

# **Factors that Affect the Strategic Choice of Sales Channels**

- A Study of the Swedish Clothing Retail Industry

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**KTH Industrial Engineering  
and Management**

Master of Science Thesis  
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### Abstract

The clothing retail industry has developed globally and is today one of the world's largest industries. In recent years, Sweden has developed a competitive fashion industry, where the new trend in e-commerce is clear. Since e-commerce is a suitable strategy for rapid growth, it is especially important for managers to understand the impact e-commerce has on their businesses. To be able to have the ability to survive in the long-term industrial competitiveness, firms have to continuously improve their knowledge base about the factors that must be considered when choosing sales channels in the clothing retail industry.

In this master thesis we have studied and analysed factors that must be considered when choosing sales channels. A literature review was done, where eleven initial factors that affect the choice of sales channels were identified. Thereafter, to conduct a comprehensive empirical study, we conducted eight case studies with semi-structured interviews with companies in the Swedish clothing retail industry, founded no longer than approximately a decade ago to cover the recent developments in the industry. The empirical study resulted in that six factors from the literature were reinforced and that four new factors were identified. These ten final factors were thereafter analysed from two main perspectives: company focus and consumer focus. Finally, the impact of the final factors on the three different sales channels; online, brick-and-mortar and retailing, was discussed. The ten final factors are: Marketing and Customer Loyalty, High Costs, Customer Behaviour, Outsourcing or Insourcing, Managerial Productivity, Intangibility and Tangibility, Fill a Gap, Customer Experience Control, Spread of Distribution and Type of Assortment. Our contribution to previous research is that this study has a more distinct company focus, and due to the development of e-commerce this study has captured the new characteristics of the industry.

**Key-words:** *clothing retail industry; sales channels; factors; online shop; brick-and-mortar; retailers.*

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# TABLE OF CONTENTS

---

<b>1. INTRODUCTION.....</b>	<b>1</b>
1.1 BACKGROUND.....	1
1.1.1 Problem formulation .....	3
1.2 PURPOSE AND RESEARCH QUESTIONS .....	3
1.3 DELIMITATIONS .....	4
1.4 OUTLINE OF THE PAPER.....	5
<b>2. THEORY AND PREVIOUS LITERATURE.....</b>	<b>6</b>
2.1 INTRODUCTION TO THE THEORY .....	6
2.1.1 Diffusion of Innovation Theory .....	6
2.1.2 Technology Acceptance Model.....	7
2.2 IDENTIFIED FACTORS THAT AFFECT THE CHOICE OF SALES CHANNELS .....	8
2.2.1 Congruity.....	8
2.2.2 Marketing and Customer Loyalty.....	8
2.2.3 High Costs.....	9
2.2.4 Sustainability.....	9
2.2.5 Privacy and Trust.....	10
2.2.6 Customer Behaviour.....	10
2.2.7 Outsourcing or Insourcing.....	11
2.2.8 Organisational Support.....	11
2.2.9 Managerial Productivity .....	12
2.2.10 Intangibility and Tangibility.....	12
2.2.11 Competitive Environment .....	13
2.3 RESEARCH IN THE FIELD .....	13
2.3.1 Consumer preferences.....	13
2.3.2 External company focus .....	14
2.3.3 Internal company focus .....	15
2.4 FRAMEWORK OF FACTORS FROM THE LITERATURE .....	15
<b>3. METHODOLOGY .....</b>	<b>19</b>
3.1 CHOICE OF METHODS .....	19
3.1.1 Classifying the research.....	19
3.1.2 Literature review .....	20
3.1.3 Case study .....	21
3.1.4 Analysis and conclusions .....	24
3.2 QUALITY OF THE RESEARCH .....	25
<b>4. EMPIRICAL STUDY.....</b>	<b>27</b>
4.1 BY MALINA.....	27
4.2 CARIN WESTER .....	28
4.3 GRANDPA .....	29
4.4 HAPPY PLUGS.....	30
4.5 MARVILLE.....	31
4.6 MORRIS .....	33

4.7 OUR LEGACY .....	34
4.8 TRÈS BIEN .....	35
4.9 FACTORS FROM THE EMPIRICAL STUDY .....	36
4.9.1 <i>Fill a Gap</i> .....	37
4.9.2 <i>Customer Experience Control</i> .....	37
4.9.3 <i>Spread of Distribution</i> .....	38
4.9.4 <i>Type of Assortment</i> .....	39
4.9.5 <i>Effect of identified factors from the empirical study</i> .....	39
4.9.6 <i>Framework of factors from the empirical study</i> .....	40
<b>5. ANALYSIS .....</b>	<b>42</b>
5.1 THE MOST IMPORTANT FACTORS .....	42
5.1.1 <i>Reinforced factors from the literature</i> .....	44
5.2 FINAL FRAMEWORK OF FACTORS .....	45
5.3 DISCUSSION.....	48
5.3.1 <i>Factors with a clear company focus</i> .....	48
5.3.2 <i>Factors with a clear consumer focus</i> .....	50
5.3.3 <i>Why certain factors are not reinforced</i> .....	51
<b>6. CONCLUSIONS AND SUGGESTIONS .....</b>	<b>53</b>
6.1 FACTORS THAT AFFECT THE CHOICE OF SALES CHANNELS .....	53
6.1.1 <i>Overall aspects of the sales channels</i> .....	53
6.2 LIMITATIONS AND FURTHER RESEARCH .....	55
<b>7. REFERENCES.....</b>	<b>57</b>
INTERVIEWS .....	62

## List of Figures

<i>Figure 1: Sales in e-commerce between 2006-2013</i> .....	2
<i>Figure 2: Growth in two major online industries</i> .....	2
<i>Figure 3: Original technology acceptance model, simplified version</i> .....	8
<i>Figure 4: Framework of factors from the literature</i> .....	16
<i>Figure 5: Final framework of factors from the literature</i> .....	18
<i>Figure 6: The overall research design</i> .....	19
<i>Figure 7: Harvey Balls</i> .....	25
<i>Figure 8: Final framework of factors from the empirical study</i> .....	41
<i>Figure 9: Reinforced factors from the literature</i> .....	47
<i>Figure 10: The final framework of factors</i> .....	47

## List of Tables

<i>Table 1: Summary of the interviews conducted in the research</i> .....	23
<i>Table 2: Effects of the factors identified in the empirical study</i> .....	39
<i>Table 3: Factors from the literature that were highlighted in the empirical study</i> .....	43
<i>Table 4: The impact of the five most company focused factors on the choice of sales channels</i> .....	48
<i>Table 5: The impact of the five most consumer focused factors on the choice of sales channels</i> .....	50

## List of Appendices

<i>Appendix 1: Used Methodologies in the Literature</i> .....	63
<i>Appendix 2: Companies Interviewed</i> .....	65
<i>Appendix 3: Interview Questions</i> .....	67

# NOMENCLATURE

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The literature and the interviewees in our study use different terminology for different sales channels. For consistency in this report, we define the terminology as below.

**Clothing retail industry** – the industry consists of companies selling clothes or accessories, or a combination of the two

**Brick-and-mortar store** – the company owns and operates their own store, where they sell their own products to the end customer

**Retailer** – the retailer sells other companies' products to the end customer

**Online shop** – the company owns and operates their own web-based store, and sells the products to the end customer

**Pop-up shop** – a temporary store operated by the company, where they sell their own products to the end customer

**Showrooms** – a physical room where the company can display their clothes for the end customer

**Home party** – the company brings collections to private parties, to enable the end customer to try and shop the clothes

**Physical stores** – a combination where the company uses both retailers and brick-and-mortar stores



# 1. INTRODUCTION

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*This section will at first present the underlying description of why the area of the factors that affect the strategic choice of sales channels in the Swedish clothing retail industry is a developing and important area for companies today. The section then aims to introduce the purpose of the research and the research questions. Finally, the section presents the delimitations and structure of the paper.*

## 1.1 Background

The retail market, and especially the clothing retail industry, has developed globally and is dominated by big fashion capitals like New York, London and Paris. The apparel and textile industry is one among the world's largest industries today, where the total market value in 2012 was valued to USD 1.7 trillion for the global clothing market, and it employs approximately 75 million people. Just in the US, the total value of sales of the fashion industry in 2012 was USD 284 billion in retail (United Fashion, 2013).

