# How Micro Retailers Remain Competitive and Successful

A case study of Våran Kåk

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# Abstract

The competitive environment in today's retail industry, with large corporations as well as increased competition from e-commerce, has resulted in the share of sales of micro retailers declining and their competitive position weakened in relation to the larger organisations. However, there are still micro retailers that have been able to stay successful.

This thesis has implemented an in-depth case study of Våran Kåk, a micro retailer within the apparel sector in Jönköping. Våran Kåk has been able to remain successful despite the increased competition within their industry. The empirical investigation consists of interviews conducted with a manager as well as an employee at Våran Kåk, mystery shops and observations in order to gain an understanding of what makes them successful.

The research resulted in a model for successful micro retailers, describing how micro retailers can remain successful and competitive in the tough market climate by giving good perceived service, building profitable relationships and having their customers remain loyal.

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# 1 Introduction

## 1.1 Background and problem

The apparel retail market is rapidly changing to a marketplace where large corporations and e-commerce are capturing larger shares of the market, a change that is greater than ever before (Burt, 2010; Knowles, 2011; Tillväxtverket, 2014; Smith, 2014).

Although European retailers are still dominated numerically by microbusinesses and SMEs, their share of sales in all markets and retail sectors is declining as their competitive position is weakened in relation to the larger organisations within the retail sector (Burt, 2010).

Within the Swedish fashion industry, retailers represented for 45 per cent of all total sales in 2012. Most of the companies within the Swedish fashion industry are very small. 62 per cent are sole proprietors with one employee, namely the owner, and 96 per cent of all companies within the industry have less than 10 employees. However, between 2011 and 2012, distance shopping through e-commerce and mail order grew by 51 per cent. E-commerce and mail order still only represent 6 per cent of all total sales (Tillväxtverket, 2014). One can therefore conclude that the Swedish apparel retail sector is going through the same phase of change as the rest of the European retail sectors described above.

In the body of literature, it is generally accepted that the key to successful retailing is to gain an understanding of one's customers (Grewal, Levy, & Kumar, 2009; Donnell, Hutchinson, & Reid, 2012). In today's business climate where the current retail change and turbulence is unprecedented and customers are constantly adapting their consumption behaviour (Sands & Ferraro, 2010), gaining an understanding of the needs and wants of customers has become a situation of live or die for apparel retailers of all sizes (Donnell et al., 2012).

When the authors compared the apparel retail sector with another large retail sector, namely the home electronics retail sector, they noticed that companies selling home electronics first and foremost compete on price. However, apparel retail businesses sell a specific garment from a specific brand for the same price. If they do not compete on price, how do they compete?

Baring this in mind, the authors are interested in knowing how some micro businesses within the apparel retail sector in Sweden can remain profitable in this business climate that is changing so rapidly.

Micro businesses can apply a large variety of marketing strategies tactics in order to build close relationships with their customers (e.g. social media interaction and multichannel integration). The authors are interested in knowing how successful microbusinesses within the apparel retail sector in Jönköping operate in order to reach, acquire and maintain their customers as they compete with the larger corporations' ever-expanding businesses as well as the fast forward-moving e-commerce industry.

## 1.2 Purpose

The purpose of this thesis is to understand the marketing strategies and tactics of a successful micro retailer, by identifying actions and behaviours that underly their success.

## 1.3 Delimitations

This thesis' empirical data is obtained primarily from one micro retailer in the apparel sector, in a medium-sized city in Sweden. Hence, this study cannot answer questions regarding situations under severely different circumstances.

Moreover, although there are several critical success factors for businesses, such as profitability, employee productivity etc., this thesis will primarily focus on customer loyalty and building relationships with customers. Furthermore, the thesis will provide answers and descriptions of micro businesses in the apparel retail sector and how they operate, and hence do not aim to give answers about e.g. medium-sized businesses in the electronic toy industry, although the outcome of the thesis might be applied to other sectors than the apparel retail industry.

## 1.4 Definitions

**Apparel** - For the purpose of this thesis, the definition of apparel as garments of clothing will be used. This includes all kinds of clothing; from work wear to sweat pants (Vocabulary.com, 2015; Oxford Dictionaries, 2015). Moreover, according to Vocabulary.com, the word originates from the Latin word 'apparare', which translates into 'prepare, make ready' (Vocabulary.com, 2015).

**Fashion** - The term 'fashion' can be used for various purposes of describing trends or manners. However, for the purpose of this thesis, the definition used is to describe trends within apparel. According to Fisher and Rajaram (2000), retailers categorize their products into two categories: basic and fashion. These two categories vary in predictability and lifespan; basic products often have a longer lifespan as well as a more predictable sales pattern than fashion products (Fischer & Rajaram, 2000). Due to the evolution of fashion, not least during the twentieth century, it has grown to become a vigorous device of personal expression (Kuruk, 2008).

**Micro retailer** - This thesis will in part make use of the European Union's definition to describe this concept. *'A microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.'* (European Union, 2007). Hence, a micro retailer is to be interpreted as a micro business within retail.

## 1.5 Disposition

This thesis has the following structure: firstly, there is an introduction, which will give the reader a background to the problem and an understanding of why this study has been done. Following is the frame of reference, which will be used to analyse our empirical data. In the methodology and method section, it is described how the study has been conducted,

and this will be followed by the findings (empirical data), which is a case study of Våran Kåk. In the next section, analysis, the findings will be discussed with the help of the theories described in the frame of reference part. Lastly, conclusions will be drawn from the study in relation to the purpose and research questions.

# 2 Theoretical framework

## 2.1 Service management and marketing

Service is an area of research that started to attract interest in the beginning of the 1970s. At that time, it was absent in management research even though it was known through official statistics that *services* was the largest economic sector. The marketing logic was based on mass manufactured consumer goods and there was a need to develop knowledge in this area (Gummesson & Grönroos, 2012).

In the beginning of this era, focus was put on models and measurement tools. Grönroos (1984) argued that until then a clear picture of what customers in the marketplace really were looking for did not exist and what they evaluated in their customer relation to firms, development of service marketing models and concept would be very difficult. In response to this, he developed the service quality model in which he concluded that for customers to be satisfied, the expected service and the perceived service must be matched. This model led to researchers wanting to know more about how customers perceive service quality and what factors were important in this regard (e.g. Parasuraman, Zeithaml, & Berry, 1985; Gagliano & Hathcote, 1994).

In 2007, Grönroos presented a list of factors that are important for good perceived service quality. This short yet comprehensive list was based on a range of studies into service quality and conceptual work:

1. Professionalism and Skills

   Customers realize that the service provider possesses the knowledge and skills required to solve their problems in a professional way.
2. Attitudes and Behaviour

   Customers feel that the service employees are interested in solving their problems in a friendly and spontaneous way.
3. Accessibility and Flexibility

   Customers feel that it is easy to get access to the service and that the service provider is prepared to adjust to the customers' demands in a flexible way in regards to how the service provider, its location, operating hours, employees and operational systems are designed and operate.
4. Reliability and Trustworthiness

   Customers know that they can trust the service provider, its employees and systems to keep promises and always perform with the customers' best interests in mind.
5. Service Recovery

   Customers know that the service provider immediately and actively will take action to find a new, acceptable solution if something goes wrong or if something unpredictable happens.
6. Servicescape

   Customers feel that the physical surrounding and other aspects of the environment of the service encounter create and support a positive experience of the process.

7. Reputation and Credibility

> Customers believe that the service provider's business gives adequate value for money, and that it stands for good performance and values that can be shared by customers and the provider.

Apart from the research into service quality and how customers perceive it, another major stream of research that was very popular in the 1990s and the beginning of 2000s has been investigating links between service quality and other concepts such as profitability, customer loyalty, customer satisfaction, and behavioural intentions (e.g. Reichheld & Sasser, 1990; Taylor & Baker, 1994; Anderson, Fornell, & Lehmann, 1994; Hallowell, 1996; Zeithaml, Berry, & Parasuraman, 1996; Oh, 1999; Cronin, Hult, & Brady, 2000; Sureshchandar, Rajendran, & Anantharaman, 2002). In summary, it has been concluded without much dispute that higher service quality in general also means higher customer satisfaction, customer loyalty and profitability.

During the course of the last decade, there has been some interesting development in the area. Earlier, service was mostly considered as a branch of marketing in a mass consumer goods based body of theory. However, prominent researchers in service management and marketing have stepped forward and claimed that in the current and evolving business world services ought to be the underlying logic of marketing (Vargo & Lusch, 2004; Grönroos, 2006). According to them, traditional marketing adopted a model of exchange from economics that has a dominant logic that focuses on tangible resources and transactions. They argue that this logic is inferior today compared to a service logic, in which service is not seen as an activity, but rather as a perspective. As Edvardsson et al. (2005, p. 118) put it: *"Service is a perspective on value creation rather than a category of market offerings."*

If one takes an overview of the research that has been taken out in this area it can be seen that much of the empirical material has been derived from banks, credit card companies, health care, auto repair shops, i.e. what can be called "traditional services". Rather often, it seems that questionnaires from a customer perspective have been a popular method to understand and explore the subject. Other times, in-depth interviews with customers have been a method of choice in the research.

What we believe is lacking in the literature is research from the company's perspective. Arguably, it has been important to determine what customers are looking for and how they perceive service. However, we think it is time to get a closer look at companies and what activities they perform in order to deliver this before mentioned service quality. Grönroos (2012) expressed some concern whether the extensive research into service management and marketing the last couple of decades has had an impact on businesses, markets, and nations at all. Now that we have a rather good understanding of services from a customer perspective, it might be necessary to look at the companies in order to be able to get a grasp on what specific activities make out great service and ultimately successful business.

### 2.1.1 The servicescape

The idea of the servicescape was introduced in 1992 by Bitner, who explored the notion that the physical surrounding in service settings had an impact on both customers' and employees' behaviour. She also created a framework for understanding environment-user relationship that has been widely used in academia ever since.

In the past decade, the servicescape has been further explored by researchers. Lin (2004) found that servicescapes play an important role in many organisations because customers often interact with the physical setting before employees, or the actual service, and therefore guides beliefs, attitudes, and expectations about the service. Others have found that the design of the servicescape is key to successful service marketing operations (Harris, 2007) for the reason that it has a higher impact on perceived service quality than was previously thought (Reimer & Kuehn, 2005) and also because positive servicescape elements are linked with loyalty intentions (Harris & Ezeh, 2008).

Almost two decades after Bitner (1992) presented her framework for the servicescape, an extended servicescape perspective was introduced by Rosenbaum and Massiah (2011). While Bitner (1992) argued that the servicescape was a result of three types of objective, physical, and measurable stimuli that all could be organisationally controlled, Rosenbaum and Massiah (2011) meant that the servicescape *also* has elements that are subjective, immeasurable, and not managerially controlable at all, hence adding a complexity to the model. They conceptualised this idea of the servicescape into a framework, where environmental stimuli were categorised into four dimensions, which comprised the perceived servicescape. The framework is presented below (Rosenbaum & Massiah, 2011, p. 473):
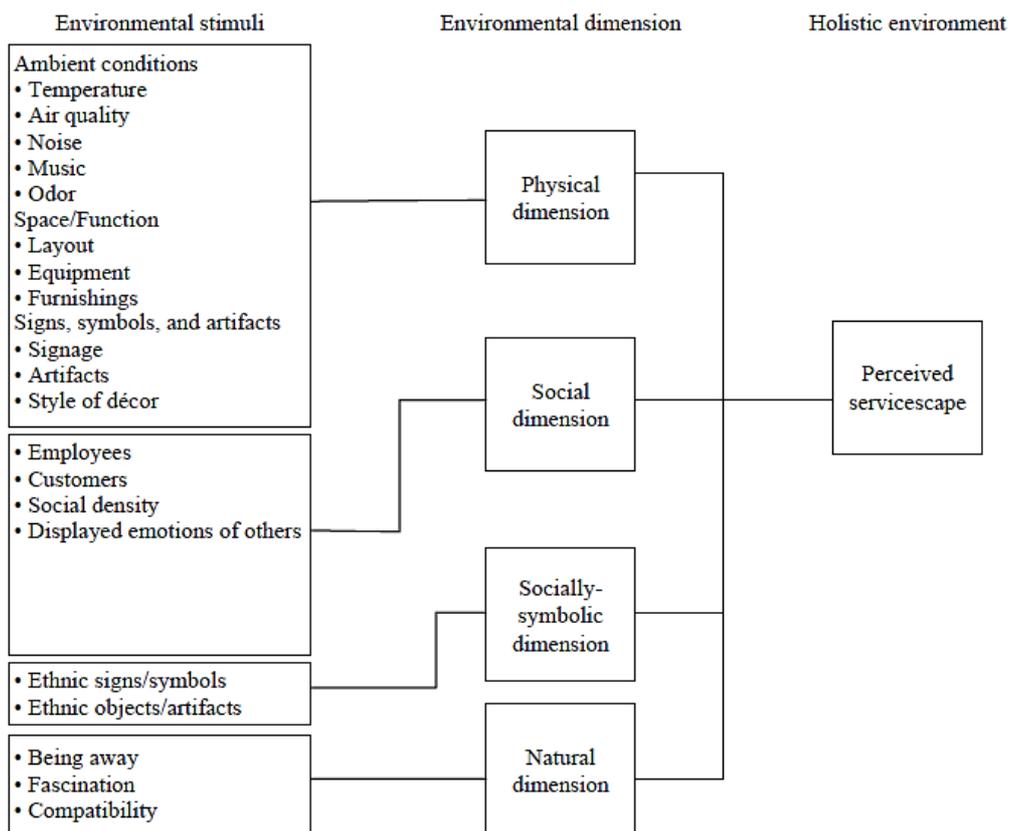
## 2.2  Relationship marketing

Relationship marketing is a subject in marketing theory that was introduced by Berry (1983) as a new way to look at marketing. Instead of the traditional and dominant transaction marketing school of thought, relationship marketing was used to describe a more long-term approach to marketing strategy (Berry, 1983; Gummesson, 1987).

