitalization itself. In the chapter 1.2. theories concerning digitalization in the retail industry are presented.

1.1 Digitalization as a concept

Digitalization as a term might cause some troubles to understand because it is widely used and described various ways. Since this thesis is focusing on digitalization, it is important to understand the term. The main idea behind digitalization is transforming processes and object into digital form (Ilmarinen & Koskela 2015, 22). Sometimes these kind of transformations, such as digitalization, are hard to understand because it does not seem like a project with an ending but rather continuous process. We cannot see the ending goal of the digitalization because already existing digital processes are developed and replaced by more advanced technology (Hagberg, Sundstrom & Egels-Zandén 2016, 696). Ongoing process has been described as a fourth industrial revolution in which digitalization is playing a major part. Digital, physical and biological worlds are being integrated using new and innovative technologies which are reforming our way of living and continually affecting various processes such as companies management or governmental issues (Schwab 2016).

For companies digitalization concerns much more than such management. Digitalization is reforming retail industry completely. Online stores and mobile applications are already existing on wide supply, but there are new ideas and more advanced technologies being developed continually. For retailers, digitalization is affecting companywide processes and therefore strategies and processes are being reformed (Ilmarinen & Koskela 2015, 25). For example, a retailer can add new channels for communication with customers among traditional physical store. When this process is done well, new channels, such as a mobile application is not a substitute channel for the physical channel but rather a complementary channel. The new age of digitalization also brings the possibility of succeed in retail using only digital channels (Weill & Woerner 2018).

Digitalization is usually associated with Gordon E. Moore's law which states that ‘number of transistors on a microchip doubles every two years’. Because of this exponential development,

there is a general interpretation that computers' capability and speed will double every 18 months (Brynjolfsson & McAfee 2014, 41). Therefore can be said that digitalization will start slowly but increase speed exponentially. It is important to remember that Moore's law is not a law of physics which is constant but rather a theory which is depending on scientists and engineers developments and innovations (Brynjolfsson & McAfee 2014, 41).

There have been forecast that states that technological development cannot grow exponentially as Moore's law suggests. On the other hand, there might not be a need for that kind of exponential growth because developers can focus more on developing applications which can take full advantage of new faster and more capable computers. Also, computers and computer software can be modified towards more compatible with new digital solutions and applications. Improving customer experience might become a more important aspect for a developer and therefore growth of computers' speed and capability might slow down but on the other hand, improving customer experience can become a new topic of Moore's law (Waldrop 2016, 145-147).

Another crucial factor for digitalization is new innovations that are reforming and combining already existing innovations. These kinds of innovations are described as recombinant innovations (Brynjolfsson & McAfee 2014, 70,78). Recombinant innovations can be, for example, some solutions used for one specific matter and then moved to help other matter. Therefore this solution might need some modifications but the core innovation still remains. Because of this kind of re-innovation, talk about completely new innovations would be misleading and therefore recombinant innovation fits better as a description. According to Carnabuci and Operti, there are two ways to make recombinant innovations: reuse, which means already existing technology combinations usage in a new way to solve new problems or creating new solutions. The second way is called creation. In this content, creation means combining technologies which are not combined before (Carnabuci & Operti 2013, 1591-92.).

Basically, all digital innovations are recombinant innovations and therefore great examples. Every new idea or development is a step for future's new ideas and developments. Therefore digitalization is not stopping or even slowing but rather reforming. When developments are following Moore's law, technological devices become cheaper when computers' capability is concerned. Apple's iPad 2, (manufactured in 2011) and supercomputer Cray-2 (manufactured in 1985) by Cray is a great example to prove this decrease in prices. These two computers have the same capability and iPad costs under 1000 USD whereas Cray-2 would cost in today's exchange

rate 35 million USD. On top of that, the iPad has features that Cray-2 did not have such as cameras, GPS, compass, and touch screen (Brynjolfsson & McAfee 2014, 50-51.)

Third important factor considering digitalization is transforming information and media from physical form into digital form. This includes transforming all photos, videos, sounds text and data into a digital form which computers can read and modify. Digital data have two main characteristics when it is compared to physical data. Firstly digital data can be used by much more people than physical data. People around the world can listen to the same music from one platform. Another characteristic is low-cost copying. Compared to physical data, copying digital data is much cheaper and faster (Brynjolfsson & McAfee 2014, 61-63.) Even though copying and distributing digital data is much cheaper than physical, creating the data itself is much more expensive. To create completely new data, investments needed are great and should not be forgotten. It is also important to remember that these investments are non-recoverable (Shapiro & Varian 1999, 20-21).

Consumers behavior is also changed towards digital information. A lot of information is produced platforms which are free to use and based on “voluntary” work such as Wikipedia, social media or blog channels. Transforming data into digital for has an important role in digitalization also because now people have access to a huge amount of information and therefore understanding increases (Brynjolfsson & McAfee 2014, 64-67). Therefore digitalization brings more and more relevant data available in usable form. When information is more available, people who did not have access to it before can now use that information for innovations and development of new solutions. Now the main limitation is to figure out useful combinations of technologies among limitless possibilities (Brynjolfsson & McAfee 2014, 81-82).

1.2. Digitalization in retail

Retail business in various digital channels has grown up exponentially in the past decade (Luo, Ba & Zhang 2012, 1121). Customers interact with retailers more and more through various digital channel rather than visiting the traditional physical store. Customers choose to use only digital channels increasingly. With digital channels, such as mobile application, the customer can choose the place, time and device to interact with the company. In such a case, retailers’ main task is to provide a well functioning application which creates as positive as possible customer experience.

Because of digitalization and development of digital environment, customers' expectations and demanded quality of digital platforms and applications has increased (Filenius 2015, 27). As an industry, the development of mobile applications has become extremely important. Over the past years, mobile applications have been part of an advertisement, healthcare, banking, and other industries as a communication channel between customers and companies (Carter & Yeo 2016).