Despite the domination by the big fashion cities, in recent years Sweden has developed a competitive fashion industry. Nowadays, Sweden has a broad number of globally successful fashion producers, such as Hennes & Mauriz and Lindex, but also a number of smaller retailers, such as Acne and Filippa K (Hauge, et al., 2009). According to Järvenhag (2013), there exist countries where the retail industry will change considerably the following years, where the number of visible shops will decrease with 20% and consequently the consumers will instead focus more on online shopping. Therefore, e-commerce will have a major impact of the future in the retail industry. E-commerce is a concept that can be defined as:

*"[...] sale of goods over the internet that is delivered home, to a distribution point or collected in-store, warehouse or delivery local by the consumer." (PostNord, Svensk Distanshandel, HUI Research, 2013, p. 2)*

The trend in e-commerce is clear. According to PostNord, Svensk Distanshandel & HUI Research (2013), the overall sales in e-commerce in Sweden was SEK 37.3 billion in 2013, compared to only SEK 14.3 billion in 2006. This implies that e-commerce gets increasing attention both from consumers as well as corporates. Looking at the clothing retail industry specifically, we see that it is a large part of the total e-commerce industry and that it has been subject to growth in recent years, see Figure 1.

## Sales in E-Commerce is High Year-Over-Year

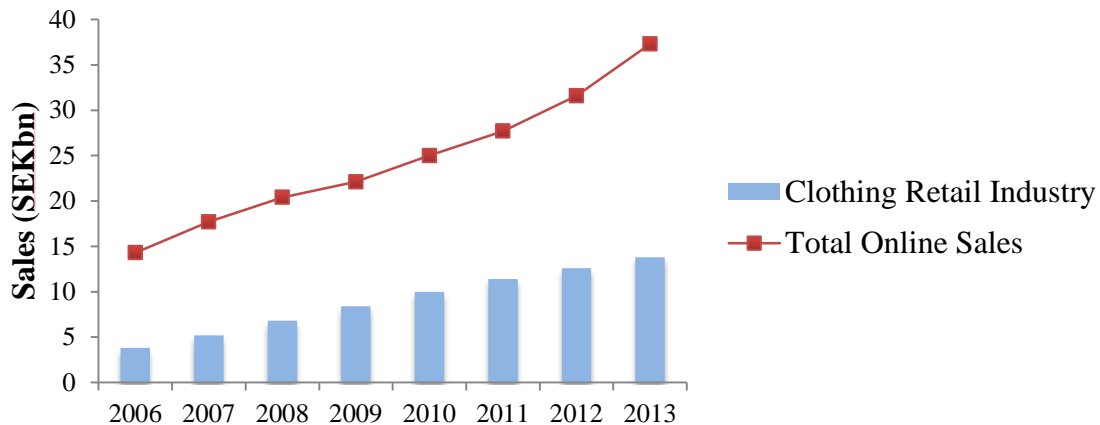


Figure 1: Sales in e-commerce between 2006-2013 (PostNord, Svensk Distanshandel, HUI Research, 2013) (e-mind, 2012)<sup>1</sup>

According to PostNord, Svensk Distanshandel & HUI Research (2013), the growth of the clothing retail industry online has been high during the last few years. To reflect how big the growth has been, and will probably continue to be, the industry can be compared with another big growing online market, the books/media industry. The books/media industry is a market, which also has had a major change and growth in its e-commerce business. By comparing these two major industries, see Figure 2, it clearly shows that the clothing retail industry has a continuously higher market growth year-over-year. For example, the books/media industry's growth in Q4 2012 was 6% and at the same time the clothing retail industry was 14%. Furthermore, to have the ability to survive in such a long-term industrial competitiveness, firms have to continuously improve their knowledge base. Due to that processes of learning and innovation are commonly characterized by interactivity and uncertainty, it is important for organisations to consider the complexity of innovations when operating in the clothing retail industry today (Malmberg & Maskell, 2006).

## The Online Industry is a Large Growing Market

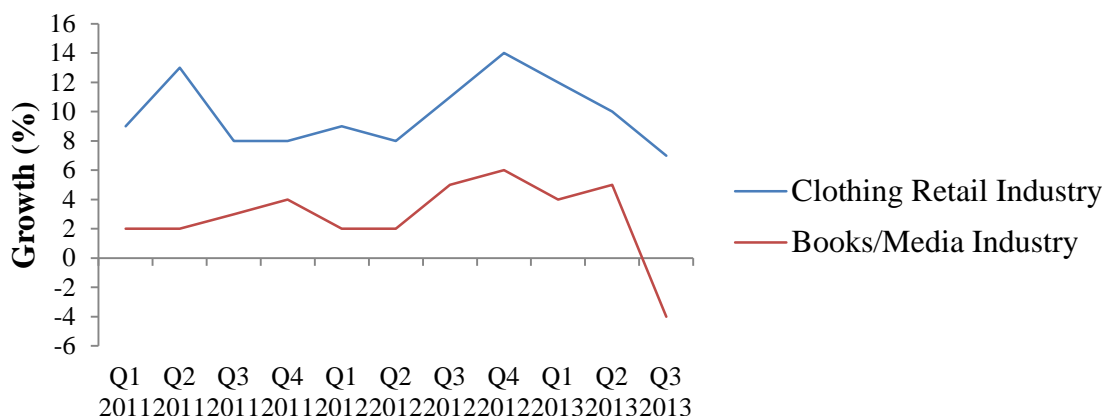


Figure 2: Growth in two major online industries (PostNord, Svensk Distanshandel, HUI Research, 2013)

<sup>1</sup> 2013 is based on an expected value.

Given these circumstances, the strategic choice of how to operate in a world, where the complexity and development will affect the evolving nature of the industry, will be something to consider for each company manager. Earlier, companies have worked with two main sales channels, brick-and-mortar stores and retailers. In other words, the main problem for companies that have experienced this evolving nature is that a new main sales channel, in the form of e-commerce, has developed. The companies understand that they must change and adjust their sales channels, but they have difficulties to understand specifically how they should modify the different sales channels and how these changes affect them. Will managers understand what implications and effects their choice of sales channels will have for the future development of their businesses?

### ***1.1.1 Problem formulation***

In this study we will look at, as mentioned before, the clothing retail industry. The clothing retail industry includes both sales of clothes and accessories. Our main focus will be on clothing companies, but also include companies that sell a combination of clothes and accessories as well as companies that only sell accessories. Because of the current transformation of the clothing retail industry, we have identified two major problem areas that we further investigate and analyse in this paper.

A problem for managers today is that there exists research on multiple areas of e-commerce, brick-and-mortar and retailers within the retail field. A majority of the studies that we have identified have used an approach where the researchers have used surveys where the majority of respondents are students from various universities (e.g. Nitse et. al. (2004), Laroche, Bergeron & Goutaland (2001) and Ha & Stoel (2009)). We will instead base our empirical study on interviews from companies in the retail industry, thus getting our underlying data from a company perspective instead of a consumer perspective.

Since e-commerce is a suitable strategy for rapid growth, it is especially important for managers to understand the impact of e-commerce on their business in the increasingly competitive landscape of the clothing retail industry (Feindt, et al., 2002). Furthermore, the environment in the clothing retail industry has changed significantly in the last decade and will continue to grow, which leads to that an updated research is required (PostNord, Svensk Distanshandel, HUI Research, 2013). Our study aims to collect empirical data from companies that started during this growth period. This will therefore result in that our research will be more applicable to the current industry environment, compared to studies that were done before the development of e-commerce in the clothing retail industry.

## **1.2 Purpose and research questions**

Given the development and increased complexity of e-commerce within the clothing retail industry, we believe that it is particularly interesting to analyse the factors that need to be taken into account when choosing whether to operate electronically, through brick-and-mortar stores, through retailers or as a hybrid of them. Based on the transformative nature of the retail industry during the last decade, the purpose of this study is to increase the

understanding for company managers and researchers about the factors that must be considered when choosing sales channels in the clothing retail industry.