In this area of marketing, Grönroos has been one of the most influential authors, and he defined relationship marketing as *"the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfilment of promises"* (Grönroos, 2000, p. 29).

Relationship marketing started to gain steadily increasing academic attention towards the end of the 20th century, but in 2005, there was an explosion of interest and since then hundreds of scholarly journal articles have been written about the subject every year. The earlier works in the area focused much on the problems of relying too heavily on transactional marketing (Berry, 1983; Gummesson, 1987), the notion that the marketing department carries full responsibility for marketing in a firm (Grönroos, 1990), and that a paradigm shift was happening in marketing (Grönroos, 1994; Sheth & Parvatiyar, 1995). Much of the research undertaken during this period handled relationship marketing in general.

Since the uprising of relationship marketing, many studies undertaken have been written from the perspective of the customer (e.g. Sheth & Parvatiyar, 1995; Bendapudi & Berry, 1997; Ashley et al., 2011), relationship marketing in a business-to-business (B2B) context (e.g. Evans & Laskin, 1994), relationships in a retail environment (e.g. Beatty et al., 1996; Macintosh & Lockshin, 1997; Reynolds & Beautty, 1999), challenges and obstacles for this new paradigm (e.g. Grönroos, 1999; Ashley et al., 2011), and processes and factors that affect relationship marketing (e.g. Grönroos, 2004; Palmatier et al., 2006).

One of the frameworks developed in this area studies the factors influencing the effectiveness of relationship marketing (Palmatier et al., 2006). These factors have been put in three separate categories:

**Antecedents (or strategies)**

- *Expertise* and *communication* are most effective
- Then comes *relationship investment*, *similarity*, and *relationship benefits*
- *Dependence*, *frequency*, and *duration* are relatively ineffective
- The negative impact of *conflict* is larger in magnitude than the positive effect of any relationship marketing strategy
- *Relationship benefits*, *dependence*, and *similarity* are more effective for <u>increasing commitment</u> than for <u>building trust</u>
- The opposite holds true for *relationship investment* and *frequency*

**Outcomes**

- *Relationship quality* has the greatest influence on objective performance while *commitment* has the least
- *Relationship investment* and *dependence* have a large, direct effect on seller objective performance
- Of all outcomes, relationships have the greatest influence on *cooperation* and *Word-of-Mouth (WOM)*, and the least on objective performance

**Moderators**

- Relationship marketing is typically more effective when relationships are more critical to customers, e.g. (1) *service* versus *product* offerings, (2) *channel* versus *direct* exchanges, and (3) *business* versus *consumer* markets
- Relationships often have stronger effects on exchange outcomes when the target is an *individual* person rather than a *firm*

Since the turn of the millennium, research has seemingly been shifting its focus from physical retail and face-to-face interaction to progressively more relationship marketing in an online setting, more specifically often handling the aspects of trust and privacy (e.g. Luo, 2002; Eastlick *et al.*, 2006). In the last couple of years, there has been an increasing interest and specialisation towards social media and how businesses can build relationships there (e.g. Sashi, 2012, de Vries *et al.*, 2012).

Although the retail sector has been visited in relationship marketing research before, there seems to be a rather newly arisen gap in the knowledge. Because of the new hardened business climate for retailers - and especially *micro* retailers - with prominently increasing competition coming from large retail chains and e-commerce in addition, a revisit to the retail sector deems necessary and meaningful. With a relative lack of resources and expertise, it is interesting to investigate what activities, tools, and strategies micro retailers apply and actively work with to build long-term relationships with their customers.

## 2.3 Customer loyalty

Customer loyalty is a topic within the field of marketing that in 2005 started to gain great traction in academia. Since 2009, the subject has attracted a large interest, and there is no sign of this trend declining any time soon. But it started to be discussed even earlier than 2005; already back in the 1990's it was discussed by Dick & Basu (1994, p. 99) who defined customer loyalty as *"the relationship between relative attitude and repeat patronage"*, a relationship that is not acting in a vacuum but is affected by situational factors and social norms.

Earlier works on *brand* loyalty focused solely on the behavioural aspect, and argued that behaviour was the most crucial determinator and predictor of loyalty (Blattberg & Sen, 1974; Kahn, Kalwani, & Morrison, 1986; Ehrenberg, Goodhardt, & Barwise, 1990), but Bandyopadhyay & Martell (2007) went on and extended the work of Dick & Basu (1994) and claimed that attitudinal loyalty in fact influence behavioural loyalty.

However, Dick & Basu's (1994) framework gave life to a more multifaceted view of customer loyalty that earlier did not exist and highlighted the importance of understanding customer loyalty as a new tool for businesses to be successful in the long-term. The reason for caring about this rather new aspect of marketing can partly be explained by the fact that a link was found between customer satisfaction, customer loyalty, and profitability (Hallowell, 1996; Grønholdt, Martinsen, & Kristensen, 2000). More specifically, there are great benefits for organizations that can keep loyal customers (Rowley, 2005):

- Lower customer price sensitivity
- Reduced expenditure on attracting new customers
- Improved organisational profitability

Furthermore, Rowley (2005) also developed the framework created by Dick & Basu (1994) with the concept of the four Cs – categories of loyal customers - and claimed that businesses would want to know which of their customers are loyals and show high relative attitude and high repeat behaviour. The four categories of loyals are the captive *(least loyal)*, the convenience-seeker, the contented, and the committed *(most loyal)*.

Research regarding customer loyalty in an online environment has gained increased popularity in academia since 2002. Among the most influential and relevant works in this area developed have been discussing antecedents and consequences of customer loyalty in an online context (Srinivasan *et al.*, 2002) and the dimensions involved in the so called *e-tail* experience (Wolfinbarger & Gilly, 2003; Kim *el al.*, 2009).

Although there is a clear increased interest in the digital area of customer loyalty, one of the trends the past decade treats the notion of retailers as brands as one of the most important. Grewal et al. (2004) discussed that there are some issues how to handle and deal with this fact and how to increase customer loyalty as a retailer effectively. However, much of the research in the area has focused on retailers on a national and global level, but research is lacking when it comes to micro retail businesses and how they, often with little resources and limited know-how in comparison to larger retailers, work in order to build customer loyalty.

# 3 Method and data

## 3.1 Methodology

Methodology concerns what set of theory and philosophy a research is established upon, as it further will lead to the methods used for the research (Svenning, 2003; Saunders, Lewis, & Thornhill, 2009).

There are two main schools of thought one can use in order to guide the research: interpretivism and positivism (Ritchie & Lewis, 2003). The focus of interpretivism lies on examining distinctive social life features, such as values and emotions (McLaughlin, 2007), where later on, during the data collection, theory is continuously developed. This differs from positivism, where theory is based on a hypothesis that is predetermined (Taylor, Wilkie, & Baser, 2006). In order to find the answers to our research questions, it is essential to gain an understanding about the human aspects. Since we approached this phenomenon with an open mind-set and not a predetermined one, we believe the probability to find principles and motivations is increased. Ultimately, our research is inspired by the interpretive methodology.

Having decided what guides the research, we considered what approach seemed appropriate in order for us to acquire knowledge about the subject matter. There are two different approaches to consider, which ultimately influences the design of the research project as a whole: induction and deduction (Saunders, Lewis, & Thornhill, 2009). Induction focuses on seeking patterns and associations within the empirical data without having preconceptions, whereas deduction make use of data to test a theoretically bases hypothesis (Ritchie & Lewis, 2003). The inductive approach could be seen as simplistic since it has been associated with a naïve type of realism together with the notion that there is a real world waiting to be captured if the researcher is persistent and hangs on long enough (O'Reilly, 2009). However, since induction leads to a more flexible approach in this case, allowing the empirical data to continuously generate theory (Saunders et al., 2009), we concluded that it was better suited in order to answer the research questions and fulfilling the purpose of this thesis.

Induction is usually linked with qualitative methods and with its opposite, quantitative methods. The main difference between the two is that quantitative methods aim to quantify data and measure the sample through statistical evidence (Ritchie & Lewis, 2003). On the other hand, qualitative research focuses on drawing, more or less, generalised conclusions from the studied samples (Svenning, 2003). The qualitative method is appropriate when wanting to answer questions such as "what" and "how" (Yin, 2009), which is suitable when it comes to our research questions. One of the main strengths with qualitative research is the ability to investigate the underlying explanations or reasons for behaviours, motivations and attitudes (Ritchie & Lewis, 2003), which fits well with what we want to accomplish with this study.

Summarizing it all, we have implemented an interpretive methodology as its strength lies in its understanding of social features. Further, we chose the research approach of induction

as it allows a continuous flexibility and generation of theory. Our philosophical standpoint harmonizes with qualitative studies as it allows us to gain an understanding of underlying features of people's behaviour.

## 3.2 Method

Several methods emerged once the approach of the research was decided, which ultimately had influence on the research design (Williamson, 2002).

This thesis' process started with a literature review, which covered the main body of research. It was followed by an overview of the company and a design of the guidelines for the interviews before having met the interviewees. The next step was to transcribe and code the recorded interviews. During this process, we simultaneously performed observations of the company as well as mystery shops. The information that we gathered together with the interviews was conveyed and presented in the findings section as a case study of Våran Kåk. The analysis was performed by exercising a theoretical perspective in order ground the conclusions.

### 3.2.1 Data collection

Data related to the subject was collected by using Jönköping's university library as well as electronic sources such as SAGE Publications and also Scopus, which is a peer-reviewed database. The selection of data is essentially important in order to answer the research questions in an appropriate way. In addition, different data sources provided various perspectives to the research questions.

In order to find previous research that would be relevant to this study, the search terms that were used can be found in the tables below. The 'primary search terms' are obviously the ones that regard the larger areas of research. These were first used separately, and thereafter used in combination with the 'combination search terms' in order to narrow down the results so that they possibly could give us results that were more directed towards the topic of this study. Apart from these search terms, we refined the results generated by limiting them to articles in scientific journals written in English, only in the area of 'Business, Management and Accounting'.

After this was done, the refined result list was sorted by number of times the articles had been cited by others in order to find the articles that had been most influential in their respective area of research.

| Primary search terms | Combination search terms |
|---|---|
| • Service(s) marketing<br>• Service(s) management<br>• Servicescape<br>• Relationship marketing<br>• Customer loyalty | • Retail<br>• Apparel<br>• Relationship<br>• Loyalty |

A quite convenient function that was used was the 'recommended articles' function that, when redirected from e.g. Scopus, lists articles other users interested in the specific article also had shown interest in other articles in the same area. When we found articles in that list that seemed to be recurring often, these particular articles were looked into as well.