The most used mobile applications are a calendar, email, social media, communications and shopping applications. Apple provides in the App Store over 750 000 different applications for users (Monti 2013). For many people, digitalization in retail means online stores. Even though the digital environment's development covers much more than just online stores, most researchers have been focusing mainly on online stores (Hagberg, Sundstrom & Egels-Zandén 2016, 695). A major part of retail business happens still through physical stores but online channels have grown its volume by far more compared physical stores over the past years. Because of this development, online retailing can be seen as a threat to traditional retailing in the future (Corkery 2017).

Basically, three channels for communication are existing in retail. Traditional physical channel, web channel, and mobile. Some of the retailers see these three channels as a substitute for each other. Some retailers see these channels as independent channels. However, a recent trend in retail seems to be integration where these three channels can work as complementary channels for each other. Retailers are creating new ways to connect these channels and to create a more advanced omnichannel experience and therefore improve customer experience (Verhoef, Kannan & Inman 2015, 175–176). Since digitalization and its possibilities are used to improve customer experience, the role of customer experience is one of the main issues for marketing research (Marketing Science Institute 2016, 6–7).

New technologies are providing new and innovative ways to connect various channels to improve customer experience. Integrating channels also provide a possibility for cross-channel data collection. When data from digital channels is collected enough, can be talked about big data. Using big data can be gained more detailed data about customers and create more accurately targeted marketing campaigns and create more specific customer segments. Advanced data collection has enabled also more efficient monitoring considering competitors (Petersen, McAlister, Reibstein, Winer, Kumare & Atkinson, 2009, 95). One of the problems that marketing departments are still facing is lack of creditability. For a decision making big data is playing an important role. Analyzing big data efficiently, marketers can gain more creditability in the eyes of

the executive team and therefore big data is an important tool for decision making (Kumar, Chattaraman, Neghina, Skiera, Aksoy, Buoye & Henseler, 2013, 330)

2. CUSTOMER EXPERIENCE

Role of customer experience is increasing in the retail industry. Digitalization has brought a huge amount of new channel for companies to interact with customers. With an increasing amount of channels, creating customer experience and understanding customer behavior has become more difficult and complicated. Customers are now demanding communication through different channels which are causing new challenges for retailers. Therefore retailers have understood that customer experience has become one of the most important aspects of differentiation among competitors. (Lemon & Verhoef 2016, 69-70). Understanding the importance of customer experience is not a new subject for research. In 1982, Holbrook and Hirschman conducted research concerning customer behavior. As a result, they suggested that retailers should expand their study of customer behavior taking account customer experience. Therefore customers emotional, sensual and aesthetic aspect could be taken into account considering customer experience and decision making (Meyer & Schwager 2007).

In the retail industry, retailers' are not supposed to create beforehand scripted customer experience which is completely controlled by the retailer. Retailers are providing tools for customers to create the individual and customized customer experience. Therefore retailers are not selling customer experience but rather helping customers to create their own experiences (Gentile, Spiller & Noci 2007, 397) As a topic, customer experience includes a wide range of branches. Therefore the creation of customer experience is a complex process which is a result of the interaction between retailer and customer (McCarthy & Wright 2004). This thesis is focusing point of view for customer experience is digitalization and technology's effect on the customer experience.

2.1. Creating customer experience

Customer experience is created when the customer is in contact with the retailer. When digital customer experience is discussed, there are two ways customer experience can be created: directly or indirectly. Direct customer experience is created when the customer is in direct contact with the retailer, for example, visiting the retailer's website or discussing with the representative of the

retailer using a digital channel. Indirect customer experience is created when the customer hears or reads about another customer's experiences with the retailer. Retailers can affect easier to the direct customer experience than indirect because the retailer is more in control considering its website or representative than individual customer's own point of view (Löytänä & Korteso 2011, 144).

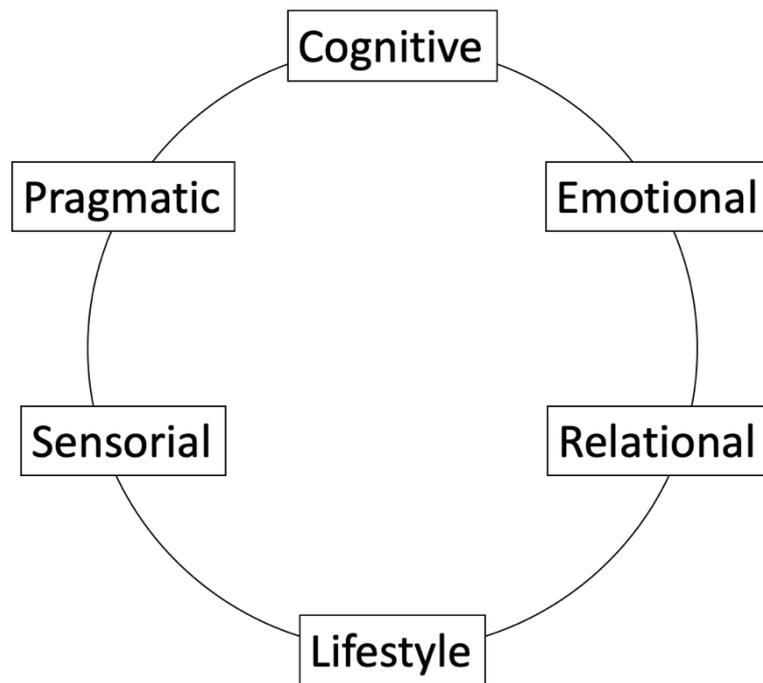


Figure 1. Elements forming customer experience
Source: Gentile, Spiller & Noci 2007

Figure 1 represents elements that are affecting customer experience and how it is created. According to Gentile, Spiller, and Noci (2007) there are six main components affecting the customer experience. Cognitive component is affected by the customer's mental processes such as creativity or ability to solve problems. The emotional component is connected to the customer's emotions and feeling which are triggered by customer experience. The relational component is related to customer's social experiences which are based on other customers experiences from the same product or service. Lifestyle component connects customer experience in customer's personal values and consumer behavior. The sensorial component is affected by the customer's

senses which are triggered during customer experience. The pragmatic component is the rational factor which is connected to practical usage of service or product.