To fulfil the purpose of this study, the following main research question needs to be answered:

(1) *What factors must be considered when companies choose sales channels?*

To further analyse these factors, we have identified more specific questions that allow us to draw conclusions about the factors' meaning and importance:

(1.1) *What are the advantages and disadvantages of an e-store, a brick-and-mortar store and a retailer?*

(1.2) *Is it appropriate for a business to change or modify its sales channels in the future?*

Before moving on to the next parts of our research, we think it is important to briefly describe the methodology of the study. A brief overview of the methodology will give the reader a better understanding about how we will be able to answer the research questions above in an appropriate way. Our methodology approach includes a thorough study of the current theory and literature. It furthermore includes an empirical study, where the data comes from interviews from representative companies in the business. First, a framework will be developed based on the literature and second, another framework will be developed based on our empirical data. Finally, these two frameworks will be compared and analysed to generate a conclusive framework of factors.

The results of this study will help managers to use the results as a framework when deciding which strategy that is suitable for their business. The results will also have implications for researchers. Researchers should be able to use the results of the research to analyse and determine appropriate fields of further research when it comes to sales channels, but also to have the possibility to compare the results with earlier research on the area that was done before e-commerce changed the market environment.

### **1.3 Delimitations**

The scope of the research is limited to the clothing retail industry. The industry is an appropriate target for this research since it includes both companies that operate electronically as well as companies that operate through brick-and-mortar stores and retailers, or as a hybrid of them.

Furthermore, the paper will be limited by looking only at the Swedish market, with companies based in Stockholm. This will ensure that the analysis is detailed enough to properly answer the research questions.

Finally, to ensure that we cover the development of the clothing retail industry, due to the growth of e-commerce during the last decade, we only include companies that have experienced this industry transformation. This implies that the companies in this study were founded no longer than approximately a decade ago, and at the same time operates in different segments (e.g. different categories of clothes and in different retail areas).

## **1.4 Outline of the paper**

After the introduction section, this study henceforth presents previous theory and literature in the field, the methodology, the empirical study, the analysis and finally the conclusions and suggestions. Each section is briefly described below.

At first, the theory and previous literature on the field is presented. The theory describes concepts that are relevant for the study, and the literature provides a foundation of earlier research that is linked to the purpose and research questions. The section ends with a presentation of a framework consisting of the factors found in the literature.

In the following section, the choice of methods used in the research are presented, described and discussed. The section also includes a motivation to why the methods are relevant. Thereafter, a section about the findings of the empirical data is presented. The data is collected through interviews with several relevant companies in the business and ends with a presentation of a framework consisting of the factors found in the empirical data.

In the following section, the findings from the empirical study are analysed in relation to the findings from the literature review. The findings are finally presented in a conclusive framework developed through a comparison between the factors from the literature review and the empirical study. The section ends with a discussion about the findings and the analysis. In the last section, the results are presented and the research questions are answered. Also, managerial and academic implications and suggestion of further research are described.

## 2. THEORY AND PREVIOUS LITERATURE

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*This section will at first present an introduction to the theory with an underlying description of why they are widely used within research on e-commerce adoption. The section then aims to introduce different identified factors and present current research in the field to finally illustrate an academic framework of identified factors.*

### 2.1 Introduction to the theory

To enable our research, we have studied underlying theories to understand how and why factors affect companies in the way they do. The approach used in this section is to first study a broad perspective of theories that are widely used within research on e-commerce adoption. Thereafter, to ensure the more detailed characteristics that affect the organizations within the theory are included, we identify the most important factors and how they influence the choice in organisations.

In a very broad perspective, the theory that our research relies on is the Diffusion of Innovation Theory (DOI) and the Technology Acceptance Model (TAM). This is in line with Al-Hudaif and Alkubeyyer (2011), who argue that the DOI and TAM theories and frameworks are widely used within research on e-commerce adoption. It should be noted, however, that the DOI as well as the TAM theory are considered to the starting-points of the theories used in our research. As described earlier, our purpose and research questions concern the factors that affect companies when choosing sales channels, and this leads to that we use specific parts of DOI theory and the TAM in our research.

#### 2.1.1 Diffusion of Innovation Theory

The Diffusion of Innovation Theory (DOI) tries to answer the questions about how, why and how fast a new technology and new ideas spread through businesses and communities. Everett Rogers pioneered the theory in 1962, in his book *Diffusion of Innovation*. Rogers (2003, p. 5), defines diffusion as “[...] the process by which an innovation is communicated through certain channels over time among the members of a social system”, which is translated in our research as the process of e-commerce that is spread among businesses. Rogers (2003) also describes the innovation-decision process, which is particularly important for our research. According to Sahin (2006), the innovation-decision process can be described as an activity where the potential user of the innovation seeks and processes information about the innovation, with the goal to reduce the uncertainty around the technology and at the same time increase the knowledge and understanding about the advantages and disadvantages of it.

Sahin (2006) and Rogers (2003) state that the process involves five steps; namely knowledge, persuasion, decision, implementation and confirmation. The third step is the decision step, which is the focus of our research. The decision step occurs when a technology-user engages in actions that will result in adoption or rejection of the technology. Our research will try to analyse and determine specifically what factors that affect the decision that makes the user

adopt or reject e-commerce. One example that Rogers (2003) brings up in his book is group pressure, which means that pressure from the surrounding environment can affect the user when making the decision. This gives us an indication that external pressure from competitors can be an important factor when choosing sales channel since a broad adoption of e-commerce by competitors theoretically can force a company to adopt e-commerce. We will examine the factors in general in the next section, and analyse the external pressure-factor more specifically.

The DOI theory can be used to analyse two perspectives of innovation diffusion and adoption. The first perspective concerns consumers, and the process of spreading an innovation among consumers. The second perspective concerns companies, and how companies adopt different innovations. Since our research questions is about what factors that must be considered when *companies* choose sales channels, our research will apply the second perspective, i.e. when and how clothing retail companies adopt the current innovations in the retail industry. This reasoning can also be applied to the next theory we use in our research, namely the Technology Acceptance Model, which is explained below.

### ***2.1.2 Technology Acceptance Model***

The Technology Acceptance Model (TAM) was first developed by Davis (1989) and was initially based on the Theory of Reasoned Action (TRA). According to Masrom (2007), TAM is a model that describes how perceived usefulness and ease-of-use can predict the usage of a technology application. Perceived usefulness refers to how much the usage of a technology application will increase the performance for the user. The higher the perceived usefulness seems to be, the likelier it is that the technology will be adopted. The same argument holds for perceived ease-of-use, which is defined as the effort it takes for the user to adopt and use the new technology.

Furthermore, according to the model there are external variables that affect the perceived usefulness and perceived ease-of-use. These external variables can be considered antecedents to perceived usefulness and ease-of-use and can therefore be categorized as factors that affect the technology adoption, see Figure 3. As mentioned previously, our research analyses the factors that affect the choice of sales channels and we will therefore use the theory to help categorizing and understanding the factors found in both the current literature on e-commerce as well as our empirical findings.

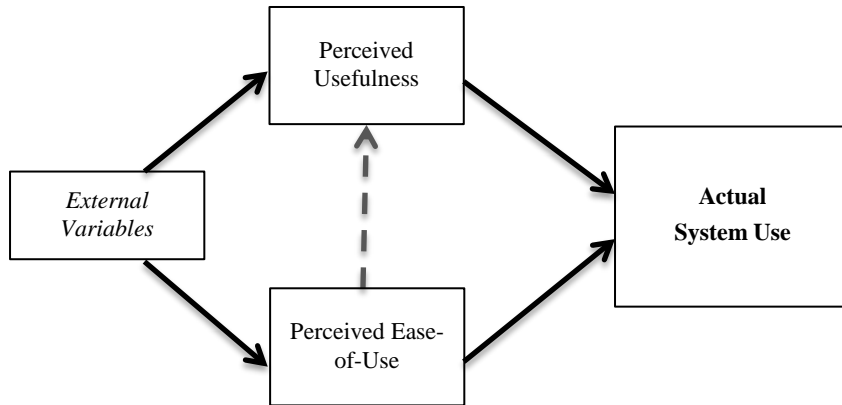


Figure 3: Original Technology Acceptance Model, simplified version (Masrom, 2007)

## 2.2 Identified factors that affect the choice of sales channels

In the following paragraphs we aim to explain the factors that should affect a company's choice of sales channels, according to analysed theory. The respective factors build on the theory from a multiple number of fields and have been developed by different researchers. It should also be noted that, as we present the factors below, they are not presented in a particular order.