When this process of finding relevant articles was completed, another round of this same process was done. However, this time the goal was to find articles that was new to the topic and could potentially aid the study with up-to-date research. Therefore, the same search criteria was used with the exception that only articles not older than five years (note that this thesis is written in 2015) would be shown in the result list.

### 3.2.1.1　Rationale for choice of case company and companies to observe

It began with us being interested in retail in general. It then developed by reading more about the subject matter in the form of journal articles where the realisation about the increasingly competitive environment within the retail industry emerged. It sparked the interest to understand if, and in that case how, independent micro retailers can cope with the fast-changing climate of the retail industry and stay profitable. The question 'are there any successful independent micro retailers in Jönköping?' arose, since the authors reside in Jönköping, Sweden.

We began to investigate if there were any independent micro retailers located in the Jönköping area and immediately found eight independent micro retailers located near each other, which seemed interesting. We moved on to look at public financial information about the companies and noticed which of the eight that were performing well and poorly financially. We wanted independent retailers that did not make any net loss, and at least reached the point of break-even. What was important as well was that they did not have any sales online in form of a web shop or anything of the like. This was since we wanted to see if an independent retailer without any sales presence online still could stay competitive and be successful financially.

In the end we arrived at one company that fitted best into our criteria: Våran Kåk. Over the last five years, Våran Kåk has only made a net loss in the financial year 2013, where they reached a net loss margin of 3.33%. The financial year 2014 was Våran Kåk's strongest year of the last five years, where they reached a net profit margin of 11.37% (Alla Bolag, 2015). We contacted Våran Kåk in order to establish their interest in participating in a case study performed by us, which they accepted.

In order to find more empirical data for our study, we decided to conduct observations of two other independent retailers in Jönköping, which landed on our shortlist of companies of interest for our study. The distinction between these two retailers, further referred as store I and store II, and Våran Kåk was that: store I, although being financially successful, operated a web shop, and store II did not perform well financially, and did not operate a web shop.

### 3.2.2 Case study

The primary method consisted of a single-case study. The aim with implementing this method was to gain an in-depth understanding of how a micro retailer, such as Våran Kåk can remain competitive in today's business climate The reason for choosing a single-case study as opposed to a multiple-case study was because of time and resource restraints since only choosing one case company allowed us to go much more in-depth. The sources of evidence that were used, were interviews with the manager and an employee at Våran Kåk, observations made by us in-store and on social media, as well as mystery shopping sessions at Våran Kåk and two other retailers in Jönköping. In addition, we also took financial information such as profit and turnover into consideration. This method was chosen since it seems to be the most appropriate in order to examine and analyse the relationship between a retailer's actions and its profitability.

The characteristics of a case study correlate with the characteristics of an inductive research, as they both require adaptability and flexibility (Saunders et al., 2009). This method allowed us to collect detailed and relevant data in the proper context, such as real-life situations. The use of qualitative methods lineates with the interpretive viewpoint of the case study. As the interpretive method assumes that the same data can be interpreted in many different ways (Eriksson & Kovalainen, 2008), it allowed us to further examine underlying behaviours and motivations. Examples of qualitative methods are interviews, focus groups and observations, where one often uses a combination of these methods in a case study (Bryman & Nilsson, 2011).

When the research question seeks to answer the questions "how" and "why", it is appropriate to conduct a case study. It focuses on contemporary events and does not require control over behavioural events (Yin, 2009). When conducting a case study, one gathers material that is relevant in regards to one specific case in order to convey an accurate representation of the phenomenon at hand. The use of several sources provide a certain realization about a specific process or phenomenon, while also offering a deeper understanding and more subtle details (Svenning, 2003).

Ultimately, a case study offers a structure with key characteristics that are helpful when wanting to answer the research questions as well as providing an in-depth understanding of human behaviour, which is essential in order for us to fulfil our purpose.

#### 3.2.2.1 Interviews

Interview 1
*With*: Monica Hernodh, co-owner and manager at Våran Kåk.
*Length*: 24 minutes 36 seconds.

Interview 2
*With*: Emilia Runsten, employee at Våran Kåk for about three years.
*Length*: 18 minutes 15 seconds.

We collected empirical data over two separate interviews with the owner and manager of Våran Kåk as well as one of their two employees working in the store. We decided that we only wanted to interview the employee with the most experience from working at Våran Kåk, since we believed that this employee could offer us the largest amount of information and insight of the company. Since we wanted the interviews open and relaxed, we chose to conduct them in Swedish, which is the interviewees mother tongue.

One of the most essential sources of data in a case study is to conduct interviews, which can either be quantitative or qualitative (McLaughlin, 2007). Qualitative interviews are to be considered best suited for our case study, arguably since it is an in-depth case study, which requires detailed and specific information about underlying feelings, motivations and behaviours. When conducting a qualitative interview, one uses open-ended questions such as "how" and "why" specific matters are the way they are (McLaughlin, 2007). Qualitative interviews can further be categorized into semi-structured or unstructured. In a semi-structured interview there are different interview guidelines or themes involved whereas the respondent has a great freedom when formulating the answers in their own way.

Regarding unstructured interviews, they can be described as being similar to a conversation where the respondent freely elaborates when answering a question from the interviewer, where they follow up on interesting points only. Further, one holds a higher risk to stray from the agenda and therefore not cover necessary topics. However, the process is flexible in both methods (Bryman & Nilsson, 2011). This thesis made use of semi-structured interviews together with flexible interview guidelines.

Making use of guidelines provided a structure to form the conversations upon, since semi-structured interviews demand both intellectual and mental abilities from the interviewer. A common mistake made by researchers is that they underestimate the time and resources needed in order to conduct semi-structured interviews (Saunders et al., 2009). It is important that the researchers actively listen to the answers given by the participant(s) and that they rapidly identify the points that are relevant while making judgments about further questions simultaneously. Also, it is regularly required by the interviewer to memorize the interviewees answers and to seek for additional elaboration or further clarification of interesting points (Legard, Keegan, & Ward, 2003). In addition, the interviewers should try to not interrupt or influence as much as possible, and also try to avoid argumentation (Svenning, 2003).

In summary, interviews were an appropriate approach for this research, since they are useful when trying to detect the true intentions and beliefs of individuals.

### 3.2.2.1.1 Questions

It is important to review to the evidence collected when implementing a case study continually, as the evidence may lead to new questions (Yin, 2009). In order to do so, the questions to be asked during the interview(s) were prepared as an in-depth interview. This since we the authors wanted to receive thorough information about how the business is run in order for the business to be successful.

According to Yin (2009), there are five levels at which questions can occur on. These are:

*Level 1*: questions asked of specific interviewees;

*Level 2*: questions asked of the individual case (these are the questions in the case study protocol to be answered by the investigator during a single case, even when the single case is part of a larger, multiple-case study);

*Level 3*: questions asked of the pattern of findings across multiple cases;

*Level 4*: questions asked of an entire study – for example, calling on information beyond the case study evidence and including other literature or published data that may have been reviewed; and

*Level 5*: normative questions about policy recommendations and conclusions, going beyond the narrow scope of the study. (Yin, 2009, p. 87)

For the in-depth interviews to be as fruitful as possible, the questions were asked in such a way that the answers given would result in information needed to answer the thesis' level 1 and 2 questions simultaneously (Yin, 2009). For this to be possible, the questions mostly consist of open-ended questions. This gave the interviewee more room to disclose as much information as they were willing to. Moreover, it gave the interviewee the opportunity to lead the conversation in the interview in the direction that would show most relevant aspects of the business.

### 3.2.2.2    Observations

In addition to the interviews, we observed Våran Kåk as well as two additional stores' layout as well as conducted mystery shops where we took the model for servicescape described in section 2.1.1.

We found observations to be well suited for our study, since the aim with the research was to understand individuals' underlying behaviour and attitudes. Rosen & Underwood (2010, p. 952) describe observations as the process of *"watching and recording the occurence of specific behaviours during an episode of interest"*. There are two main ways to conduct observations: participant observations and direct observations (Yin, 2009). The direct observation approach allows the researcher to study the subject matter from a distance without interacting with the targeted group (Yin, 2009). Direct observation is a useful method as it provides real-time data as well as recording of events, which is within the proper context for this study (Yin, 2009).

Observations can also be categorized as structured and unstructured (Pauly, 2010). When practicing the structured approach, the observer decides on a checklist of behaviours to look for before the observation begins, whereas when practicing the unstructured approach, the observer develops a checklist gradually (Pauly, 2010). It is also important that the observer possess good listening skills as well as remain focused when wanting to identify patterns while taking notes (Pauly, 2010).

To conclude, observations provided us with a complementary viewpoint as well as a different and unique setting for our research. The obersvations added essential knowledge and objectivity regarding the phenomenon. Also, our observations allowed us to identify different natural behaviours which occurred within the studied group, in comparison when we asked the observed object directly.

### 3.2.2.2.1 Mystery shopping

Mystery shopping, which is also known as situation research, is when one uses a participating observer to monitor and report on a specific service experience (Wilson, 1998; Allison, Severt, & Dickson, 2010). Michaelson (2007) describes the definition of mystery shopping by The Mystery Shoppers Providers Associations as *"the practice of using trained shoppers to anonymously evaluate customer service, operations, employee integrity, merchandising, and product quality"* (cited in Allison et al., 2010, p. 631).

The utilization of mystery shopping is common amongst a multitude of organisations within the service sector, such as hospitality, retail and banking, for the purposes of quality assurance (Erstad, 1998; Beck & Miao, 2003), competitive analysis (Dawson & Hillier, 1995), training (Erstad, 1998) and market research (Czepiec, 1983). This methodology's basis comes from anthropology, where one as a researcher immerses oneself into a specific environment. An example could be that in order to create a better understanding of a certain human behaviour, a researcher would experience and investigate daily tribal life (Wilson & Gutmann, 1998). Vinten (1994) stated that organisations can be perceived as tribes since they have their own cultures and traditions. If the mystery shopper fronts as a guest, it develops into the primary researcher, which focuses on being involved firsthand in the situation. They are *"allowed to hear, to see, and to begin to experience reality"* (Marshall & Rossman, 2006, p.100), as guests are (Allison et al., 2010).

If comparing to cultural anthropology which instead relies on the researcher to immerse herself in the environment that is being studied. The researcher should therefore take the role as a concealed participant observer who deceives the subjects regarding the intention of the visit (Wilson, 2001). A mystery shopper is a person that conducts mystery shops, whom ideally should possess similar demographics as the existing customer base of the organisation being studied (Allison et al., 2010). Mystery shoppers could be industry professionals, management from other properties, students, retirees, current customers, and other types of different social groups (Erstad, 1998; Beck & Miao, 2003). Irrespective of the evaluation's purpose, when evaluating a service encounter, the mystery shopper should act as a participating observer when gathering the relevant data which ultimately will form the mystery sopping report (Wilson, 2001).

The mystery shop was conducted by one of the authors, who had not met with the manager or the employees of Våran Kåk on beforehand.

## 3.3 Data analysis

The analysis is considered to be one of the most underdeveloped and difficult aspects in regards of a case study (Yin, 2009). The main reason for it to be considered difficult is

because many researchers do not have the knowledge about how to analyse the evidence that is given from the study. At the beginning of the case study, novices often fail or forget to consider analytic approaches. Different strategies in regards to approaching the data analysis, could include what to analyse and why (Williamson, 2002).

A transcription of the interviews was made before the analysis could commence, meaning that the recordings were converted into writing (Saunders et al., 2009). When transcribing, the researchers should note what was said as well as how it was said. This leads to the conclusion that this method is rather time consuming in comparison to other methods. Saunders et al., (2009) states that the researchers should prepare to account for at least six to ten hours when transcribing recordings of one hour.

Once the transcription was completed, the coding of the interviews could commence. The technique of coding means that the researchers find categories within their chosen study as well as links between them. We implemented a three-step approach introduced by Williamson (2002) for coding the data: (I) simplify and reduce the present data, (II) review the data in order to find links and draw conclusions, and (III) verify the data, and create a logical sequence of the collected evidence (Williamson, 2002). The coding resulted in structuring the information and quotes which were presented during the conducted interviews, where we ultimately arrived at forming a matrix. When analysing the observations, we could find support from the information that was given in the matrix. This process comprised summarized notes that the three of us had made, which lead to us finding common themes within Våran Kåk. When arriving upon the components of our model, we systematically went back and forth between our empirical findings and our theoretical framwork in order to identify recurring themes within our study.