Customers are continually demanding improved customer experiences because development in digital channels is fast. Some retailers are providing completely new and innovative ways to provide customized and unique experiences for customers using new technological innovations and therefore they are increasing the expected level of the customer experience also for other retailers (Powers 2012, 480).

The buying process is strongly affecting the customer experience. Different phases of the buying process are affecting customers experience in different ways but every phase is important for creating a whole and dynamic customer experience. Creation of the customer experience in the buying process can be divided into four phases.

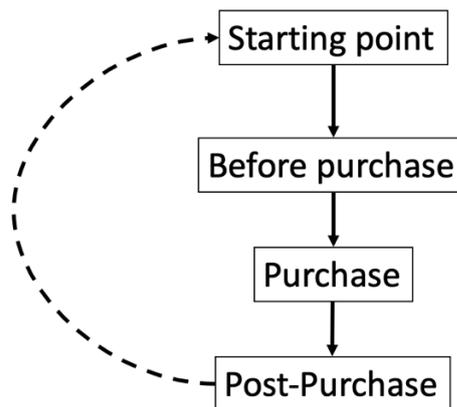


Figure 2. Buying process
Source: Filenius 2015, 24

In figure 2, the buying process is presented as a four-phase process. The first phase of the process is the starting point. Starting point includes customers' attitudes towards the retailer or brand. Usually, the customer has some kind of opinion considering the retailer and rarely the retailer is completely unknown for the customer. These attitudes can be generated from various sources such as customer's past experiences with the retailer or another actor in the same industry. Other customers' shared experiences are also affecting attitudes in the starting point of the buying

process. In the digital environment, customer experiences can be shared easily and fast therefore social media has an important role in forming attitudes towards companies and brands.

The second phase of the buying process is before the purchase phase. In this phase, the customer is experiencing information of the company and is exposed to marketing and advertising. The customer might do research about a different option for purchasing wanted good or service and look for alternative options. In this phase, the customer is making a decision. Actual purchase happens in the third phase where the transaction is made. The customer receives a product or service and the retailer receives payment. Buying process does not end to the purchasing phase but continues to the post-purchase phase where the customer might need to do reclamation. Naturally, reclamation is not hoped situation for the retailer and therefore if the customer gains a positive experience from the buying process, that might lead to the new buying process which starts from the starting point. Now attitudes are affected by previous experiences from the buying process (Filenius 2015, 24-25).

2.2. Touchpoints

Customer experience is created through various channels and phases brought by digitalization which is making understanding it more complex. It is important to study different touchpoint where the customer is communicating with the retailer. As a result of technological developments and digitalization, the range of different touchpoint has increased and it has made managing these touchpoints more complex for the retailers. Customer experience has become more social and interactive and customers are communicating with the retailers using various channels and touchpoints (Lemon & Verhoef 2016, 69). Customer experience is created in various touchpoints where the customer is interacting with the retailer. Touchpoint is the points where the customer has a contact with the product, service or representative of the brand or company. Examples of the touch points can be an advertisement, retailer's website or third-party experiences and opinions (Lemon & Verhoef 2016, 77-78).

Touchpoints can be categorized by who is controlling them. Therefore, touchpoints can be divided into four category: controlled by customer, controlled by brand, controlled by partner and social/external. Touchpoints which are controlled by customer have an important role in creating customer experience and retailers cannot control them. For example payment method that

customer chooses is controlled by customer but retailer can affect it by providing different opportunities for payment method. Touchpoints controlled by brand are point which brand owns and controls completely. For example brand's advertisement campaign, brand's media channel and marketing mix are touchpoints controlled by brand and customer cannot affect in these touchpoints. Touchpoints controlled by partner indicated to touchpoints which are designed in co-operation with the brand but owned and controlled by the partner. Customer cannot affect on these touchpoints. Social or external touchpoints are not controlled by anyone specific. This category includes other customer's shared experiences, media channels which are not controlled by the brand or partner and environmental factors which might affect on customer experience. Therefore the brand or retailer cannot completely control every touchpoint but can affect them creating as many positive customer experience as possible (Lemon & Verhoef 2016).

2.3. Creation of customer value

Understanding the customer experience is vital for retailers to stand out from competition and gain marketshare. Through positive customer experiences, retailer can gain more brand loyalty and higher customer satisfaction. Customer experience have been seen as a factor in creation of customer value and customer value have been seen created by empirical experiences (Vargo & Lusch 2004). Also customer experience has proved to have connection for customer loyalty and customer satisfaction (Pullman & Gross 2004).

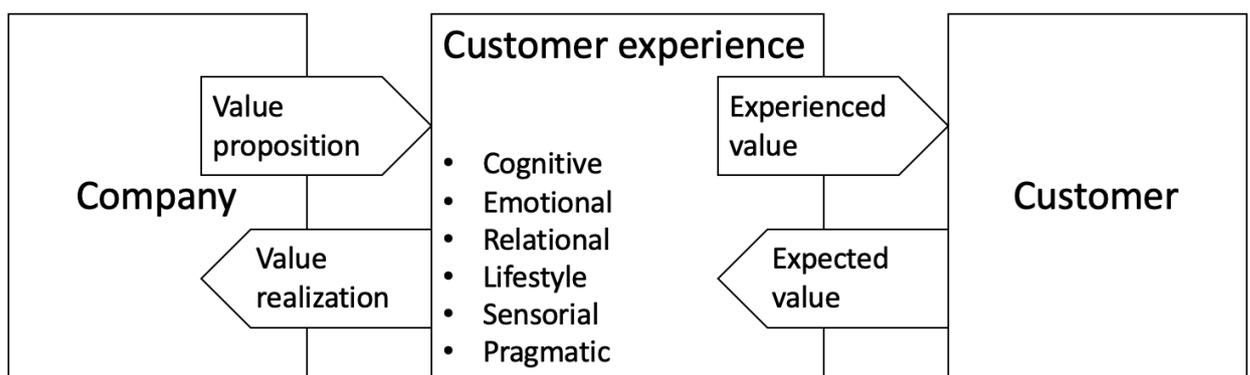


Figure 3. Value creation through customer experience
Source: Gentile, Spiller & Noci 2007, 400