### 2.2.1 Congruity

When retailers that have a brick-and-mortar store as well as an online store, i.e. multi-channel retailer, they are put in front of a unique situation. According to Wang, Beatty & Mothersbaugh (2009) consumers' previous attitudes towards the physical stores affect the attitudes that the consumer forms about the website. The existing challenge for companies that want to start selling through a new sales channel is that they need to analyse the attitudes their customers have towards their existing channels and align their new channel according to that.

According to Wang, Beatty & Mothersbaugh (2009), there are two different options for companies when establishing a new sales channel. The first option applies if the current customer attitudes are unfavourable to the company, then the new sales channel should distance itself from the image reflected by the current channel. On the other hand, if the customer attitudes towards the current sales channel are favourable, the company should try to align the new sales channel's image with the old one.

### 2.2.2 Marketing and Customer Loyalty

According to Berry & Parasuraman (1991) the ultimate goal of the marketing process is to transform indifferent consumers and make them loyal and identify strong relations with already loyal consumers. Kandampully & Suhartanto (2003) describe overall customer loyalty in two dimensions. The first dimension addresses the actual customer behaviour of loyalty, for example the customer's repetitive purchases from the same company and



spreading a positive attitude of the company over time. The second dimension is described as an attitudinal dimension, treating the customer's *intention* to engage in loyal behaviours. Marketing is always an important factor when choosing sales channel, whether the company sells online, through a brick-and-mortar store or through retailers. Due to the development of e-commerce in the last decade four expanded aspects for online loyalty behaviour has been developed to address the increasing importance of marketing: browsing (intention to return), purchase (intention to purchase), price premium (intention of paying a premium) and recommendation (intention to recommend website) (Kwon & Lennon, 2009).

### **2.2.3 High Costs**

When companies choose sales channels, the choice implies multiple different costs. Through the development of e-commerce in the last decade, companies face more differences in costs compared to the period before. One cost consideration that must be taken into account is the development of spatial geography, i.e. the geographical spread of consumers and manufacturers. Krugman (1998) states that there are multiple substantial effects that companies consider when operating in different geographical environments. The effect of the new global market size results in different high costs depending on which sales channels that the companies choose and these different high costs will also affect the economical sustainability of companies and the overall clothing retail industry.

If the company operates through a brick-and-mortar store, Krugman (1998) states that a large consideration is the high rent of office and retail space as well as personnel costs in certain big cities. However, selling online can possibly mitigate the high cost of rents and lead to improved competitive advantages for companies, which in turn affect the economical sustainability. E-commerce can also lower the transaction costs, for example search and information costs, for the consumer. By lowering the consumers' transaction costs by selling online, the company will face high transportation costs due to that the company must deliver the product to the consumer (Pires & Aisbett, 2003; Krugman, 1998).

### **2.2.4 Sustainability**

When companies choose sales channels, it is important to consider and understand how those different options affect the surrounding world. This factor can be summarized through focus on sustainability, which consists of two main parts; environmental sustainability and corporate social responsibility (CSR) (de Brito, et al., 2008).

The environmental sustainability includes the effect on the climate and energy consumption, water and biological diversity. Overall, to obtain a sustainable supply and distribution chain in the fashion retail industry, it is important for companies to consider emissions, for example of carbon dioxide, as well as chemical products in the production stages. (de Brito, et al., 2008) Rotem-Mindali (2014) argues that e-commerce can give positive effects on environmental sustainability by reducing waste such as printed catalogues, retail space and transportation requirements. Furthermore, CSR includes ethical standards as well as the impact that a company has on its consumers, employees, communities and other stakeholders.

This is an important aspect to consider since sustainable management is something that attracts certain customers, and it is therefore important to have in mind when companies choose sales channels. (de Brito, et al., 2008)

Finally, since the clothing retail market becomes increasingly competitive some companies can develop “eco-fashions”. The International Standards Organization (ISO) defines it as “[...] identifying the general environmental performance of a product within a product group based on its whole life-cycle in order to contribute to improvements in key environmental measures and to support sustainable consumption patterns” (Claudio, 2007, p. 453). Therefore, companies can use e-commerce, and thus sustainability, as a competitive advantage when choosing sales channels.

### ***2.2.5 Privacy and Trust***

According to Eastlick, Lotz & Warrington (2006), privacy concerns and trust is two major factors that affect whether consumers purchase online or not. Hybrid-retailers can through their e-store gather plenty of information about the consumers that they can use to target their marketing towards specific consumers. It is the loss of this personal information that consumers are worried about and can in the longer-term affect to what extend they purchase online. Another important aspect of losing personal information concerns the trust in payment methods, something that has become a major factor in the development of the online market, affecting the customer perceptions. According to Changsu et. al. (2010, p. 1) “[...] 95% of customers are somewhat concerned about privacy or security when using credit cards on the Internet”. Consequently, the security of payment method is a very important factor to consider for companies.

Consumers’ privacy concerns are closely linked to trust, which is often defined as the expectation that a store will meet its commitments (Becerra, et al., 2013). According to McCole et. al. (2010) the lack of trust is one of the main reasons for that consumers don’t purchase online. Becerra, Badrinarayanan & Kim (2013) describe one important aspect of hybrid retailing and trust. They mean that the greater the trust is in a company’s brick-and-mortar store, the greater the trust is in its e-store. They therefore state that retailers must focus on developing and maintaining trust in their brick-and-mortar stores and attempt to establish connection between their stores to enable trust transfer (Becerra, et al., 2013). Conclusively, trust and privacy are both important factors to consider for companies when choosing sales channels.

### ***2.2.6 Customer Behaviour***

Customers have different types of behaviours, which require companies to adapt according to the behaviours. This is something that Goldsmith & Flynn (2005) emphasize as a key to success within the retail industry. They argue that the development of clothing and accessories shopping affect consumers and that consumers will change their purchasing behaviours in the future, and it is important that marketers respond accordingly.

To be able to succeed, retailers have to understand how the consumers are changing in the changing environment in the clothing retail industry. Due to the diffusion of e-commerce, different categories of buyers have evolved. One type of buyer behaviour is connected to the people that are interested in fashion, who consequently shop online to get access to a broader selection or variety of clothes. The opposite type of buyer is the one that shops online to avoid physical stores, or lacks the chance to access a brick-and-mortar store because of geographical limitations, which make the assortment and information of the respective sales channels very important. (Laroche, et al., 2005)

### ***2.2.7 Outsourcing or Insourcing***

According to Sharp (2007), a strategic decision for a company regarding e-commerce adoption is how the adopting company should source the different e-commerce business processes. Sharp (2007) further argues that even more modest e-businesses may involve several different complex processes. The first reason that e-commerce can be more complex than the more traditional brick-and-mortar systems is that it operates on 24 hours, seven days a week basis. This means that the company must be operationally ready all the time. Another reason for the increased complexity of e-commerce systems is that an e-shop opens up new markets for customer segments. A third reason is that e-commerce in fact often includes an outsourcing component, often in the form of delivery, and companies may not always be able to run certain processes in-house. It can therefore be said that many companies face the decision about whether to outsource or insource certain processes when choosing new sales channels.

On the same topic, if the decision is taken to outsource a process, the company needs to decide on whom to outsource. According to Collins (2001), the two major sub-factors that affect the outsourcing decisions are high costs, i.e. reductions in costs, and risks that are associated with outsourcing. To sum up, whether to outsource certain e-commerce processes or not is an important factor that affects the choice of e-commerce as a sales channel. Risks and cost reductions are factors that further affect the decision.

### ***2.2.8 Organisational Support***

One factor that is widely used for research to justify the choice of e-commerce, as a sales channel, is called Organisational Support. Organisational Support has been proven to be a strong predictor of e-commerce adoption by many researchers and it was made a concept by Subramanian & Nosek (Bernaert, et al., 2014). Organisational Support is most commonly defined as a very general and broad factor that influences the choice of sales channel. The factor includes the value of operational efficiency and strategy benefits, cost cutting and improved operational logistics (Subramanian & Nosek, 2001).