## 3.4   Trustworthiness

There has been much research conducted in order to contribute to the body of literature about how to measure the quality of a qualitative study. Meyrick (2006) has answered for a meaningful contribution in the field by presenting a quality framework that is based on several approaches on how to guarantee quality in qualitative research. The model bases itself on two key conepts of good qualitative research: systematicity and transparency. Systematicity focuses on issues such as coding and traingulating processes, while transparency for example concerns issues as objectivity and sampling.

An additional important approach within qualitative research in connection to transparency is reflexivity (Eriksson & Kovalainen, 2008). Reflexivity concerns the process of reflection as of how the knowledge is produced, which should be described and justified through the whole process of research (Eriksson & Kovalainen, 2008). We found this to be very important in a case study like ours, since it allowed us to keep the discussion within the group going during the whole process, leading us to reflect upon our findings and interpretations. We could assure the systematicity of the process since the gathered data was coded in a systematic way as well as the use of several informational sources. Bryman (2008) states that the quality of a study traditionally is measured in reliability and validity. However, discussions have surfaced in regards to how relevant this is for qualitative

research. One can describe validity as the chance to generalize the results outside of the case study (Svenning, 2003). However, according to Yin (2009), one cannot normally generalize a case study and apply it to a population.

Eriksson & Kovalainen (2008) argues that the key purpose of a case study is not to reach generalizable results, but instead, to explain to the reader how the specific case is unique, extreme or critical of some kind. We are confident that our case study will provide additional information to the body of literature as of how micro retailers can compete with larger corporations as well as the e-commerce sector.

Seale (1999) actually argues that it is desirable for qualitative studies to reach generalization, which is the opposite to the claims made by Eriksson & Kovalainen (2008). It is suggested that a description of the nature of the case might provide such detailed information so that the one who reads it is able to use her own judgment and decide if it is possible to apply the same process in other settings (Seale, 1999). We chose to apply source triangulation, which means that we made use of various sources of data in our research in order to provide a wider set of information. By using several sources of data, we gained an understanding which ultimately came closer to reality in comparison to using only one source of data. We interviewed both the manager and an employee to further widen the range of perspective, different types of observations together with secondary sources about Våran Kåk were investigated. The systematicity that Meyrick (2006) describes was further strengthened because of this approach.

Yin (2009) states that, over time in general, there has been poor documentation of qualitative studies, which has resulted in a certain questionability regarding trustworthiness and quality. To make sure this would not be the case in our study, we kept proper documentation throughout the whole process. We were aware of the fact that there was a risk of getting biased answers from the employee, since it was merely impossible to offer anonymity due to the small size of the company. Therefore, we decided not to ask any questions where there was a possibility, depending on the answer, that the relationship between the manager and employee could be affected in a negative way. As adviced by Warren & Karner (2010), the interviews were transcribed shortly after they were conducted. Full transcriptions of the interviews can be provided to the reader upon request.

# 4    Findings

## 4.1    Company overview

Våran Kåk is an independent apparel retailer in Jönköping, Sweden. It was originally founded by two men in 1972. Together with her husband Anders, Monika Hernodh acquired the store 1977, and she has worked in and managed the store ever since. Back then, the store was located on Barnarpsgatan in western Jönköping, but in 1981 Våran Kåk moved the store to the more central location on the city's largest shopping street Östra Storgatan, which it still inhabits today.

The business idea is to provide timeless apparel with an emphasis on high quality. Våran Kåk's target audience is women mainly in the ages 25-45 years old. They want the customers to feel that they purchase something they can wear for a long time without it going out of style in the future.

Currently, Våran Kåk has two employees working in the store together with Monika. In addition to servicing their customers, the employees assist Monika in all day-to-day activities ranging from mopping and vacuuming the floors to unpacking goods, visual merchandising and purchasing. In regards to the administrative work, Monika gets help from her husband, who assists her by keeping track of invoices, paying salaries as well as other additional errands (M. Hernodh, personal communication, 2015-04-08).

## 4.2    Interviews

### 4.2.1    Employment

Monica explained that the company does not have any specific requirements of previous experience when hiring new personnel. Instead, they train their newly hired personnel when they start working at the store. This training includes introducing them to regular customers and informing the customers of who they are replacing. Moreover, they are educated in the different brands that the store carries, as well as in fabrics. (M. Hernodh, personal communication, 2015-04-08)

Emilia described, during her interview, that she was asked by Monica if she wanted a job at Våran Kåk while she was working at an accessory store located on the same street as Våran Kåk. She then started at Våran Kåk part-time while still working at the other store. However, when she started studying she decided to only keep her part-time job at Våran Kåk, and after she graduated Monica asked if she wanted to have a full-time job at the store, an offer Emilia accepted (E. Runsten, personal communication, 2015-04-09).

### 4.2.2    Service

When it comes to customer service, both Monica and Emilia explained that the people working at the store always strive to give their customers a brilliant service experience (M. Hernodh, personal communication, 2015-04-08; E. Runsten, personal communication, 2015-04-09). When asked what she feels are the most important factors when it comes to

customer service, Emilia replied: *"to be happy and nice and trying to read the customer. And try to fulfil if the customer is looking for something specific for example, to try to find it and make the customer as pleased as possible"* (E. Runsten, personal communication, 2015-04-09).

Both Monica and Emilia explained that they put in effort to always greet their customers when they enter the store, something that they both mentioned as an important factor to good service, as well as trying to get a feeling to whether the customer wants help or just to browse the clothes in peace. Moreover, they strive to give the customers good service throughout their visit to the store, as well as when they are unable to make it to the store. Both mentioned that they have sent clothes through the mail to customers who live in other parts of the country, clothes that they have seen through the company's pictures posted on their Facebook page (M. Hernodh, personal communication, 2015-04-08; E. Runsten, personal communication, 2015-04-09).

Both Monica and Emilia mentioned that all members of the sales team in the store receive gratification from making customers happy with their purchase as well as their time spent in the store. Moreover, Emilia mentioned that she feels she receives good feedback from customers as well as her manager and colleague when it comes to the service she gives, both positive and negative. She feels that this feedback is adequate for her to grow as a sales person, she said.

The store's return policy states that a customer can return a garment within three days of the purchase and exchange a garment within five days of the purchase, by showing the receipt in store. However, both Monica and Emilia mentioned that they have extended these days upon request from customers during certain circumstances. One recurring situation where this has happened is when a customer is from out of town, and therefore may not be able to return within the time span of three or five days. If this is the case, they make a note on the receipt that the customer has received an extended return policy.

### 4.2.3    Marketing

The tools the store has used for marketing includes display windows, fashion shows, and social media.

### 4.2.3.1    Display windows

In the display windows, the store shows clothes from the different brands they carry. However, they do not mix clothes from different brands on the same manikin, except for shoes that can differ in brand from the clothes on the same manikin. The separation of the brands is done in order to strengthen the individual image of each brand (M. Hernodh, personal communication, 2015-04-08).

The display windows should be changed every other week, according to Monica. However, she mentions that this is delayed on occasions. The display can be arranged by anyone working at the store, and on one occasion, a representative from the Swedish brand Filippa K arranged a storefront window at Våran Kåk with its clothes and accessories (E. Runsten, personal communication, 2015-04-09).

### 4.2.3.2 Fashion shows

The store has participated in different local fashion shows, both for non-profit organizations such as Save the Children Sweden and the Red Cross Sweden as well as the annual student arranged fashion show Spring Inspiration. The local show for the Red Cross Sweden has given immediate feedback on the occasions that they have participated, in the form of people coming in to the store and asking about the garments showed. The response is not as apparent from Spring Inspiration, Monica said. (M. Hernodh, personal communication, 2015-04-08)

### 4.2.3.3 Social media

The company uses Facebook to communicate news in the store to their customers, as well as letting *"the world and little Sweden"* know about the store (E. Runsten, personal communication, 2015-04-09). The Facebook page is handled by her employees, Monica explains (M. Hernodh, personal communication, 2015-04-08).

Våran Kåk have also used it to post a competition, where the winner received a Barbour jacket. This competition gave a great response and the store got many new followers on their Facebook page (E. Runsten, personal communication, 2015-04-09). The Facebook page is viewed as something positive, Emilia said during the interview when describing the purpose and response to the company's Facebook page.

When asked if they do in fact notice a difference in sales of the garments shown on the Facebook page, Emilia answered *"yes, we do actually. A lot of times customers whom have seen the garments that we have posted on there get inspired and come to the store and ask about them"* (E. Runsten, personal communication, 2015-04-09).

According to Emilia, the main reason for that the company's activity on Instagram to come to a halt is that she lost the password for the account. However, she did also state that one contributing factor is that the company has focused on using their Facebook page more than Instagram. Moreover, she also said that she is thinking of starting a new Instagram account for the store due to this, so that they can post pictures there too.

### 4.2.4 Sales

The people working at the store have a collective goal to beat their monthly sales compared to the same month the year before. In the interview with Emilia, she mentioned that this is something that she, Monica and their colleague are usually able to do.

In order to avoid excess stock at the end of the season, Monica is careful not to order garments that she feels will not sell well in Jönköping. She thinks that this precision is made possible due to her and the store's long experience in the Jönköping area. However, she mentioned that it does happen that they do have excess supply that they have to mark down on occasions. (M. Hernodh, personal communication, 2015-04-08).

*"They get someone who is from Jönköping, that knows how it works here and that know their customers. If you are part of a chain, it is the same everywhere. In Helsingborg for example, you may sell some things and in Stockholm, you sell a completely different fashion. If you have a local abutment, you get to know the style and your customers, and what they want. Here you cannot sell too bohemian things while in Helsingborg anything bohemian is saleable."*

- Monica when asked what their customers receive at Våran Kåk that they will not get at a chain store (M. Hernodh, personal communication, 2015-04-08).

### 4.2.5 Relationships

The store has 38 years of experience under the management of Monica and her husband Anders, and a lot of the returning customers have been shopping at the store for 20-something years, Monica said. This long experience in the market has made it possible for Monica and her employees to build individual relationships with their customers. These relationships are valuable to the store as it helps them to make educated decisions regarding what supply the store should carry in order to avoid the excess supply mentioned above. (M. Hernodh, personal communication, 2015-04-08)

*"We have experience I suppose. We have been around for so long now that we know. We are very careful in our purchases and may be more comfortable in saying no to suppliers that come here to show clothes. If it is a collection that one does not like it is not hard to say no. If one is new it might be harder."* Monica said when asked why she thinks that Våran Kåk is more profitable than most other privately owned stores in the Jönköping area. She also mentioned that a good relationship to the suppliers is important, and if you do not have a good relationship with a supplier you may as well switch, as there are so many good ones out there, there is no point in keeping one that is not serious. (M. Hernodh, personal communication, 2015-04-08)

In order to build these relationships and gain loyalty from customers, the clerks at Våran Kåk are not just courteous, but also try to be curious about their customers (E. Runsten, personal communication, 2015-04-09). This does not only include conversations regarding clothes and fashion, but might as well be about something that is not relevant to their visit to the store.

### 4.2.6 Motivation

According to Emilia, she is motivated by the fashion influence in her job. In addition, returning customers as well as making a customer happy motivates her (E. Runsten, personal communication, 2015-04-09).

When asked how the company gives feedback to their employees on their customer service, Monica answered: *"our personnel is so attentive, they work here because they think it is fun. We have friendly customers and that makes the personnel excited."* (M. Hernodh, personal communication, 2015-04-08).

### 4.2.7 Layout of the store

Within the store, many factors play into the layout. As the store carries multiple brands, one important factor is to make sure it is arranged on a brand-by-brand basis and not mixed, just like in the display windows mentioned above. Moreover, certain items were mentioned by both Emilia and Monica as items that they need to keep an extra eye on due to the risk of theft. They are also careful to match colours within the store, something that Monica is very good at according to Emilia. Monica also mentions that moving clothes around can give the impression that it is all new, as most customers usually take the same route around the store. When asked what kind of layout that result in the most sales, Monica mentioned tables. However, she also mentioned that it is a display alternative that takes up a lot of space (M. Hernodh, personal communication, 2015-04-08).