Customer experience is therefore connected to the customer value and is an important factor in value creation. Therefore customer's experienced value can be seen as a result of customer

experience as seen in Figure 3. Also, the customer's expected value has an important role in experienced value. Customers compare expected value to the experienced value and if the expected value is too high or company cannot meet these expectations the experienced customer value is poor even though it would have been in a satisfying level if expected level of value would have been lower. Therefore, customer value is based on various reactions (Gentile, Spiller & Noci 2007, 400). Because customer value is affected by expectations and reactions, it is a rather subjective concept and therefore the retailer cannot control which kind of customer value is experienced but the retailer can affect to the experienced value providing tools for it (Löytänä & Korhonen 2014, 18).

Customers have many different touchpoints with the retailer in various digital channels which are creating the digital customer experience. Digital customer experience is created when the customer is performing one or several operations using a digital channel or device. Compared to traditional customer experience, digitally created customer experience is more stable because it does not include peoples' personal issues which might affect the customer experience. For example, if the customer service representative has a bad day if he or she might let this affect his or her quality of customer service. Therefore customer service representative's personal issues are affecting the customer experience. Digital customer experience does not have this particular issue. Creating a digital platform that provides only positive customer experiences and fills all customer needs might be challenging. On top of that, customers are expecting to be able to use various digital channels and only one digital channel is usually not enough. Customers assume that these various digital channels are integrated and ready to use whenever and wherever (Filenius 2015).

Using digital channel for purchase has always a factor of uncertainty. The customer cannot see or feel the physical product that he or she is purchasing which might lead to misleading information by retailer or misunderstanding by the customer. The customer can feel mistrust considering the product itself or the retailer and therefore decreasing uncertainty and mistrust towards the retailer is an important part of creating customer experience (Luo, Ba & Zhang 2012, 1132).

Creating and reforming customer experience can be seen as one of the main prospects of the exploiting digitalization. New technological innovations are providing retailers completely new ways to communicate with customers even though some of the retailers might see this more as a challenge than an opportunity. For example, forecasting customer behavior using big data analysis

or exploiting customers real-time location brings new opportunities for retailers to improve customer experiences.

According to Westerman, Bonnet, and McAfee (2014) customer experience is modified by four connected operations. The starting point is the so-called outside-in approach where the customer's behavior is studied. For example not only what customer is doing is considered but also how the customer is doing what he or she is doing, why the customer is behaving this way and when this behavior is happening. Information is collected from the usage of products and services and also in every phase of the buying process. Collected data is a base for the modification for the customer experience. After the base of the data is collected, the second phase is to increase customers reachability and commitment levels using digital channels. For example, mobile applications can include programmes which are rewarding customers giving bonus points. The third phase is to analyze the collected data. Collecting, analyzing and exploiting customer data can be put in the center of the process. Data is used to understand customer behavior and reasons. An increasing amount of usage mobile applications have provided not only a huge amount of data but also more versatile data sets. Collected data is analyzed using scientific methods and based on the result of the analyze customer experience is improved. For example, more efficient customer segmentation can be a result of well-done data analysis. The last part includes the process where digital and physical channels are concluded and improved customer experience is created. Traditional channels are not replaced with new digital solutions but rather improved (Westerman, Bonnet & McAfee 2014, 29, 33-43).

2.4. Customer experience using big data

As a term data is sometimes confused with the term information or knowledge. The more correct way to describe data would be that data is raw material for information or knowledge. Data can be collected through data analysis it can be transformed into information or knowledge (Salo 2013, 26). Digitalization has brought a huge amount of big data sources where customers are creating data. The customer is creating data whenever he or she is using some digital channel such as social media, mobile application, web store usage or clicking news site. Big data can be saved as a structured based on transactions or unstructured for example data collected from social media (Fan 2015, 28).

Data sources can be divided into five different categories according to the marketing mix and using the 5P model. Therefore data can be collected from products, prices, places, people and promotion. After data is collected, it is important to select the correct method to analyze the data. Characteristics of the data are affecting the selection of the data such as characteristics of data mining for example classification of the data.

Product: product-related data is collected from product categories, product features, and research data. As a methodology for product data combining, clustering or topic modeling is used. As a result, can be produced analyses about products reputation or product ontology.

Price: price related data is collected from research data and transaction-based data. For analysis, regression analysis or combining methodology is used. As a result, strategic pricing analysis or competitor analysis can be formed.

Place: information based on the place is collected from location-based social networks and research data. As a methodology regression analysis or classification is chosen. Application from the analysis can be generated location-based marketing campaign or dynamic analysis of the community.

People: data from people can be collected from demographic factors, social networks, research data or customer relationships. For people based data, the best methodology is clustering or classification method. As a result, can be gained more efficient customer segmentation or better customer profiling.

Promotion: promotion data is collected from research data and marketing data. For methodology can be chosen either regression analysis or combining. As a result, market analysis can be formed. (Fan 2015, 29).

Understanding customer segments and main factors that are affecting customer behavior is crucial for creating successful marketing and customer experience. The increased amount of data available have made the customer segmentation even more complex because it is possible to create a more accurate customer segment than before. The increased amount of data has increased the number of factors that are determining customer segments and therefore more detailed customer profiles can be generated. Companies are interested in more detailed customer segments and profiles because now it is possible to create more accurate and individual marketing (Fan 2015, 29–30).

2.5. Challenges in digital customer experience

Companies have usually a clear vision of how customer experience should go but also problems occur. One of the main problems is related to the flow of customer data. Sometimes customer data get stuck with one person or one department when the customer data is now available for everyone and some factors are missed when customer experience is manufactured. Therefore customer experience might not be as positive as the company could have made it (Spiess, T'Joens, Dragnea, Spencer & Philippart 2014, 4).