The background of the factor is defined by Segars & Grovers (1998) as the use of IT to improve automation will in turn lead to savings, improved quality and a more effective organization. To be able to use the factor in research, academics often describe the components of the factor in more detail. Two examples of this can be seen in articles by

Saffu, Walker & Mazurek (2012) as well as Grandon & Pearson (2004) who divide the factor into the following categories; reduce costs of business operations, improve distribution channels, reap operational benefits, provide effective support to operations and support linkages with suppliers. A final point regarding this factor is that it is often very important for smaller and medium-sized businesses. According to Saffu, Walker & Mazurek (2012), such businesses are characterized by a lack of resources and it is important for them to utilize their resources in an efficient and effective way, making Organisational Support to an important factor for them.

### ***2.2.9 Managerial Productivity***

Managerial Productivity is also a factor that is widely used by researchers. It is often mentioned together with Organisational Support as an important factor. However, Managerial Productivity is considered to be second to Organisational Support in importance (Saffu, et al., 2012). Managerial Productivity is according to Saffu, Walker & Mazurek (2012, p. 5) defined as “[...] better access to information, leading to improvement in communication among managers by using databases that are available internally and externally”; this definition is furthermore also described by Grandon & Pearson (2004). It is possible for companies to get a better overview of information by using e-commerce, since e-commerce leads to a better developed IT-system, which results in improved access to information.

To better understand the factor, Grandon & Pearson (2004) as well as Saffu, Walker & Mazurek (2012) divide the factor into the following categories; provide managers with better information, improve communication in the organization and improve productivity of managers. Finally, when considering this factor it is important to have in mind that to sell online, thus implementing a developed IT-system, the managers’ abilities to adopt the e-commerce technology is a critical part in the adoption stage. This can consequently lead to that a company must invest time and resources to develop skills to reach a high level of Managerial Productivity (Grandon & Pearson, 2004; Saffu, et al., 2012).

### ***2.2.10 Intangibility and Tangibility***

One factor that has been proven to be important is Intangibility and Tangibility. This factor is especially important for clothing retailers, which clothes are characterized by certain materials that need to be experienced by the customer from a tangible perspective and it researchers have shown that intangibility has a substantial impact on consumer decision making (Laroche, et al., 2014). The consumer’s pre-purchase evaluation of the product is especially emphasized as affected by intangibility. Very early research states that when a consumer shops in a brick-and-mortar store the customer has the chance to inspect and test the product (Cox & Rich, 1964). The most common type of intangibility is defined by Laroche et. al. (2005) as physical intangibility and means the intangibility connected to the degree of which a product can be seen or touched. Another sub-definition of intangibility defined by Laroche et. al. (2005) is generality and concerns the difficulty of exactly defining the product.

One shape of intangibility that has been focused on by researchers is the difficulty of representing the correct colours of the products in an online environment. According to Nitse et. al. (2004), inaccurate colour representation can lead to many different outcomes. One outcome is that the colour doesn't match the expectation of the consumer leading to that the consumer returns the product, which leads to lose of sales for the company. Another outcome can be that if the colour doesn't match the consumer's preferences, there is a risk that the consumer won't buy from the web-shop again in the future (Nitse, et al., 2004).

### ***2.2.11 Competitive Environment***

To be able to succeed in an industry, a company must consider the competitive landscape of the industry. It is often the competitive situation that develops an industry, since companies want to stay ahead of their competitors. This results in that companies often feel an external pressure from other companies in the same business to adopt new sales channels. (Saffu, et al., 2012) According to Grandon & Pearson (2004) the external pressure depends on five elements: "[...] competition, social factors, dependency on other firms already using e-commerce, the industry, and the government".

## **2.3 Research in the field**

Hereby follows a close analysis and description of research on the field. The following sections aim to map out the theoretical contribution that the various researchers have made to the theory. To get a good understanding and overview of the different research of the clothing retail industry, a broad selection of studies is presented. Furthermore, in addition to mapping out the contributions of previous research, this section will give the reader a thorough understanding of important factors, by presenting the results from previous studies. The methods used in the previous literature are further described in Appendix 1.

Early research has argued for that a single theory of innovation can explain different innovations (Vilaseca-Requena, et al., 2007). The assumption that e-commerce adoption can be analysed in a general setting of innovation adoption has, according to Hashim et. al. (2014), led to that researchers have de-emphasized the importance of empirical findings and focused more on a theoretical approach. However, various authors emphasize that IT and e-commerce adoption should be analysed in isolation, since the context of adopting different innovations is substantially different from one another (Chan & Swatman, 2000; Kim & Galliers, 2004).

### ***2.3.1 Consumer preferences***

One area of research that we have seen as reoccurring is research about factors that focus on consumers and their behaviours and preferences. In the following paragraphs we will present multiple earlier studies that treat consumer preferences from different perspectives.

Previous research shows that it is very important for a multi-channel retailer to understand the impact that the different sales channels can have on each other. There is evidence that the offline brand image of a multi-channel retailer exerts a halo effect on the company. This

substantially affects the online business, in other words the halo effect affects the brand image, and the loyalty of the customer. The evidence also shows a relationship between the online customer and the online and offline brand image for multi-channel retailers active in the specialty apparel retailing. (Kwon & Lennon, 2009) To be further successful it is important to have good business-to-customer (B-to-C) relationships. In a study by Eastlick, Lotz & Warrington (2006) they demonstrate the negative influence of privacy concerns on purchasing online. They also argue that it is crucial for companies to have the trust and commitment of consumers in their online B-to-C relationships.

Moreover, the trust and commitment considerations for online consumer behaviour can be divided into three areas; first of all the trust towards a particular retailer, second the trust towards the system that facilitate the transaction and thirdly trust towards third parties (McCole, et al., 2010). McCole, Williams & Elaine (2010) conclude that the three areas of trust become more important when people have higher security and privacy concerns. Furthermore, Ha & Stoel (2009) use the TAM theory to describe that the primary reason for not purchasing online depends on the lack of trust. Trust builds on that the store meets the expectation of the consumer, which make Becerra, Badrinarayanan & Kim (2013) conclude that hybrid retailers need to focus on developing trust in their brick-and-mortar stores to establish trust for all sales channels. Besides understanding the impact of trust and privacy, it is also important to understand that shopping behaviours changes due to those new shopping opportunities appear. Goldsmith & Flynn (2005) conclude that consumers will spread their purchases to more sales channels, and that a successful retailer should combine brick-and-mortar and online-stores.

### ***2.3.2 External company focus***

Another area of research that we have seen as reoccurring is research about factors that focus on the companies' external focus.

Previous research shows that there are significant differences between physical stores and online retail mediums. According to Laroche et al. (2005) the intangibility of products sold online affects the evaluation difficulty (ED) and perceived risk (PR) in a negative way due to the Internet. They also reach the conclusion that online purchasing is perceived to be riskier than offline purchasing. A further consequence of the intangibility of online purchasing is according to Laroche, Bergeron & Goutaland (2001, p. 34) that it leads to "[...] greater perceived processing effort". Consequently, the consumer may for example not trust the accuracy of the colour shown online leading to that the customer doesn't order the product, resulting in loss of sales for the website. The consumer can also order the product, but return it if the actual colour isn't as expected, leading to loss of sales and increased costs of logistics and restocking. However, the majority of consumers are not concerned with colour inaccuracy. (Nitse, et al., 2004)

Another important aspect of the external focus is the pressure from competitors and the industry to adopt e-commerce. This is something that affects the third step in the DOI theory,

the decision step. Saffu, Walker & Mazurek (2012) and Grandon & Pearson (2004) establish that this is one of the most important determinants when adopting e-commerce. Finally, an additional aspect of the external focus when organizations use multiple sales channels is the important aspect of how consumers evaluate them. The development of the consumers' attitudes is strongly related to the coherence between companies' online and offline stores. (Wang, et al., 2009)

### ***2.3.3 Internal company focus***

Another area of reoccurring research that we have seen as is research about factors that focus on the companies' internal focus. In the following paragraphs we will present multiple earlier studies of factors that affect companies from an internal perspective.