### 4.2.8 Competition from e-commerce

As the possibility to shop online increases, as well as the selection, Monica and Emilia were asked if they have noticed an increase in competition due to this. Monica said that she has noticed it in a few ways; some customers try on clothes in the store but decide to buy them online, some due to the reason that they can chose an instalment alternative, moreover, some come to the store to show items they have bought online, and been unfortunate to buy fake items.

### 4.2.9 Future ambitions

During the interview, Monica was asked if Våran Kåk has ever considered opening up an online store. She said that it is something they should consider, however she gave the impression that it is not something they have thought seriously about before. However, they have considered expanding to other cities before: *"it was one of our suppliers that wanted us to open stores together that he would pay for and I would do the purchases, but the family had to come first instead, as it would take too much time."* Monica said about their previous expansion plans, and also mentioned that after this she has had no plans of expansion after that (M. Hernodh, personal communication, 2015-04-08).

## 4.3 Observations

### 4.3.1 Servicescape

#### 4.3.1.1 Våran Kåk

The store's display windows offered manikins displaying certain styles by which one could get a clear impression of what type of apparel the store was offering as well as an idea of a certain look or style that one might be interested in.

During all of our visits to the store, the music was calm with a slow rhythm in harmony with the lyrics. The volume of the sound was low but well noticeable. However, there was no problem to have a conversation without the music causing any disturbance.

Regarding temperature, air quality and odour, we could not distinguish any specific sensations other than it feeling neutral, i.e. normal temperature, fresh air and no significant

odour. The layout offered a very good overview of the store's environment, where it was easy to notice how the store was planned as well as finding and addressing personnel if desired. In addition, the store's environment enjoys very high ceilings, large windows together with good lighting, which results in a very bright experience without it being at all excessive. In addition, the overall store environment was perceived as carefully composed, neat and clean.

The interior offered wooden floors and wooden shelves. One wall as well as the checkout counter was made out of bricks. All of the walls except the fitting rooms and the checkout counter were equipped with clothes racks, which offered a simple overview of the apparel offered. There were several mirrors inside the store, whereof one was a handheld mirror, for the customers' convenience. There were six fitting rooms, which in relation to the store's size, was perceived as sufficient in regards to servicing many customers at once. In several open floor areas, the store offered tables displaying different apparel and accessories where one could imagine a certain look or style that they might want to convey.

All apparel and accessories were divided, so that each brand had its own section, where clear and stylish signs assisted the customers in finding each brand. There were a few paintings and ornaments in the store, but we could not perceive any clear connection or theme between them and the store or its selection. It should be noted that these objects were not excessive in size or style, meaning that they did not steal any attention from the store's offerings.

One could notice that the store had taken precautions regarding security towards theft of goods, since there were alarms on all apparel of significant value as well as surveillance cameras strategically positioned in order to get a good overview of the whole store.

### 4.3.1.2    Store I

Outside of the store, it offered a clear sign displaying that they were having a sale of selected apparel. The display window did not offer any manikins, but metallic racks from which the apparel was hanging. When we performed our observation of store I, they played a Swedish commercial radio channel with contemporary pop music between short advertisement breaks. We noticed that store I had a  bit high sound volume. One might have to raise one's voice a little bit, but there was not such noticeable disturbance when interacting with the personnel or others inside the store that one felt it to be too strenuous. However, when the advertisement breaks were playing it felt a bit disturbing, since they tended to be louder and not harmonized. In regards of air quality, odour and temperature, there was no distinguishable sensation other than the sensation being neutral.

The layout of the store offered an impression of being a bit compact. The overview was not clear or without disturbance due to pillars placed throughout the store, which most likely are not possible to remove due to of the building's architectural nature. There was also an additional room with apparel and fitting rooms, which one could not see directly from the entrance.

The store offered a more industrial impression with dark wooden floors, metallic tables and dark grey concrete walls. The black ceiling was probably two and a half metres in height, which also contributes to the impression of the store being more compact. Store I also had small to medium sized windows, which can serve as an explanation to the store feeling darker and not bright at all. The checkout counter was located some distance from the entrance, which did not provide the same simplicity of being greeted by personnel, if they had customers at the checkout, as if it would have been located closer to the entrance. All of the walls, except the fitting rooms and checkout counter, inside the store were filled with apparel and accessories from the floor to ceiling, which provided an impression of the store offering a lot of merchandise as well as a wide selection.

The store did not offer any mirrors other than the ones that the fitting rooms were equipped with, which made it harder to visualise yourself with different apparel if one did not go to the fitting rooms which was located farthest in inside the store.  There were six fitting rooms, which were perceived as sufficient in regards to the store's size. In all open floor areas, the store offered tables with apparel. One could not see if there was any specific planning where they wanted to portray a certain look or style since there was simply too much on each table. However, they were all neatly organized and everything was folded properly. Some brands were constricted to a certain area, while some could be found throughout the store.

There was no perceivable planning regarding different categories or such, so it was not that easy to know where to look if one was looking for something in particular. There were some metallic signs and ornaments placed throughout the store, which further strengthened the industrial impression. However, they did not distract from the merchandise inside the store.

### 4.3.1.3     Store II

Store II is located on the second floor of a wooden building; hence, there is low visibility of the store's interior and offerings from outside on ground level. Outside of the building, on the ground floor, there is a banner with the store's logo, and one can see some manikins in the windows on both the ground floor and, if looking up, on the second floor as well.

Inside the store, the temperature and air quality were perceived as normal, and the odour could be described as neutral. In the speakers, relaxed music was playing with a volume that still allowed for a normal conversation. When considering the visual elements, one could observe a very light environment. At the time of visit, a sunny day, the many and large windows let in plenty of natural light. The whole store was made up of bright, mostly white, colours in regards to the furnishings, while the floor consisted of stone tiles in a dark tint. One small notice should be given to the great sea view that was visible through a massive window, stretching from the floor to the ceiling and was approximately 5 meters wide. The overall impression of the atmospheric dimensions was bright, positive, tidy and well organised.

In regards to layout, as soon as you enter the store you have the men's department to the left, the women's department and the fitting rooms to the right, and the checkout in the

middle. Along the walls, apparel of different types – mostly jackets, shirts, and dresses – were hanging. In the open areas, they had white wooden tables with apparel sorted by brand, which were not overloaded but rather gave a clean impression. On some of these tables, decorations were displayed, e.g. empty glass bottles and fashion magazines. In addition, small portraits of people wearing fashionable apparel could be found on shelves and tables. In each department, there was one large mirror each for the customers' use besides the mirrors in each of the six fitting rooms.

When it comes to signage, it was rather sparse. For example, to be more specific, there were no signs for the separate men/women departments, the fitting rooms, or the checkout. However, due to the size of the store and the obvious division of store sections this would probably have been unnecessary and only contribute to the addition of atmospheric noise. The few signs that could be noticed were the ones on tables designating the brands.

The store gave the overall impression of being bright, clean and modern in its furnishing. Further, due to the layout and cleanliness, it felt carefully organised and provided a positive service environment.

### 4.3.2    Mystery shopping

In order to gain an insight of the customer service at Våran Kåk, we implemented a mystery-shopping mission, meaning that one of us went to the store and pretended to be just a normal customer while observing the employees at Våran Kåk. This was done during the afternoon of the Saturday after payday in March (2015-03-28).

Two other local and privately owned stores were used for comparison, Store I and Store II. The mystery shopping at these two stores was done during lunchtime on the 2015-04-15, which in contrast to the mystery-shopping event at Våran Kåk was not on a payday Saturday. Due to this, there were less people out shopping than on the date of the Våran Kåk mystery shopping.

#### 4.3.2.1    Våran Kåk

The impression of the level of professionalism during the visit was that the clerks at Våran Kåk are professional yet relaxed in their interaction with customers. In order to somewhat test the level of knowledge about the garments, the mystery shopper asked for a conversion of a British size to European, as that is the size system used by one of the brands carried by Våran Kåk. The clerk could answer this question without pausing for thought. This gave the mystery shopper the impression that the clerk's amount of knowledge about the store's supply was eminent. The general impression of the employees at Våran Kåk during the visit was that they cared about whether their customers were happy with their purchase or not. This was shown by phrases at the register expressing hope for the customer to feel confident about the purchase. All the employees present at the time of the visit were courteous without being all that formal, as mentioned above; they were relaxed in their interactions with customers.

The first greeting was not made instantly, which can be explained by the number of customers in the store; all the clerks were busy when the mystery shopper entered the store. The Saturday after payday is known to be one of the busiest days in this industry usually, which is the reason this date was chosen for the mystery shopping experiment. However, after the first greeting, the clerks were attentive all through the mystery shopper's visit at the store, especially during the time the mystery shopper spent in the fitting room. The clerk helping the mystery shopper gave a sincere impression in her comments about fit of the garments, while only pointing out the positive aspects of the fit.

When the mystery shopper was trying on a dress that did not fit, one of the clerks immediately offered to go and get another size. Moreover, assistance such as help with a zipper out of reach in the back, as well as a mirror to use in order to be able to see the garment from behind was offered without the mystery shopper having to ask for it, with exception for the first time when the mystery shopper asked for help with the zipper.

### 4.3.2.2  Store I

The first greeting was done immediately after the mystery shopper entered the store. There were two female clerks on duty at the time of the visit. One of them was very quick to show an interest in whether the mystery shopper was looking for something special. She was alert in her helping the mystery shopper, and it was obvious that she knew the supply at the store well.

Once the mystery shopper mentioned what kind of jeans she was looking for, it took the clerk only one or two minutes to find four different pairs that all fit the description given. While doing this, she was still very attentive in making sure that the mystery shopper had a good time by engaging in small talk. Beside the four pairs of jeans that fit the description, the clerk also showed a pair that she thought the mystery shopper would still like, even though they did not fit the description as much as the other four pairs. She showed understanding when the mystery shopper described her common issue when it comes to jeans fit and made an effort in finding a pair that would work as a solution to this problem.

The clerk helped the mystery shopper from the point of entering, while in the changing room and until the exit of the store. She was attentive to what the mystery shopper said she was looking for and made an effort in helping the mystery shopper finding this. Moreover, the help the mystery shopper received regarding the size and fit of the jeans showed that the clerk had not only considerable knowledge of the supply in the store but also of jeans fit. She gave good tips of how one can make sure that a pair of jeans is a good fit, even if one only tries them on for a few minutes in the changing room.

### 4.3.2.3  Store II

The clerk greeted the mystery shopper upon entrance to the store, while on the phone. This fast greeting can be explained by the layout of the store; right after entering the store one has to go up a flight of stairs before actually seeing any of the merchandise. Opposite of the top of the stairs the register was located, where the busy clerk was standing when the mystery shopper entered the store. There were no other customers in the store; however,

besides the first greeting the clerk did not interact or even pay any attention to the mystery shopper for a few minutes, this was probably due to the phone call. While on the phone, he was walking around the store as if looking for what the person on the phone was talking about, and he seemed rather stressed.

Once the clerk had finished the call he approached the mystery shopper and started a conversation by asking *"are you looking for something in particular?"* However, the clerk's level of enthusiasm was perceived as low, and even though there was no other customer in the store, the clerk gave the impression of being too busy to help out. This lack of interest from the clerk did not increase the interest that the mystery shopper had for the store, rather the opposite. If it was not for the mission of the mystery shopping and the fact that it was raining quite heavily outside, the mystery shopper would have felt no reason at all to stay in the store even a minute longer.

### 4.3.3   Facebook

The company provides the following information about themselves on their Facebook page: opening hours, store location address and phone number. The amount of likes on 19th March 2015 was 9 914 (Facebook, 2015).

The company posts pictures of products accompanied by information such as brand and price in their Facebook news flow. Clothing products are, for the most part, photographed on a hanger, or folded. In some rare cases, the clothing is presented through a press photo from the designer, in which case the clothing is presented on a model. Moreover, the company presents its window display or store interior in its news flow; however, these pictures are not accompanied by information on brand and price. The company has also posted two videos, featuring garments with music in the background. The description of these two videos provides information about the brand, but not price as in the pictures.

Våran Kåk posts pictures in their Facebook news feed approximately every third day. When analysing their latest posts, the range of users who have pressed the 'like' button on these pictures varies from four to 49 per picture.