Sometimes companies focus on more technology-related factors when they are improving customer experience such as the performance of the platform. More positive customer experience could be generated if the big picture would be studied (Maechler, Neher & Park 2016, 3).

Löytänä & Korhikoski (2014) have been studying reasons for negative customer experience. Two main reasons that they have found are partial optimization and information flow is inefficient which is the same reason that Maechler (2016) identified. Partial optimization means that different parts of the customer experience are improved as an individual rather than the whole customer experience. Therefore improving or optimizing the customer experience is insufficient. One reason for partial optimization might be that companies are rewarding employees in a way which is encouraging them to do their own part as well as possible rather than improving the bigger picture. Another reason can be that companies are not seeing the customer experience as a whole and focus is on small parts of the customer experience (Löytänä & Korhikoski 2014,74-75).

When customer information flow is inefficient can be talked about information silos. Löytänä & Korhikoski (2014) have identified three types of information silos. First one is hierarchy based silos. When hierarchy based silo occurs, organization's departments are sharing information but information is not flowing from level to another. For example, if a customer service representative cannot finish his or her task because he or her needs permission from the upper level. Another form of information silo is an operative silo. When operative silo occurs, different departments are not communicating with each other and customer might need to repeat the problem several times. The third form of information silo is channel based silo. This occurs when the customer is unable to use the channel he or she chooses but is asked to use another channel (Löytänä & Korhikoski 2014, 70-73).

Three different areas have been identified where companies more likely to face problems using digital channels. One of these areas is brand management in various digital channels which can create problems. Another area is knowledge and ability to affect and reform customer experience in digital channels. The third area is analyzing company performance and setting goals which bring up the company's main issues considering inefficiency and also efficient areas (Kumar 2013, 343).

According to Rose (2011) when the company is analyzing customer experience it should try to understand customers' emotional and cognitive processes in every phase of the buying process from starting point to the post-purchase phase. Then it is possible to identify parts of the customer experience which needs the most improvement (Rose, Clark & Hair 2011, 33). Studies about customer experience have not focused enough on how the company's brand awareness or presence in various digital platforms is affecting customer behavior and buying decisions. Another area lacking research is how service or product related uncertainties are affecting customer behavior (Luo, Ba & Zhang 2012, 1132). Because of the increasing amount of digital data is available various factors related to data management are brought up. For example, security, copyright, and privacy policy related factors are becoming more important (Manyika, Chui, Brown, Bughin, Dobbs, Roxburgh & Hung 2011, 11.)

3. Possible technological applications for retailers

3.1. Multichannel

When retail industry started to take digitalization more seriously the focus point was on multichannel strategy. When multichannel strategy is in use, retailers are trying to communicate with customers in various channels (Yrjölä 2015, 16). For many retailers, adapting multichannel strategy meant increasing the amount of channels (Verhoef, Kannan & Inman 2015, 174). Many retailer was treating offline and online channels as an individual channel for communication between customer and retailer. Multichannel strategy were lacking integration between channels. Because of lack of integration, multichannel strategy was started to treat as a rather limited approach for more digitalized industry (Verhoef 2012, 138–141).

Another issue that were concerning retailers was the change of customer behavior to where customers are treating physical locations as a showrooms. In showrooming behavior, customer are visiting physical stores and riffle through products but do not make a purchase. After visiting physical stores, customers make a purchase online from webstore. In a way retailers supported this behavior in the beginning of digitalization in the retail industry, retailers main focus was developing online stores (Rapp, Baker, Bachrach, Ogilvie & Beitelspacher 2015).

3.2. Omnichannel strategy

The retail industry has started to focus on omnichannel strategies. When the omnichannel strategy is in use a variety of channel increased and integration between channels becomes the main focus point. During the buying process, retailers that are using omnichannel strategy can observe the creation of the customer experience from the customer's point of view. Retailers can also take into account customer behavior in different channels (Verhoef, Kannan & Inman 2015, 175–176). The goal for the omnichannel strategy is to generate as smooth, optimized and positive customer experience as possible using different channels. Variety of provided channels is also a benefit from the omnichannel strategy (Weill & Worner 2015, 30).

Omnichannel has generated a larger variety of customer behavior. Different customer segments have different attitudes towards different channels and different channels are more suitable for

some customers than others (Neslin & Shankar 2009, 71). Customer who are using many channels and do not prefer some channel over other channel have a lower level of loyalty (Ansari 2008, 70–71). On the other hand, these customers can be loyal towards one retailer or brand and they tend to make more purchases compared to customers who are preferring some channel over other channels (Konuş 2008, 410).

The number of touchpoints has increased as a result of omnichannel. Touchpoint is occurring in various channels. The number of channels is increasing and therefore the number of touchpoints is increasing. Touchpoint in one channel can affect the customer experience in another channel (Verhoef 2009, 33). As a result of the increased amount of touchpoints, the interaction between retailers and customers have become more complex. Different channels could even be observed as an individual touchpoints (Verhoef, Kannan & Inman 2015).

Digitalization and its brought technologies for the retail industry and the increasing popularity of omnichannel strategy are connected with each other. Technological innovations are the cornerstone for omnichannel and its evolvment (Shankar, Inman, Mantrala, Kelley & Rizley 2011). Technology has provided the possibility to create more integrated customer experience between online and offline channels. Therefore technology has an important role in connecting physical and digital channels (Blázquez 2014).

3.3. Mobile applications

Mobile channels cover all services that can be used at any time and anywhere through a digital device such as a laptop, smartphone or tablet according to Pura and Heinonen (2008) Mobile channels differ from traditional channels because the service provider is not depending on the place or time-related restrictions (Pura & Heinonen 2008). Mobile channels differ from other digital channels because of their characteristics such as versatile combinations, interaction, and level of presence (Larivière, Joosten, Malthouse, Birgelen, Aksoy, Kunz & Huang 2013). Compared to other online channels, mobile channels have four benefits which are personalization, location features, usability and continuous presence (Clarke & Flaherty 2003). Development of mobile devices and channels are enabling new services which can use location features or more advanced personalization (Smura, Kivi & Töyli 2009).