Previous research shows that two determinants for the strategic value and adoption of e-commerce are operational support and decision-making efficiency. Grandon & Pearson (2004) found three factors that affect the perception of the strategic value of information technologies for small and medium sized enterprises (SMEs) in the U.S. The factors are operational support, managerial productivity and strategic decisions aids. However, strategic decision aids are proven to be less significant than operational support and managerial productivity when it comes to e-commerce, resulting in that it can be considered a less important factor. Moreover, Saffu, Walker & Mazurek (2012) also analyse the strategic value and adoption factors but in another context, namely in a developing country. Their results indicate that the same factors as Grandon & Pearson (2004) concluded as important in their research are also important in a developing country. This is also something that is concluded by Saffu & Walker in another study together with Hinson (Saffu, et al., 2007).

Another very important aspect that the company must consider internally is the strategic decision about how each business process should be sourced. Sharp (2007) concludes that although an e-business is relatively simple, it can involve multiple different possible structures, i.e. what processes are outsourced and insourced. The sourcing decisions depend heavily on financial benefits from the two options, and consequently the value of operational efficiency. Automation through IT can also work as a tool for cost cutting, and thus affect that decision about insourcing and outsourcing (Segars & Grovers, 1998).

## **2.4 Framework of factors from the literature**

As seen in the previous sections, we have identified different factors. It was possible to identify the factors due to that a rigorous body of literature, where several different methodology approaches were used to collect and analyse the data, was identified and analysed. The factors can in general be divided into two focus areas, company focused factors and consumers focused factors, since the company and the consumer are the main stakeholders when choosing sales channels (Shankar, et al., 2002). Below follows a presentation and description of the factors and why they can be perceived to have the focus that they have. Each factor will thereafter be positioned in a framework, showing the relationship between its consumer focus and company focus based on the literature. It is

important to note that every identified factor is developed from the companies' view when choosing sales channels. The factors that affect the choice can both have an impact on the company directly, company focus, but can also be impacted by external stakeholders, consumer focus. The factors will therefore be described and visualised by positioning them between the two focus areas, and moreover, it should be noted that no particular scale is used but it is the relation between the different factors from the literature that is emphasized in the framework.

To start with, since Congruity concerns consumers' attitudes it has according to the literature a clear focus on consumers. Due to that companies can exploit the consumers' attitudes to position its sales channels, Congruity also has a small effect on the company. Consequently, the relationship between the two focus areas, where the consumer focus is much bigger then the company focus for this factor, is visualized below in Figure 4.

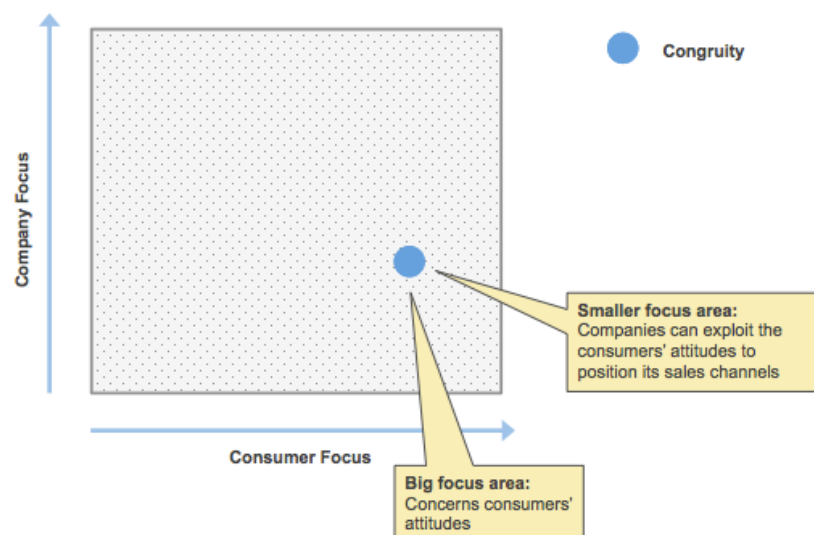


Figure 4: Framework of factors from the literature

Henceforth, the rest of the factors' relationships will at first be presented and discussed in words between the two focus areas and then finally, in the end of the chapter, be visualized together in a final framework of factors from the literature.

Due to that customer loyalty exists in two dimensions, where the first dimension depends on increasing importance of marketing and the second dimension treats the customer's intention to engage in a loyal behaviour, the factor has very high consumer focus. Furthermore, it will have a small effect on the company because of that spreading positive attitudes will increase the sales over time. Privacy and Trust is a factor that affects the consumer behaviour since they become worried about their personal information when purchasing from an online store. Since the consumer must trust the company, the focus here lies on the consumer to a great extent while it doesn't lie on the company. Customer Behaviour also focuses substantially on the consumer since if the company want to succeed in the clothing retail business, it must understand how the consumers are changing in the changing environment of the industry.



Regarding the Outsourcing and Insourcing, that factor only concerns the strategic decision for the company how to modify their business according sourcing options. This factor doesn't focus on the consumers, since the consumers are unaffected by the sourcing decisions of the companies. Organisational Support is a factor that also primarily focuses on the company. This is due to that the factor includes the value of operational efficiency and strategy benefits, cost cutting and improved operational logistics. However, the factor also has some consumer focus since the improved operational logistics can lead to for example better customer support. Managerial Productivity is a factor that leads to improvements in communication in the organization by using databases, i.e. it will only affect the company. High Costs is a factor that mostly affects the company since the majority of costs concern the company's choice of operating through a brick-and-mortar store, through retailers or online, where all the alternatives result in different kinds of costs. Moreover, the company's choice of sales channels is slightly affected by consumer preferences since an online store will lower the transaction costs for the customer. Consequently, the factor is categorized as having a large company focus and small consumer focus.

Another factor that also affects the consumers' focus substantially is Intangibility and Tangibility, since the consumers' pre-purchase evaluation is affected by it. But, a consequence of the factor is that it also affects the company to some extent. This is because companies need to match the expectation that consumers form online, otherwise it could lead to a loss of sales or an increase in returns of products. Furthermore, to be able to succeed in the industry, the Competitive Environment factor is one of the factors that influence the company substantially. This is because companies feel external pressure from competitors to adopt a new sales channel. When new sales channels develop within an industry, it affects the purchase behaviours of the consumers and therefore it results in that the factor has some consumer focus. Finally, a factor that is related to Competitive Environment is Sustainability. Sustainability can affect the choice of sales channels in two different ways. The first way is the pressure from the consumers, through which the company can be pressured to be sustainable since the consumers prefer to buy products from sustainable companies. The second way is the internal pressure on the company that comes from that other companies are sustainable. In other words, the Sustainability factor has equally large company focus as consumer focus. Below, in Figure 5, a framework of the factors found in the literature is illustrated.