As a user of Facebook, one can grade companies on their Facebook sites. Våran Kåk's grade is 4.3 out of 5 stars, an average from a total of six user's grades. In addition, Facebook users can add a comment to these grades, which only two of these users have chosen to do. One praises the company for making a delivery to Landskrona, Sweden, and gave the company five stars, the other one complains about how the store clerk did not answer a question regarding if a garment was made out of real or faux fur and graded the company with one star, i.e. the lowest grade available as one cannot grade a company with zero stars (Facebook, 2015).

# 5    Analysis

Below, we will present a model for successful micro business retailing. It should be interpreted sequentially going from left to right. The model is based on the empirical data we have gathered, which we later on have analysed through the theoretical framework, and it describes how service, relationships, and loyalty in micro business retailing are interconnected like cogs in machinery. When micro retailers act and behave within the frames of this model, they ultimately reach customer loyalty. When reaching that point, the possibility of being successful and remaining competitive is increased.

The first cog contains four drivers, acting inside the servicescape, that are essential in providing good service. Naturally, we call this the service cog. Once these drivers exist, the next cog can be put in motion. The second cog encompasses three steps regarding relationships and it is based on outcomes related to the four drivers in the service cog. This one is called the relationship cog. Ultimately, if relationships are handled properly and effectively they make the third and last cog, spin. This is the loyalty cog, essentially an outcome of strong relationships with stakeholders, which micro retailers should strive for to activate in the long run.

In this analysis, we will present the three cogs more in-depth to give the reader a better understanding of what they mean, what they include, and how they relate to each other.
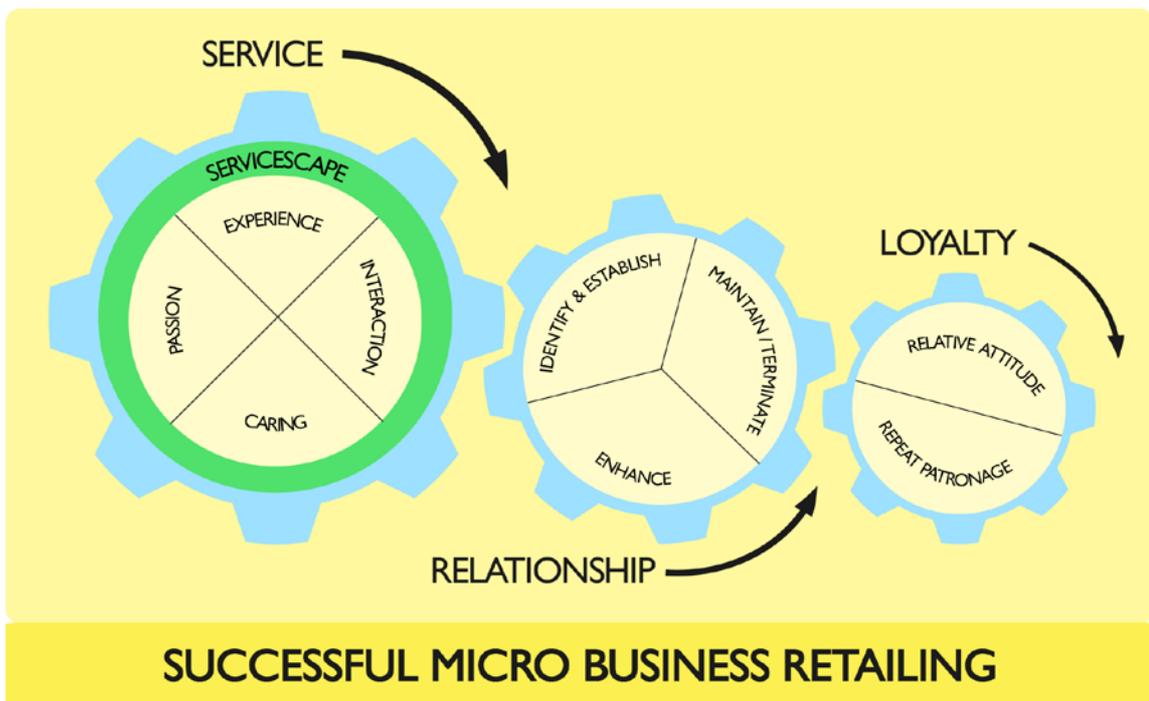
## 5.1 Service Cog

### 5.1.1 Experience

#### 5.1.1.1 Extensive Involvement

By being involved within a specific industry for an extensive amount of time, we believe that decision makers gain a specific type of experience, which is difficult to acquire without having that time spent within that industry. Monica has 38 years of experience in managing Våran Kåk, which has given her specific knowledge in areas such as what type of apparel that is desirable by their target audience as well as within the Jönköping area. Another aspect that her extensive involvement has provided is the importance of deciding when to maintain and when to terminate relationships with specific suppliers. There is a belief that less experienced decision makers might find it harder in terminating harmful relationships (M. Hernodh, personal communication, 2015-04-08).

It has also developed the importance of understanding what areas of the store that are superior in resulting in the most sales. We find support in Grönroos' (2007) list of factors that are important for good perceived service quality, which discusses the importance of professionalism and skills, where the underlying principle is that the customers feel that the service provider possesses the knowledge and skills that are required in order to solve their problems in a professional way. This can be supported by not only the claims made by Monica Hernodh about recognizing their customers' needs, but also by the expertise given to the mystery shopper when quickly converting the size of an item of apparel from British to European.

Expertise is further highlighted as an essential quality within Palmatier's et al. (2006) framework over factors that influence the effectiveness of relationship marketing. An expertise that we believe has been acquired by Monica Hernodh and Våran Kåk through extensive involvement.

#### 5.1.1.2 Employee Empowerment

In order for the workforce to develop and ultimately gain experience within a given field, we believe that it is important that they receive proper training within the organisation. At Våran Kåk, they implement employee empowerment by involving them in all day-to-day activities such as letting them engage in important purchase decisions. They also educate the personnel in the brands that are offered by the store as well as educate about the nature of different fabrics. To help their personnel strengthen bonds with returning patrons, Våran Kåk introduces their personnel to them by letting their patrons know who they are and explaining whom they are replacing. It helps to strengthen the reliability and trustworthiness as well as helping to create positive attitudes and behaviour in order to strengthen the perceived service quality described by Grönroos (2007).

Further, these activities help in regards of maintaining and enhancing relationships with their customers, which is a part of the relationship marketing theory according to Grönroos (2000). Lastly, these activities can also be linked to Palmatier's et al. (2006)

strategy of relationship investment, which is an important factor for building trust when it comes to influencing the effectiveness of relationship marketing.

### 5.1.1.3    Feedback

Feedback, both positive and negative from both management and customers is an important component in regards to gaining experience as it helps the personnel to develop their knowledge and learn from different experiences. Ultimately, this feedback aids to further develop the professionalism and skills, which Grönroos (2007) presents as a factor of good perceived service quality. When personnel receive feedback that either enforces or dissuades a specific activity, the personnel learns from it and gets more knowledgeable on how to perform that activity in the future.

## 5.1.2    Interaction

According to Palmatier et al. (2006), communication is one of the most effective factors regarding the influence over the effectiveness of relationship marketing. Våran Kåk has a very developed strategy where they communicate with their customers in many different ways.

### 5.1.2.1    Social media

Facebook is an important tool that Våran Kåk uses to interact with their customer base, which the company perceives as something positive (E. Runsten, personal communication, 2015-04-09). It increases their accessibility (Grönroos, 2007) as customers get the chance to interact with the store although not physically being in it. One can also see how Våran Kåk's activity on their Facebook page aids them to acquire new customers (E. Runsten, personal communication, 2015-04-09). It is also a good platform for Våran Kåk in regards to enhancing the relationship with their customers as supported by Sashi (2012) and de Vries et al. (2012).

### 5.1.2.2    Flexibility and service recovery

Through social media, telephone and e-mail, Våran Kåk offers a wide range of possibilities for their customers to contact them. Due to these possibilities, Våran Kåk is very flexible in regards of providing valuable service for their customers. Customers that are not located in Jönköping have the possibility to contact Våran Kåk and purchase goods from a distance, proving how Våran Kåk invest in and care about their relationships with their customers. One can find support of this strategy in Palmatier's et al. (2006) framework where relationship investment is a very effective factor within relationship marketing. It also increases the accessibility (Grönroos, 2007) for the customers, as they can buy Våran Kåk's goods from a remote location. We believe that this further strengthens the reliability and trustworthiness (Grönroos, 2007) that customers feel towards Våran Kåk, since Våran Kåk keep their promises as well as taking the customers' best interest into consideration.

### 5.1.2.3    Dialogue

Våran Kåk tries to keep an on-going dialogue with their customers both online and in-store (E. Runsten, personal communication, 2015-04-09). Examples of this can be identified in

the introduction of new personnel to key customers and suppliers as well as the personnel talking with their customers about more than just the goods offered by the store. We believe that this is essential when developing reliability and trustworthiness (Grönroos, 2007), as well as serving as proof of relationship investment (Palmatier *et al.,* 2006), since Våran Kåk really tries to get to know their customers in order to serve them in the best possible way and also increasing the experience of shopping there as a whole. We believe that it also increases the relationship quality, which has a great influence on objective performance (Palmatier, 2006).

### 5.1.3   Passion

As a part of the service cog, the passion driver plays its part as a driver towards commitment and self-motivation, which will be discussed later in the text. In order to have passion for something, we have found that two inputting factors have to be present: a personal interest and autonomy.

#### 5.1.3.1     Personal interest

By having a personal interest for the industry, service or product that the business is involved in, a manager or employee of a micro retail business has an increased chance of achieving the passionate drive in their involvement in the business every day activities. In our findings, this is evident in the description that is given by the employee of what they have found to be a motivating factor for doing a good job: personal interest is part of what makes them motivated at work (E. Runsten, personal communication, 2015-04-09).

Another indicator of this is attitudes and behaviour in Grönroos' (2007) list of important factors for good perceived service, as a personal interest in the industry, product or service as well as in helping customers will increase the probability to have a positive attitude and good behaviour while interacting with customers in the servicescape.

#### 5.1.3.2     Autonomy

In order to achieve the passion driver, one needs to have the ability and freedom to make decisions, sometimes without having to ask for permission. This helps in the strive for good perceived service, as it increases the opportunity for the employee and the business to be flexible (Grönroos, 2007). This in turn will lead to an increase in the level of perceived service, as flexibility is one of the contributory factors for this.

According to Mageau et al., (2009), there are two types of passions: harmonious and obsessive. Their research has shown that children who have an environment that supports their autonomy have an increased chance of developing a harmonious passion. On the other hand, children who *"rely heavily on their activity for self-definition, and whose parents highly value the activity are more likely to develop an obsessive passion"* (Mageau et al., 2009, p. 601).

### 5.1.4   Caring

Just as the passion driver, the caring driver is a part of the service cog. The caring driver plays its part as a driver towards gratification, positive connotations as well as it drives sales, which will be discussed later in the text. By having a caring nature, a service provider

employee will have an increased chance of making their customers feel as if they are being treated by an employee with good attitude and behaviour, something that Grönroos (2007) mentions as part of building good perceived service.

### 5.1.4.1    Helping customers

When it comes to the activity of helping customers, this behaviour has been shown to be effective, as demonstrated in Grönroos' (2007) list mentioned above, if this is done in a way that shows that the service employee's attitude and behaviour is positive.

In our findings, it is evident that the employees at Våran Kåk not help customers for the sake of profit, but because they receive personal satisfaction from the activity of helping their customers (M. Hernodh, personal communication, 2015-04-08). This can be seen both in the mystery shopping as well as in the interviews.

### 5.1.4.2    Helping business

By having a collective sales goal instead of personal ones (E. Runsten, personal communication, 2015-04-09), the organisation decreases the risk of competition in between employees. Instead, they work toward a common business-wide goal as a team effort.

### 5.1.4.3    Helping community

As this thesis' findings mentions, the collaboration with community supporting, non-profit organisations such as Red Cross have shown to be effective as a means of marketing (M. Hernodh, personal communication, 2015-04-08). Moreover, helping the community can increase the trustworthiness of the sincerity of a company.