Smartphones have created interest in digital classification among researchers (Hargittai & Kim 2012). The increased amount of usage of smartphones has changed the characteristics of digital classification (Park & Lee 2015). Smartphone features, for example, GPS, camera, touchscreen, and Wi-Fi. Open accessibility enables the creation of new applications and features. Some people are more skillful in using smartphones than others and more skillful people have a better chance to benefit from smartphones all features and possibilities. New smartphone classification is based on peoples' ability to use and take advantage of smartphones (Park & Lee 2015).

4. RESEARCH METHODOLOGY

This chapter elaborates how the empirical part of the thesis was conducted. For this research qualitative approach was chosen and data was collected from six interviews which were executed via email. Following chapter introduces the methodology and reasons for it. Interviews were conducted via email for respondents request. Also data collection are introduced. People chosen for the interview were selected with different demographic factors such as gender and age. All of the respondent are Finnish.

4.1. Interview as a data collection method

Data for qualitative research was collected through thematic semi-structured interviews. In semi-structured thematic interview all the questions are same for all of the respondents. Semi-structured interview's aim is to gain responses from wanted areas or so-called themes. Interview questions are open-ended questions which respondent can answer in his or her own words (Valli & Aaltola 2015, 27–29). Because customer experience is formed by individual customer's emotions and experienced value theme interview was selected as a data collection method. Theme interview is suitable for when person's individual thoughts, emotions, believes and experiences are under concern. Theme interview brings up respondent's emotions and experiences which are created through communication with the retailer. (Hirsjärvi & Hurme 2014: 41, 48).

For this research six people were interviewed. All of these interviews were carried via e-mail in respondents' request. Respondents' demographic factors differ between each other to gain wider point of view. One of the benefits of using interview in data collection is the researcher can be sure that respondents have knowledge and experience in the area which is under reseach (Tuomi & Sarajärvi 2003: 76). For this research, respondents were selected in a way that every respondent were known to use some digital channel provided by retailer several times in a week. This assures that respondent are not occasional digital channel users which might affect their opinions or emotions. Therefore, respondents have wide knowledge and experience from various digital channels provided by retailers. All of the respondents were confirmed to be heavy users of digital channels. Three respondent were females and three were males. Respondents' age differs between each other to gain wider demographic factors. The youngest of the respondents were 23 years old and the oldest were 53 years old.

4.2. Qualitative research method

For this research, the qualitative method was chosen because the topic of the research is rather new and continuously evolving and reforming. Using qualitative methods and interviews as a data collection method, assured that the data collected is as fresh as possible.

The main point of qualitative research is trying to present the situation in real life. Qualitative research is trying to present the area of research as widely as possible. Using qualitative methods, it is also important to understand that reality has multiple forms. Therefore, the researcher's own values are affecting to the research because conclusion is parts of the research (Hirsjärvi & Sinivuori 2000, 152). For qualitative research it is typical that interpretation is continuously active through the whole research process and it is impossible to divide into clear phases. It is also typical that when the analysis is formed, there is need to go back to the theoretical part of the research. During the data collection, the research plan and research questions are usually needed to reform or modify (Eskola & Suoranta 2008, 16).

Hirsjärvi and Sinivuori (2000) would categorize this research as a descriptive research. Descriptive research is researching and discussing processes, events and behaviours connected to the phenomenon (Hirsjärvi & Sinivuori 2000). Therefore qualitative research suits for this research and its aim well because aim of this research is to present and discuss the chosen phenomenon.

4.3. Content analysis

Collected data was analysed using qualitative content analysis. As a method, content analysis provides objective and systematic analysis which enables creation of summary from wanted themes and therefore enables forming sufficient conclusion (Tuomi & Sarajärvi 2009, 103). Collected data is describing researched topic and wanted themes and the goal for content analysis is to generate the collected data into more clear and understandable form. With content research can provide clear results and therefore increase research's value (Tuomi & Sarajärvi 2009, 108).

Content analysis has three steps: first step is reduction, second step is clustering and the last step is abstraction (Miles & Huberman 1994, 10–11). In the reduction step, the data if summarized and non-relevant data considering the research is left out and for further analysis is left only relevant

data (Tuomi & Sarajärvi 2009, 109–110). For reduction, coding was conducted under open-coding guidelines. Data was broken down into pieces for finding common themes and categories and also factors that are different between each other (Strauss & Corbin 1990, 84–91). Because interviews were executed via email there was no need for forming a separate transcript from recordings because the data was already in written format. Answers in email were transferred to Microsoft Word document and then printed as an individual interviews. After printing the data was coded using underlining and circling common phrases and themes for helping to categorize collected data. Also various colours were used to quicken the re-reading.

Second step which is clustering, the coded data is read through and common expression and concepts are identified (Tuomi & Sarajärvi 2009, 110). Main concepts or themes can be re-grouped into bigger main categories and therefore re-named. Categories are formed through whole clustering step and common concepts are identified and monitored from the beginning (Strauss & Corbin 1990, 84–91).

In the last step of content analysis, which is abstraction, relevant information for research is identified, brought forward and conceptualized. Therefore, results can be used for theoretical conclusions (Tuomi & Sarajärvi 2009, 111).

4.4. Reliability of the research

Naturally mistakes avoided in every research and not done intentionally. However not every research is not as reliable and valid as every other research. For this reason, it is important to understand how reliable and valid the research is. For estimating research's reliability and validity two main factors should be taken under discussion. Firstly, how well the research result can be repeated and is the research able to produce results that are not random and useful for future usage. Another factor is how well the research is done and therefore how well the research is measuring the researched topic (Hirsjärvi & Sinivuori 2000, 213-215).