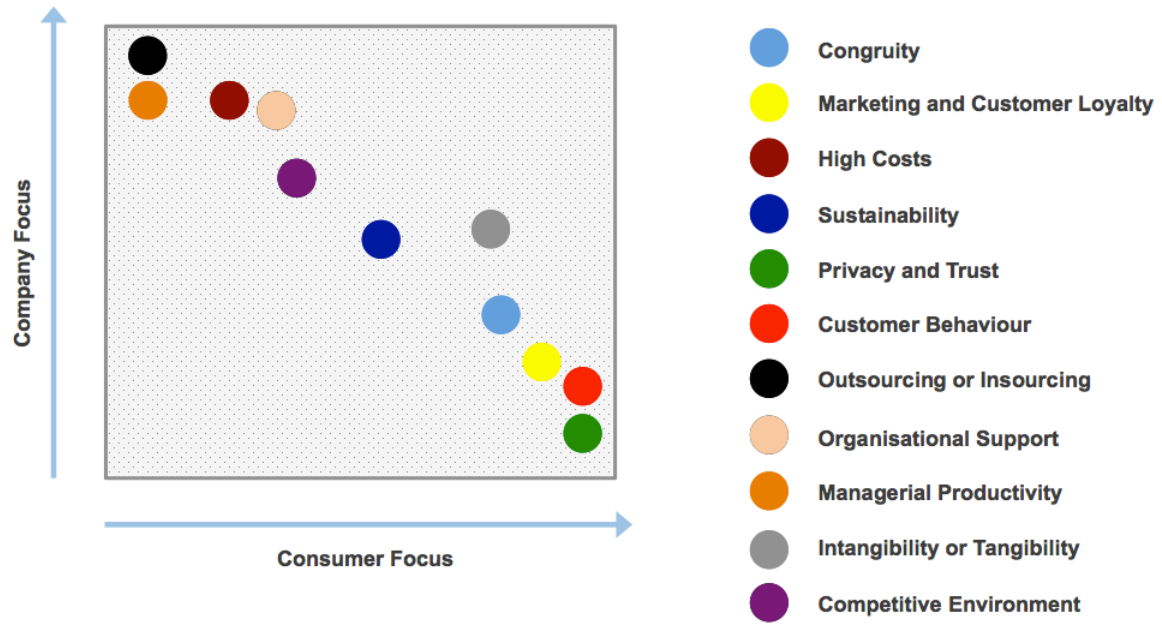


Figure 5: Final framework of factors from the literature

### 3. METHODOLOGY

*This section will present, describe and discuss the choice of methods used in the research. At first, the section aims to introduce the research design by presenting the methods used and give a motivation to why they are relevant. Thereafter, the section discusses the quality of the research.*

#### 3.1 Choice of methods

When discussing how to choose methodology, an appropriate design of the research enables a transparent view of the study. Furthermore, it is very important to formulate a well-structured research design since it will guide the researchers and readers through the process of collecting, analysing and interpreting results. Furthermore, it provides the researchers with a connection between the empirical data and the research questions and, additionally, its final conclusions. (Yin, 2009) Figure 6 illustrates the overall research design for our study, and the parts are further described in the following subsections.

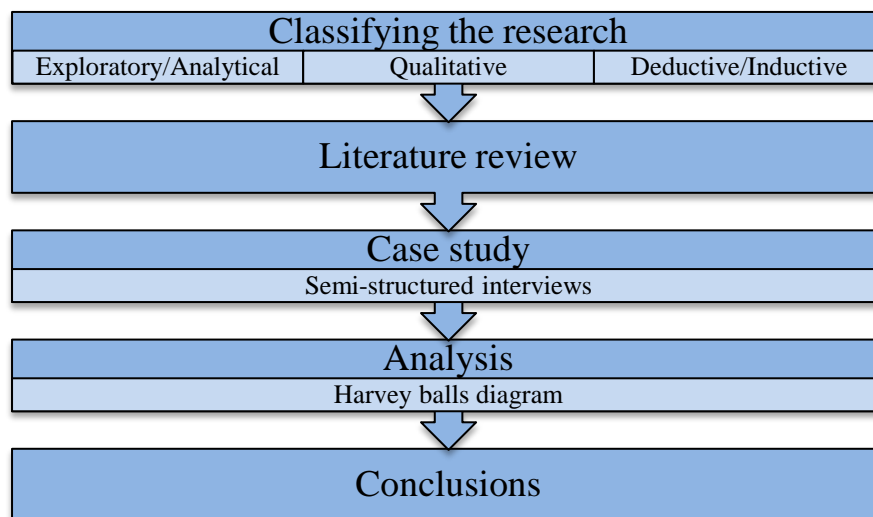


Figure 6: The overall research design

##### 3.1.1 Classifying the research

According to Collins & Hussey (2009) a research can be classified based on its purpose, process, logic and outcome. Below, the different types of classification are presented.

To classify a research according to its purpose, the research can be categorized into four different types; exploratory, descriptive, analytical and/or predictive (Andersen, 1998). An exploratory research is conducted into a research problem or issue when there are no earlier or few studies that can be referred to for information. The aim for such research is to obtain an insight into a phenomenon. A descriptive research is instead conducted based on describing phenomena, as they exist. An analytical or explanatory research is a continuation of a descriptive research and aims to understand and analyse phenomena. A predictive research goes even further than the exploratory research and forecasts phenomena (Collins &

Hussey, 2009). According to the purpose of the study, and that our research mostly will provide answers for “what”-related questions, our research can be classified as a mixed of exploratory and analytical research (Yin, 2009). It is exploratory because of that there are few studies that have been done after the substantial growth in e-commerce in the clothing retail industry and the research is furthermore analytical since it builds on some existing literature and takes the firm perspective to understand and analyse the strategic choice of sales channels.

To classify our research according to its process, the research can be categorized into two different types: quantitative or qualitative research. A quantitative research is based on collecting quantitative data (questionnaires etc.), and/or qualitative data that can be quantified, and then use statistical methods to analyse them. A qualitative research is instead based on an approach where the study is designed to involve collecting qualitative data (interviews etc.) and then analyse it using interpretative methods. (Neuman, 2005; Collins & Hussey, 2009) Since our research will be based on interviews with several companies in the business, we use a qualitative approach.

To classify our research according to its logic, the research can be categorized into two different types: deductive or inductive research. A deductive approach is a study where a conceptual and theoretical structure is developed and then tested by empirical observations; it is referred to as moving from the general to the particular. An inductive approach is instead a method where the study develops a theory from observations from an empirical reality, “[...] since it involves moving from individual observation to statements of general patterns or laws, it is referred to as moving from the specific to the general”. (Collins & Hussey, 2009, p. 8) We have chosen to develop a more general framework of factors that is a combination of both the findings from the literature and empirical findings and according to Carson & Coviello (1996) it can therefore be argued that we will use a combination of a deductive and an inductive approach. As mentioned above, deductive means that a theoretical concept is developed and our research is therefore deductive when creating the framework of factors from the literature. Moreover, the inductive approach means that the research is developed from empirical observations and thus, our research is inductive when creating the framework of factors from the empirical study.

### ***3.1.2 Literature review***

In the first part of the study, secondary data is collected throughout an extensive literature review. This was done to provide knowledge about the theory but also the factors that affect businesses that currently are active in the clothing retail industry. Moreover, the literature review was also made to provide a clear set of criteria to evaluate how the factors affect the choice of sales channels for companies in the business. The review was done throughout books, articles from different journals and also from other published types of works. Furthermore, the search was conducted in different databases by using different search words. The search was limited to literature with the requirements of that the search words were a part of the description of the study. This specification in the search may have eliminated some

literature, but the search also increased the ratio of relevance and overall a broad number of literatures were found.

In addition to providing knowledge about the factors that affect businesses that currently are active in the clothing retail industry, the literature review aimed to provide and create a framework that will give understanding for companies about the theoretical factors that must be considered when choosing sales channels. Therefore, the review and developed framework provides a first step to towards the answer to our research questions.

### **3.1.3 Case study**

In the second and empirical part of our research, eight case studies with companies in the business are made to obtain primary data. A case study does not have a particular definition, but the methodology is used to explore a single phenomenon to obtain in-depth knowledge. (Collins & Hussey, 2009) One description, which is suitable for our study, that explain the focus of a case study is according to Eisenhardt (2010, p. 534) “[...] understanding the dynamics present within single setting”.

When there is little previous research, which is the situation in our study, a case study is a decent approach (Yin, 2009). However, a weakness of case studies is that it has been designed as a research strategy that has generating knowledge with lower validity (Andersen, 1998). According to Yin (2009), another weakness of a case study is that it in general is biased due to that the authors will draw generalized conclusions from their own influence and the sensitive collection of data. Furthermore, a case study can also be very time-consuming and it is sometimes difficult for some researcher to identify and decide the scope of the study when using a case study (Collins & Hussey, 2009).

A case study is qualitative in its nature, because the focus of the data collection is to gather depth and quality. By collecting detailed data it will consequently simplify the analytical part of the study and also increase the understanding of the research area. (Holme, et al., 1997) To obtain this type of data in our research, semi-structured interviews were used.