## 5.1.5    Servicescape

As portrayed in our framework, the servicescape is not a driver of good service, but rather a facilitator of it. Hence, we put forward the idea that the four drivers of service act inside of the servicescape. We want to emphasise though that one component cannot make it without the other. We believe that a great servicescape cannot make the service cog without the four drivers, or vice versa.

Below follow certain characteristics we have identified through our empirical work that we claim are important when it comes to the servicescape. Throughout this thesis, the focus has solely been on the physical dimension and it will continue in the same manner. Due to the purpose of the study and design of the empirical investigation, we have not attempted to answer questions regarding the other dimensions.

### 5.1.5.1    Scan ability

With scan ability, we refer to ability to easily overview the store's physical environment. Why this is important, from a customer perspective, is because they should be able to understand the layout logic; how the sections are designed and relate to each other, and more importantly, where personnel are located so that help can easily be obtained if desired. This is supported by Rosenbaum & Massiah (2011) who claim that space influence

consumer approach/avoidance decisions, and that functionality of the store's physical items facilitates the service exchange process and improve customer support.

From the retailer's perspective, scan ability is important so that customers always can be greeted as soon as they enter the store. Both of our interviewees explained that doing this is one important factor in providing good service. Furthermore, because of the risk of theft, scan ability is an advantage in supervising possible suspect behaviour. It can be assumed that the majority of retailers, no matter the size, care about theft. However, for a micro retailer theft of expensive products is something that can affect the bottom line in a more hurting way.

### 5.1.5.2 Ease of trial

After analysing our empirical work, we consider ease of trial being an important factor for a positively perceived servicescape. Ease of trial means that customers are able to try the store's products without any major difficulties. In the specific situation of apparel retailers, such difficulties could for example be limited access to fitting rooms, apparel being locked to garment racks so that personnel have to come and unlock it etc. Accessibility to the service (which trial of apparel is a part of) is a factor of the servicescape that influence the consumers' approach/avoidance decisions (Rosenbaum & Massiah, 2011).

For all three stores we observed, we noticed that they all had six fitting rooms; enough when considering the size of the stores and their customer traffic. Moreover, Våran Kåk and one comparison store also had mirrors in the open areas, further making it easy for customers to try apparel in a simple and effortless way without any help from personnel. The only instance that made trial of apparel hard was that the most expensive apparel, Barbour jackets, were hanging on the wall behind the checkout counter. According to the storeowner, this was due to the higher risk of theft.

### 5.1.5.3 Variety

Another factor we found that might play a notable role in regards to the servicescape is variety. We do not refer to variety as in 'huge assortment' of apparel, but rather variety in the context of layout/design of the store's products. Harris & Ezeh (2008) confirm that customers sometimes engage in variety-seeking behaviour; not because of dissatisfaction, but usually from boredom. They continue by claiming that this behaviour affects the impact of the servicescape on loyalty intentions in a negative way. In the specific case of Våran Kåk, they try to change and move the apparel around every second week or so. The storeowner said that since most customers usually take the same route around the store, moving things around could give the impression that it is all new (M. Hernodh, personal communication, 2015-04-08).

## 5.2  Relationship Cog

### 5.2.1  Identify and establish

Through our empirical research, we found seven components that are the results when identifying and establishing new relationships with stakeholders.

### 5.2.1.1 Knowledge

As Grönroos (2000) used identify and establish in his definition of relationship marketing, we believe that it is important for a company to possess the essential knowledge regarding how to identify and establish new relationships with important stakeholders such as both customers and suppliers. Since Palmatier et al. (2006) also describes expertise as one of the most effective factors within relationship marketing, the claim for knowledge to be important is further supported. Våran Kåk has gained the knowledge to be more curious about their customers when interacting with them, in order to identify and eventually establish new relationships with customers (E. Runsten, personal communication, 2015-04-09).

### 5.2.1.2 Expanded customer base

When identifying and establishing new relationships with customers, we believe that Våran Kåk ultimately gains a larger customer base. By the use of their Facebook page, Våran Kåk get more likes by performing different activities such as competitions (E. Runsten, personal communication, 2015-04-09). In addition, we believe that Våran Kåk's interaction with new customers visiting the store also results in a larger customer base, for example when being curious about their customers, as described above (E. Runsten, personal communication, 2015-04-09). We believe that Våran Kåk's increases their accessibility (Grönroos, 2007) and therefore more people get access to Våran Kåk's offerings.

### 5.2.1.3 Increased sales

We believe that expanding ones customer base leads to increased sales. As stated during the interview, Våran Kåk has noticed a difference in sales of garments that they present on their Facebook page (E. Runsten, personal communication, 2015-04-09). Also, since Våran Kåk have a certain flexibility (Grönroos, 2007), they sell goods to people that contact them via phone, e-mail or through Facebook (M. Hernodh, personal communication, 2015-04-09).

### 5.2.1.4 Commitment and self-motivation

In our findings, one can conclude that Våran Kåk is very committed to providing good service throughout their whole visit in the store as well as when the customer is in a remote location (M. Hernodh, personal communication, 2015-04-08; E. Runsten, personal communication, 2015-04-09). Making their customers happy is always a goal and something that is a part of their self-motivation at Våran Kåk, since they feel that they receive gratification through it. Further, Emilia explains that her great interest in fashion is a big driver in why she is working at Våran Kåk (E. Runsten, personal communication, 2015-04-09). Monica supports this claim when she describes the personnel working there because they think it is fun and at that they always are excited (M. Hernodh, personal communication, 2015-04-08). Our observation during our mystery shop also supports these claims as the mystery shopper could recognise the personnel's commitment in servicing the mystery shopper throughout the visit. According to Palmatier et al. (2006), commitment is effective in aiding the enhancement of relationships, where relationship investment is an effective strategy in regards to building stronger relationships.

### 5.2.1.5 Customer autonomy

By customer autonomy, we mean the possibility for the customers to enter the store and make a purchase with the least amount of assistance from the store personnel possible, if the customer desires that. In our observation, we noticed that Våran Kåk has a proper amount of fitting rooms in relation to the size of the store. In addition, they had clear signage of each brand section, so that customers simply could identify each brand from a distance. Våran Kåk always presents their will to help their customers, but also explains that some customers want to be by themselves. We find support for this in Grönroos' (2007) factor of accessibility and flexibility as Våran Kåk adjust themselves according to their customers' wishes and by having several fitting rooms and pricing displayed on all goods. Våran Kåk's customers can identify the great accessibility and freedom of being able to browse and try their offerings without any assistance at all. The only time they would need assistance is when making an actual purchase.

### 5.2.1.6 Positive attitude

Grönroos (2007) describes the importance of attitudes and behaviour, so that customers feel that the service personnel display an interest in solving their problems in a friendly and spontaneous way. In our interviews, Våran Kåk describe their will to always provide a brilliant service experience (M. Hernodh, personal communication, 2015-04-08), a claim that our mystery shop also can concur with. In addition, it is described as an important factor to always be happy and nice when trying to service their customers (E. Runsten, personal communication, 2015-04-09). Våran Kåk mentions how they also receive positive attitudes as a response to their service approach (E. Runsten, personal communication, 2015-04-09).

## 5.2.2 Maintain or terminate

### 5.2.2.1 Proactive

By being proactive, as an outcome of experience, in one's business decisions, one can easily overview, as well as take action in, which relationships that one should maintain and which ones to terminate. As seen in the findings of this thesis, for example, having a good relationship with the suppliers one is working with is important (M. Hernodh, personal communication, 2015-04-08). Moreover, if you do not have a good relationship with your supplier you may as well switch, as seen above (M. Hernodh, personal communication, 2015-04-08). This is further strengthened by Palmatier et al (2006), who states that *"conflict is larger in magnitude than the positive effect of any relationship marketing strategy"*. In this decision, one needs to be proactive; 'time is money' and the longer one waits with taking action in whether to maintain or terminate a relationship that is not resulting in profit, the more money one will lose.

### 5.2.2.2 Knowledge

In order to make the right decisions regarding which relationships to maintain and which ones to terminate, one needs enough knowledge about what consequences the different outcomes of that decision can have. This knowledge origin in field experience, which can lead to expertise, something mentioned by Palmatier et al. (2006) as one of the two most

effective strategies in relationship marketing. Without sufficient knowledge, one can only make conjectures about these outcomes. For example, the manager at Våran Kåk has used her knowledge in the field when deciding which supplier relationships to terminate and which ones to maintain (M. Hernodh, personal communication 2015-04-08).

### 5.2.2.3  Confidence

Another important characteristic that one needs in order to make educated decisions is confidence. Together with being proactive and having knowledge, confidence will help the micro business manager, and employees too for that matter, to make decisions that they will not regret later. Of course, this does not mean that they will never make mistakes. Confidence will increase the impression of professionalism, as it will make the customers feel as if the service provider has the skills necessary to figure out a solution to their problem (Grönroos, 2007).

Further, as shown in the findings, even though the manager of Våran Kåk has almost 40 years of experience, she still makes occasional errors in her estimates of the amount of stock needed of certain products (M. Hernodh, personal communication, 2015-04-08). Moreover, even though these three characteristics do not result in an unimpaired strategy for relationships or anything else for that matter, they do assist in making as educated guesses as possible.

### 5.2.2.4  Customer knowledge

Derived from interaction with one's customers, one will receive information about what the customers are looking for in the product or service that one's business is providing them (E. Runsten, personal communication, 2015-04-09). The specific customer knowledge needed varies, depending on which industry one is in. However, certain things such as accessibility and what factors that will make them trust one's business are usually important, which both can be found in Grönroos' (2007) list of factors for good perceived service. When it comes to accessibility, one needs to take into consideration when and where one's customers want to be able to purchase your service or product (Grönroos, 2007). Further, in order to know what will make one's customer trust the company, one needs to know enough about the customers and their needs. When one has acquired this information, it will be easier to maintain the relationship with the customers.

### 5.2.2.5  Consistency

When one has a sufficient amount of information about one's customers, again, something that derives from interaction, it is to one's advantage to be consistent. For example, the accessibility in one's opening hours (Grönroos, 2007); if one's customers have expressed that they want to be able to reach your service or product during lunch time on weekdays, and this has been possible in the past, it is not a smart business move to start to use this time for one's employees' and managers' lunch break. Moreover, consistency can lead to customers' increased trust in the company, as they will feel that they can rely on their knowledge of how the business will act. Våran Kåk is consistent by always trying to give as good service as possible, moreover, they maintain the good relationships they have with

their suppliers, as well as terminating the bad ones (M. Hernodh, personal communication, 2015-04-08).

### 5.2.2.6    Commitment and self-motivation

As mentioned above, there are two kinds of passions: harmonious and obsessive. In order to receive a harmonious passion for an activity, or in this case, a business, one needs autonomy. This then later leads to commitment; as the passion for the business is already there, committing will not feel as strenuous as if one was not passionate about the business. Passion is such a strong driver that committing to something that you already have a passion for will come naturally to most people. Therefore, it is important to try to find employees that also feel this drive, something that is shown in our findings (M. Hernodh, personal communication, 2015-04-08). Once one have committed to the business, the customers and other stakeholders, maintaining the relationship with customers and other stakeholders will be possible.

In order to increase commitment, Palmatier et al. (2006) have found relationship benefits, dependence and similarity to be the most effective strategies. Våran Kåk provides relationship benefits for their customers by providing extra services such as sending items by mail to their remote customers (M. Hernodh, personal communication, 2015-04-08; E. Runsten, personal communication, 2015-04-09). Again, as with the other factors explained above, this does not mean that one will be successful for sure, as other factors come in to play as well; some controllable and some not.

As well as with commitment, self-motivation has its source in passion. Motivating oneself in a positive and constructive manner is essential in order to reach success, we believe. Just as with commitment, self-motivation is a common subsequent of passion. Our findings suggest that being motivated helps employees in doing a good job (E. Runsten, 2015-04-10). Being self-motivated will make the decision of which relationships to maintain and which to terminate more apparent to the manager, especially in combination with being proactive, having knowledge and confidence as discussed above.

By caring for one's customers, business and the community, and taking action in this care, one will feel gratified. This gratification will increase one's motivation to maintain the relationship with these stakeholders, we believe.

### 5.2.2.7    Positive connotations

Caring about helping one's customers, business and community will give one's business positive connotations, as caring for these groups is valued by most stakeholders (M. Hernodh, personal communication, 2015-05-08). This will also increase the chance that customers will feel that the company's attitude and behaviour is positive (Grönroos, 2007).