When a person is reading the research it should be clear how the research is conducted. The reader should be able to understand how data is collected, how data is analyzed and which methods have been used and how the conclusion is formed. Direct quotations are, for example, great tool for providing information for the reader how the conclusion is formed and where the information if

from (Hirsjärvi & Sinivuori 2000, 215). The researcher's own moral and ethics can be also discussed. When methods are drawn close to daily life, ethics of research can be questioned. Reasons for questioning ethics of research can be for example institutional position of the researcher compared to respondents and also the challenge that prediction of the problems might cause when open data collection is used (Tuomi ja Sarajärvi 2002, 147-151).

The author has tried to introduce and explain the research process as well as possible and also as accurate as possible to gain more reliability and validity. References to earlier literature are done as clear and accurate as possible. Reliability and validity of analysis has been tried to increase by giving direct quotes from interviews. Conclusion is backed up with already existing literature and theories. Research's results are being presented under qualitative research guidelines. Collected data is not manipulated or presented in a bias way. All the collected data is stored and handled in a way that respondent are able to remain their anonymity.

5. RESULTS OF THE RESEARCH

This chapter is presenting the result from semi-structured interviews. The interview includes nine open-ended questions and respondents answered them via email. Six respondents were selected for this research. This chapter is divided into two subchapters. Chapter 5.1 will present results related to different technologies that retailers have provided. Chapter 5.2 will present results related to different phases of the buying process. Direct quotes are included to support results and they are clearly presented. The research question is: How retailers can use digitalization in creation of customer experience?

Results are presented by following flowchart.

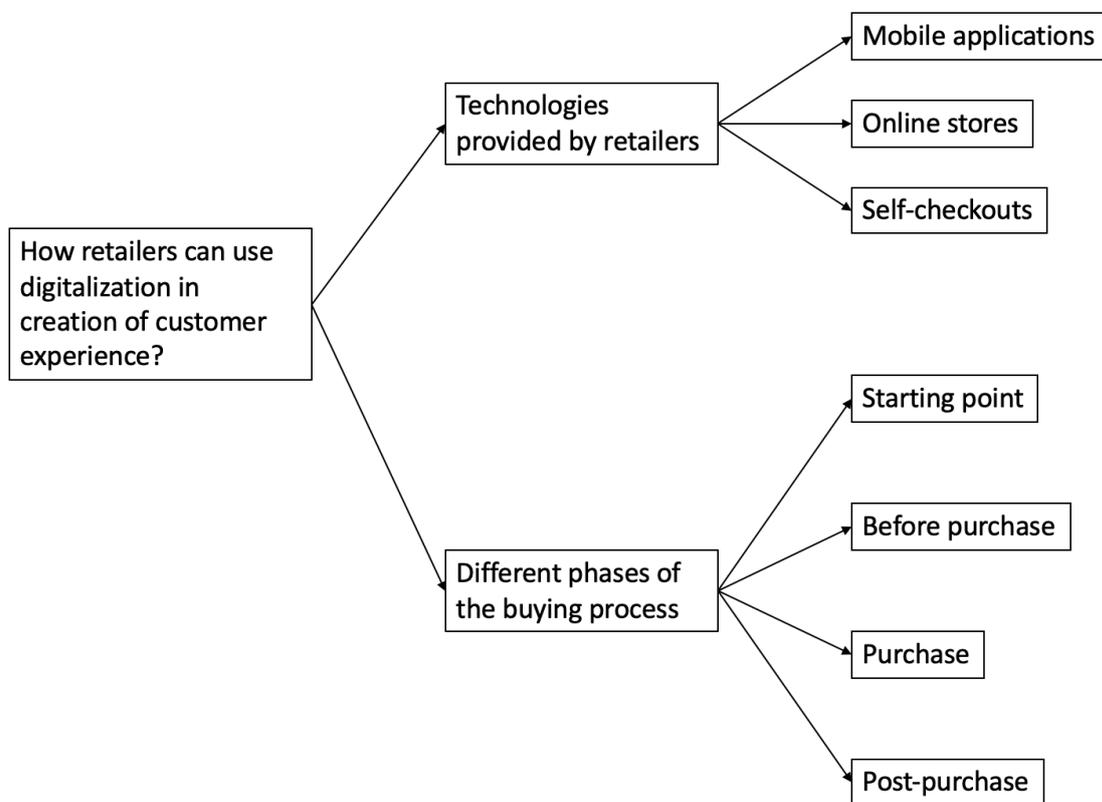


Figure 4: Flowchart of the results
Compiled by author: Interviews

5.1. Technologies provided by retailers

Mobile applications are important for retailers, especially in clothing business. Mobile applications are providing fast and easy access to the retailers online store for browsing products. It is important to connect mobile application and the online store so customers do not need to search product all over again. Integrating mobile application and online store created easier way to communicate with the retailer and therefore customer experience is more positive.

“Sometimes when I am going to work by bus, I just browse, for example Zalando app, and might add some products to the basket. Usually I make the purchase at home by laptop but I definitely spend more time using the app than online store.”

Online stores have a huge role in retail industry. Consumers are increasing their volume considering online shopping especially clothing and electronic related products. Return policy is important factor for clothing retailers since customers are not able to see or try the product. For smaller accessories wide selection and price levels are affecting customer behavior.

“I buy almost all of my clothes online. Sometimes if I am not sure about the size of the clothing, I might order two products but different size and then I just return other one or both of them if I do not like the product.”

“All of my phone and laptop accessories are ordered online from China. It is just so much cheaper and the selection is much wider.”

Grocery stores have brought the self-checkouts into wider use. They are seen as a convenient way to improve customer experience especially making it faster. They are providing a choice for customers. In the environment for grocery store, self-checkouts are completely new channel for communication provided by technology. Some issues have occurred with the technology and it has affected negatively the customer experience.

“I am a big fan of self-checkouts and I use them every time at the grocery store. Usually there is no line, and even if there is, it moves quite fast. Sometimes it annoying when the machine is jamming and the process is interrupted and someone from the staff is needed. Otherwise the self-checkouts are great.”