### 5.2.2.8    Accessible

Another outcome of being of caring nature is that one wants to be accessible to one's customers, something that Grönroos (2007) mentions as a factor for good perceived service. In order to maintain one's relationships, with both customers and other

stakeholders, one needs to be accessible to them. Våran Kåk makes sure to be accessible by not only serving their customers while in the store, but also by serving them over the phone and mail (M. Hernodh, personal communications, 2015-04-08; E. Runsten, personal communication, 2015-04-09).

### 5.2.2.9 Positive attitude

By creating a servicescape that fits one's target customers, one will also create an increased chance for a positive attitude in one's customers towards the business, we believe. Since this is, most times, the first thing the customer interacts with when entering a store (Lin, 2004). This will in turn increase the business's chance of profit, as a positive attitude is more likely to result in the customer buying one's product or service. The interviewees at Våran Kåk mentioned that they try to get a feeling of whether a customer wants help or not when entering the store (M. Hernodh, personal communications, 2015-04-08; E. Runsten, personal communication, 2015-04-09), something that indicates that they feel confident in their servicescape's ability to help their customers.

### 5.2.2.10 Drives sales

Another positive outcome of the servicescape is, as mentioned above, that it will drive sales. This is an important factor to the business's relationship with its customers, as it will not be a profitable relationship if they do not purchase one's product or service. In addition, as mentioned above in the definition of relationship marketing (Grönroos, 2000), they have to be mutually profitable, something that is not possible unless one has a sufficient customer base. Våran Kåk works with their servicescape by moving clothes around within the store, in order to create a feeling of the clothes being new (M. Hernodh, personal communications, 2015-04-08), something that will increase the chance of sales, we believe.

## 5.2.3 Enhance

The four drivers of service, acting in the context of the servicescape, also affect the ways that relationships can be, not only maintained, but also enhanced. From our empirical investigation, we identified three factors resulting from the four drivers that all enhance the relationships with customers.

### 5.2.3.1 Knowledge

Knowledge is one of the factors we identified we also consider to be one of the most contributing to the enhancement of relationships. Primarily, it is a result of two of the drivers: experience and interaction. As one gets experience, one also gets an understanding of what does and does not work, how to serve your customers in the best way; tricks of the trade if you will. Also, when you interact with customers, suppliers etc. you receive input that would otherwise have been unavailable. Overall, knowledge makes it possible to always become a little smarter, a little better.

The storeowner of Våran Kåk has 38 years of experience as a manager, and because of this, she knows the city, its people, and its style of fashion very well. Therefore, they can make

decisions that are more educated in regards to what supply the store should carry. Moreover, many of the recurring customers have been shopping there for over twenty years, and so individual relationships have evolved over time, which allow Våran Kåk to serve their customers better simply because they have great knowledge of what they like. In addition to the interviews, Våran Kåk personnel proved their knowledge, also about specific details, during our mystery-shopping mission. When the shopper asked for a translation of a European size to British, the personnel could answer this with zero hesitation.

The notion that knowledge (or expertise) is essential in relationship marketing is supported by Palmatier et al. (2006) who recognised it as one of two most effective strategies to build and influence relationships.

### 5.2.3.2    Customisation

One other factor that enhances relationships is customisation, something we have identified being a result of interaction. By customisation, we refer to the willingness and ability of the retailer to stretch policies and 'go the extra mile' in individual cases.

At Våran Kåk, customers can return a purchase with a full money back guarantee within three days, or exchange it for something else within five days. Nevertheless, both our interviewees mentioned that they have extended this policy under certain circumstances on the customer's request. Furthermore, even though it is not advertised in-store or on Facebook, Våran Kåk has a number of times sent their products over mail to customers. These are examples of customisation that enhances relationships with customers. This is supported by Palmatier et al. (2006) who found that relationship investment, defined as the *"seller's investment of time, effort, spending, and resources focused on building a stronger relationship"*, is an effective strategy in relationship marketing.

### 5.2.3.3    Commitment and self-motivation

Through our analysis, we came to believe that commitment and self-motivation is a result of the passion driver. When one is committed and intrinsically motivated to do something, one naturally wants to perform well in that area; there is really no need for extrinsic motivators. We argue that when this exists, it can enhance the relationship with customers/suppliers.

In the interviews with the personnel at Våran Kåk, we were told that they always strive to provide a brilliant service experience. One of the employees mentioned that she is motivated by the fashion influence in her job, and this could explain her drive to give great service. This is something that the storeowner Monica confirmed: *"Our personnel. They are so excited."* (M. Hernodh, personal communication, 2015-04-08)

Furthermore, the storeowner emphasised that they aim to deliver a good service experience throughout the visit in all the steps involved, and not just in the beginning or the end. This statement aligns well with our experience during the mystery-shopping mission, where the mystery shopper reported that the personnel were attentive throughout the visit, especially

during the time spent in the fitting room. When something did not fit, the personnel immediately went for a better size. If the mystery shopper needed help with a zipper or a mirror to see the garment from behind, assistance was given right away. Making customers happy with their purchase as well as their time spent in the store is something that both the manager and employee mentioned they receive gratification from.

The notion that commitment can help in enhancing relationships is further supported, once again, by Palmatier et al. (2006) who mentioned relationship investment as one effective strategy to build stronger relationships.

## 5.3 Loyalty Cog

Once the service and relationship cogs are in motion, the loyalty cog can start to spin. As can be seen, this cog is the final part of the model. It should be viewed as the outcome when having executed the previous steps properly.

What is customer loyalty? Customer loyalty can be defined as *"the relationship between relative attitude and repeat patronage"* (Dick & Basu, 1994, p. 99). Hence, we have let those two attributes comprise the loyalty cog.

### 5.3.1 Relative attitude

Relative attitude can be described as a function of two attributes: attitude strength and attitudinal differentiation. Attitude strength concerns how strong, negative as well as positive, the customers feel about a particular brand/business/store. Attitudinal differentiation, on the other hand, concerns if the given entity has a clearly differentiated position in the customer's mind (Dick & Basu, 1994).

As an example of the strong relative attitude that Våran Kåk's customers seem to possess towards them, they described that when a new large national apparel retail chain, carrying a similar assortment, had their grand opening in Jönköping in the spring of 2015. The newly opened store offered a 20 per cent discount on all goods during the premiere weekend. Våran Kåk expressed a concern that they might lose customers due to the newly established competition in town.

However, when asking Våran Kåk how it all went, they gave the response *"we did not notice any difference regarding sales in comparison to any other weekend"* (E. Runsten, personal communication, 2015-04-20). When customer loyalty is established, these scenarios are not at all surprising. Rowley (2005) concluded that loyal customers are much less sensitive to price, meaning that they are prepared to pay a premium for the same good.

### 5.3.2 Repeat patronage

The other component of the loyalty cog is repeat patronage. It can best be described as the continuous return of a customer to the service provider (Dick & Basu, 1994). Naturally, a high repeat patronage is preferable and more closely linked with customer loyalty than low patronage.

Due to their extensive involvement, Våran Kåk has established long-lived relationships with customers, some of them dating back more than twenty years (M. Hernodh, personal communication, 2015-04-08). A factor that one could take into account in regards of the repeat patronage at Våran Kåk is their approach to returning customers. Although not having the same personnel at Våran Kåk over the years, its management has always put an effort into introducing its new personnel to their returning customers, and that could lead to the creation of a personal bond between Våran Kåk and its customers, and therefore strengthen the relationship as a whole.

Rowley (2005) states that expenditure and effort on attracting new customers can be reduced once customer loyalty is obtained. Våran Kåk do not spend heavily on the advertisement of the store, their largest marketing effort is targeted towards their Facebook page, which is at no cost (M. Hernodh, personal communication, 2015-04-08).

# 6    Discussion

Although this process has been challenging in many ways, we are very pleased with the end result. We are hopeful that our research can help spark more interest regarding micro retailers and how they can remain competitive in the harsh business climate that is the reality of today. Recently, focus has been shifting towards e-commerce in academia. However, we feel that it is important not to forget that in reality, small retailers still have considerable impact on the economy and society as a whole, which deserve attention from researchers. Below follows our thoughts on our study; what limitations it possesses, its implications, and also our recommendations for future research.

## 6.1    Limitations

However satisfied we are in regards to our findings and creating our own model, we have to acknowledge that there are certain aspects of this study that act as limitations that should be kept in mind by the reader.

Firstly, and perhaps most importantly, our empirical data comes from one single retailer operating in the city of Jönköping, Sweden. Jönköping, being a rather small-sized city with a population of approximately 130 000 people (Jönköpings Kommun, 2015), has certain characteristics that in part are shared with cities of similar size, but also that might be specific for Jönköping only.

Moreover, since our model is based on results from only one case company the generalizability might be limited. In addition, since the company that has been studied operates in the apparel sector - and targets women - our model could primarily be applied to companies that act under similar circumstances. It is not certain that the same service drivers are as important in other industries. For example, we doubt that *variety* in a servicescape in a grocery store would be beneficial for good business. As a customer, the thought of having to figure out where eggs and milk are located several times a month, might not be excessively appealing.

Lastly, it should also be noted that a crucial part of our study is the interviews with the personnel of the case company. As always in interviews, there is a risk that answers could be biased. However, given that the nature of our interview questions were not personal or taboo, we perceive this risk as low. Further, because we implemented the mystery-shopping mission the interviewees' answers could in part verified, which added credibility to them.

## 6.2    Implications

Our hope is that our findings and our model will come to use within both academia and business.

In academia, we have established a connection between service, relationships and loyalty, which hopefully will raise interest regarding this subject and ultimately form a basis for further research.

Previously, research within service management and marketing has mainly been focused on larger companies within other industries such as restaurants and banks. We hope that the results from our study can help widen the research by also incorporating smaller companies in the future. We also hope that future research will focus more on the apparel industry as well.

For businesses, we hope that our model will be perceived as easily understood and that it will be considered as a practical tool that can become useful in regards of identifying what measures one as a retailer can take in order to improve one's business. In addition, some retailers might not know what they are lacking when striving to acquire loyal customers, and hopefully our model can serve as guidance.

## 6.3   Further research

For further research, we recommend others to apply our model in other context in order to see whether it is applicable or not within that context as well. It could be applied on other cities, both larger and smaller, other sectors/industries, e.g. car retailers, and also on micro apparel retailers targeting men. In addition, it would be interesting if further research aimed to understand if there are drivers within our model that should be given more attention than others.

Since our study only focuses on one company, a multiple case study could be applied in order to gain a more in-depth understanding and see if our conclusions are further supported or if our model can be adjusted in any way.

We suggest that further studies could incorporate a comparison with larger companies in order to identify similarities and differences with micro retailers when taking our model into consideration.

In new studies within this area of research, we recommend that others implement a customer perspective in order to gain an understanding if the findings from our study can also be supported from a customer context.

# 7    Conclusions

In this thesis, our aim was to reach an understanding of what it is that makes micro retailers successful in today's business climate. In order to find answers, we decided to conduct an in-depth single-case study of a micro retailer within the apparel sector. The case study consisted of interviews with manager and personnel, observations in-store as well as in social media together with mystery shops.

With this thesis, we contribute to academia with our own developed model for successful micro business retailing. The model describes how service, relationships, and loyalty in micro business retailing are interconnected like cogs in machinery. When micro retailers act and behave within the frames of this model, they ultimately reach customer loyalty. When reaching that point, the possibility of being successful and remaining competitive is increased.

There are three cogs: service, relationship, and loyalty. Since it is a sequential model, it is imperative to understand that the first cog has to be put in motion before the latter can be activated. Within the cogs there are several drivers, steps and factors that we have identified that are crucial in order for micro retailers to be successful.

There are many ways that the research can be developed further; we suggest that others apply our model in other context in order to investigate if it is applicable there as well. For example, it can be used in other sectors, cities of other sizes. In addition, one can also conduct a multiple-case study, in order to investigate the model's accuracy.

In conclusion, the purpose of our thesis was to understand the marketing strategies and tactics of a successful micro retailer, by identifying actions and behaviours that underly their success. We believe that after developing the *successful micro business retailing model,* our purpose has effectively been fulfilled.

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