5.2. Results in different phases of the buying process

Filenius (2015) divided the buying process into four different phases. First phase is starting point, second phase is before purchase phase where decision is made, third phase is the actual purchase and the last phase is post-purchase. Following chapter is divided to represent result considering each of these phases.

5.2.1. Starting point

In the starting point where customers are deciding which retailer they are going to use, past customer experiences have an important role. Once customer have found reliable retailer with user-friendly mobile application or webstore, they are more likely to use the same retailer again.

“If I have found some retailer whose app and webstore is easy to use and it is reliable I tend to use it in the future. There are so many apps and webstores which are too complex to use and I do not want to spend time to figure out how to use app. I just want to shop.”

5.2.2. Before purchase

Social media is a great channel for retailers to advertise. Retailers can reach new potential customers and customers can visit retailers, for example, Facebook page to get more information provided by the retailer or read other customers’ comments or take part to the conversation.

“I like when I see ads on Facebook. I have found many new webstores from Facebook ads. There I can see completely new brands for me as well.”

5.2.3. Purchase

In digital channels, it important to make the actual purchase as easy as possible. When customer has browsed lot of products, the purchase should be easy. Making the purchase phase simple, retailer creates a positive customer experience and the customer is likely to return.

“I keep using the same retailer over and over again. I have created account and I can use the account on laptop or app. Account remembers my home address and credit card’s information so I just need to click few times to make a purchase. I love the fact that I do not need to get off the couch to buy a new jacket.”

Every customer experience is not positive and especially the unreliable online store affects purchase decision and post-purchase behavior.

“Once I went to this online store which sold small electronics such as headphones and chargers. Prices seemed to be quite low but products were not from any known brand so I did not worry about it. I was starting to make a purchase but then the website asked access codes to my bank account and then I cancelled the whole purchase. I will never return to that online store.”

5.2.4. Post-Purchase

Digitalization has provided easier way to share customer experiences. Usually retailers have social media account and in the online store there might be comment section for every product. Customers can share information through these digital channels and they are not depending on their close friends anymore. When customers share information after the purchase, it might affect other customers’ behavior in the starting point of the buying process.

“I would say that when I found some good online store, I usually keep buying from there. I am also the guy who reads a lot of reviews so I like to write them also. It is like giving back information for other people. It is easier to write negative feedback than positive, I do not know why.”

6. DISCUSSION

Research showed us that consumers have rather individual experiences with the same technologies. Some of the respondent had experiences with the exact same retailer but have felt the technologies that the retailer had provided very differently. Also customers are choosing to use different digital channels with the same retailer which is resulting more personalized customer experiences. Gentile, Spiller and Noci (2007) are supporting this conclusion with their theory which states that retailers are providing tools for customers to create the individual and customized customer experience.

Digitalization has provided lot of new touchpoints between the customer and the retailer. The research showed that customers are using various touchpoints and functionality of each of the touchpoint is important in creation of customer experience. Some customer prefers websites and other mobile applications and some customers like to combine these channels. Customers are also gaining a lot of information from various sources such as social media and retailer's own websites in a form of comments. Theory by Lemon and Verhoef (2016) is supporting this discussion since according to them customer experience is created in various touchpoints and digitalization has made the customer experience more complex.

Even tough the interview questions did not directly refer to any phase of the buying process presented by Filenius (2015) the answers were easy to link to each one of the phases. Therefore, can be said that customer experience is created in every phase of the buying process and each of these phases can affect customer's buying behavior and even buying decision.

When digital channels are used in retail industry as a communication channel and the channel for purchase, customers might feel uncertainty. For the retailer it is important to create reliable environment and feeling for customer. As the interviews showed, when customer is feeling doubts about the retailer, the purchase might be cancelled. According to Luo, Ba and Zhang (2012) the possibility for customer to feel mistrust increases when digital channels are in use and the customer cannot see or feel the actual physical product.

CONCLUSION

In conclusion can be said that retailers have various ways to use and benefit from the digitalization in creation of customer experience. Retailers have possibility to provide various technologies for customers and integrate these technologies. Also, retailer can include digitalization to every phase of the buying process. Retailer can gain competitive advantage with well created and managed digital channels but also lose customers if digital channels are managed poorly. When technology is evolving, customers are demanding more and retailers are forced to develop new technologies for customers.

The purpose of this thesis is to answer the question: How retailers can use digitalization in creation of customer experience? As already mentioned there are several ways. The results of the research point out three main digital channel which respondent have been using: mobile applications, online stores and self-checkouts. Therefore, retailers should have these digital channels included in the buying process. Results indicate that especially mobile application and online store should be integrated to create positive customer experience. Customers appreciate when they are able to move between channels during the buying process.

Results of the research also presented that each customer is different and the same channel that provides positive customer experience for one customer does not guarantee that other customer would experience the same channel in the same way. Therefore, retailers should provide wide range of digital channels from which the customer can choose freely. Customers should be able to combine digital channels and be able to create own experiences. Retailer should not control the customer experience but rather provide the tools for the customer to create personalized customer experience.

On the other hand, every retailer does not benefit from digitalization. Results point out that if digital channels are not working well or seem some other way untrustworthy, customer likely will not return to the retailer or even may cancel the whole buying process. If customer have negative customer experience, he or she may tell other potential customers and affect other customer's opinions in their starting phase of the buying process. When digital channel is working properly it generates more trust and customers are more likely to return.

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APPENDIX

E-mail interview

1. What are the three last times you have used technology provided by retailer?
2. What technology you prefer provided by retailers?
3. For what purposes did you use these technologies?
4. How would you describe these experiences?
5. How did these these experiences affect your future behavior?
6. How your attitude change towards technology after these experiences?
7. Why are you using the same retailer regularly or changing your retailer?
8. Have you been in a situation where the provider or technology seems untrustworthy? If yes, why?
9. What comments do you have about digitalization in retail that you have not mentioned during this interview?