#### **3.1.3.1 Semi-structured interviews**

According to Collins & Hussey (2009, p. 144) an interview is defined as:

*“[...] a method for collecting primary data in which a sample of interviewees are asked questions to find out what they think, do or feel.”*

An interview process can be classified in three different types: structured, semi-structured and unstructured interviews. Structured interviews are likely to have closed questions (there may be some open questions) in which it has a set of predetermined answers. In semi-structured interviews, some of the questions are prepared but the interviewer can add additional questions to obtain more detailed information about a specific answer or to discover new issues that occur from a particular answer. Unstructured interviews are likely to

not have prepared questions and are strongly associated with the paradigm interpretivism. (Collins & Hussey, 2009) In this study the interviews had the purpose to identify factors that affect companies in the clothing retail business when they are choosing sales channels. Therefore, our method to collect the primary data for our analysis is semi-structured interviews, with a grounded theory approach to enable an attempt to develop these categories into more general analytic frameworks (Collins & Hussey, 2009). We wanted to prepare the interview questions, but at the same time have the opportunity to add follow-up questions during the interviews. The result of this is that we could obtain more detailed information about the factors that companies must consider when choosing new sales channels, or discover new concerns that occurred from a particular answer.

Compared to other methods to collect this kind of data, a quantitative approach etc., a negative part of it is that each qualitative interview is likely to generate a sufficient amount of data and it is therefore likely that the study will rely on a smaller sample than a survey etc. (Weiss, 1995). But compared to a quantitative method approach, a positive part is instead that qualitative interviews will improve more depth, coherence and density of the collected data (Yin, 2011; Weiss, 1995).

The type of case study that we have chosen is focused on interviews since it can verify certain data that we already thought had been recognized. Still, it is important that this type of interviews is used with carefulness and at the same time that the questions are carefully formulated, so that the interviewee is allowed to add additional input on the topic. (Yin, 2009) As the interviewee might share life experiences and thoughts to the interviewers, it is also important that the interviewer(s) are open to new phenomena (Kvale, 1997; Silverman, 2004). Since the clothing retail industry has changed significantly the last decade, it is important for the interviewers to realize that the information also can be commercially or confidentially sensitive (Collins & Hussey, 2009). We will therefore be very careful in describing for the interviewee how we will use the data in our research.

To choose appropriate companies for the study, we did a thorough study of clothing retail companies that were founded no longer than approximately a decade ago, and at the same time operates in different segments. The different segments we use in our research are companies that sell clothing products with different designs and target customers, companies that sell a combination of clothing products and accessories and finally companies that only sell accessories that want to be associated with different styles of clothes. For an initial overview we used Google and after that we were able to choose eight companies that fit our criteria of founding year and different operational segments. The next step was to ensure appropriate interview respondents. They were chosen based on their position and role in each company. Our goal was to identify people that have had a big role in the company and had been a part of the decisions made for the company's future goals, to ensure that they could describe all the different choices they had done and what factors that affected them. To evaluate how to choose relevant interview persons, we search for three main types of positions within our identified companies. The three different position types were founder,

CEO or a person that works very close to the CEO and finally persons that have a main responsibility for sales. These three categories were chosen since persons on the positions have good insight into the choice of sales channels for the respective company. In Table 1, all the interviews are presented.

Nr	Company	Position of the Interviewed	Number of Years as Employee	Type	Interview Date	Interview Duration
1	By Malina	Head of Sales and Marketing	Two	E-mail	2014-04-02	-
2	Carin Wester	Head of Sales	One	Telephone	2014-04-04	~ 45 min
3	Grandpa	Head of Online Business	Six	Face-to-face	2014-03-13	~ 45 min
4	Happy Plugs	Executive Assistant	One and a half	Telephone	2014-03-06	~ 45 min
5	Marville	COO	One	Face-to-face	2014-03-12	~ 45 min
6	Morris	COO	Two	Telephone	2014-04-04	~ 45 min
7	Our Legacy	Head of Sales	Seven	Face-to-face	2014-03-28	~ 60 min
8	Très Bien	Co-Founder	Eight	E-mail	2014-03-10	-

Table 1: Summary of the interviews conducted in the research<sup>2</sup>

The interviews were conducted in three different ways; face-to-face, by telephone or written through e-mails. All the interviews, except the written e-mails, were documented by recordings and keynotes. Each interviewee gave the permission to record the conversation and all the interviewees confirmed all keynotes taken in all interviews at end of each interview. The interviews' durations were about forty-five minutes and were held in Swedish. The interviews face-to-face were also held in conference rooms at each company offices, except for one interview that was held at a café in Stockholm. Both researchers were present during all interviews and followed a pre-written formulary with questions that can be found in Appendix 3. The interviews included questions that were not guiding, i.e. all questions were asked in a way so that the answers weren't directed in a certain way. Since the

<sup>2</sup>In Appendix 2, more detailed information about each company can be found.

interviews were semi-structured, the interviewees were permitted to elaborate on their answers during the interviews and therefore some new questions were added during the interviews. Because of the chosen semi-structured interview method, the interviewers are allowed to add questions that arise during the interview to discover new areas that arise from specific answers, which is of high relevance for this type of study. This was also the case for the written interviews; since the researchers come up with several written follow-up questions on the answers they received at first. (Collins & Hussey, 2009) As the findings from the interviews were of need to develop our empirical framework about the factors that affect the choice of sales channels, the chosen semi-structured interviews were another example of that this process was suitable for this research.

Finally, the empirical data that was collected throughout all the interviews was then used to further analyse the factors in an empirical framework as a second step to answer our research questions. To increase the quality of the empirical data from the interviews, and to avoid that the different interviews affected each other, the interviews were summarised immediately after the interviews. At the same time, we wrote down how the identified factors affected the different focuses as a first step to the analysis.

### ***3.1.4 Analysis and conclusions***

The data that was collected throughout the literature review and the empirical study, which were of a qualitative nature. Consequently, the method for the analysis is therefore non-quantifying and the need for this kind of analysis, with the explanatory nature, gives it numerous options to do the analysis process.

Both the theoretical and empirical findings were based on an analysis similar to a SWOT-analysis, where we could identify the different focus areas for each factor. (Hill & Westbrook, 1997). The two main focus areas that we compared were consumer focus and company focus, which can be compared to the external and internal focus used in a SWOT-analysis. The differences in both frameworks that were developed were that the theoretical framework was only based on the literature, while the factors in the empirical framework were developed by using the semi-structured interviews with the theoretical framework as a base. When the analysis of the frameworks were undertaken, the factors developed in the literature review was compared and analysed against the factors in the empirical framework to subsequently create the final framework of factors. The analysis was in other words done by trying to identify and analyse the factors based on the literature and then update those factors by analysing differences and similarities with the empirical findings.

Finally, to give appropriate recommendations based on the final framework, Harvey Balls were used. Harvey Balls are used for visual communication of qualitative information; made of round ideograms, see Figure 7. They are generally used in comparison tables to specify the degree to which how a certain item meets a certain criterion. (Bor, 2014)



Consequently, all factors in the final framework were used in a comparison table to specify the degree how they meet different criterion and therefore recommendations about how and what factors that affect the choice of sales channels could be formed.



Figure 7: Harvey Balls (Bor, 2014)

## 3.2 Quality of the research

When deciding the quality of a research; validity, reliability and generalization are parts for evaluating it. According to Collins & Hussey (2009, p. 64) reliability can be defined as:

*“[...] the absence of differences in the results if the research were repeated.”*

According to Yin (2009), four tests can be used to verify the quality of a case research design; construct validity (truthful operational measures), internal validity (creating causal links), external validity (definition of the area where the result(s) can be generalized) and finally the reliability (repeatability of the research). By following these four types of tests, the quality of any research can be assessed. When working with an interpretivist study, there can be situations where the reliability does not hold a high meaning. This is because of that the researchers in that type of study influence the environment they are studying and consequently make the replication difficult (Collins & Hussey, 2009). This is applicable to our study, which is close to an interpretivist approach, making replication hard to achieve. By being in the environment we have studied, where people around us have been aware of our presence, we might have been influenced. According to Collis & Hussey (2009) this is one of the most common incidences when conducting an interpretivist study. However, we have provided a detailed description of how we have collected the data, which will make it easier for researchers to duplicate the processes of our study.

According to Collins & Hussey (2009, p. 65) validity can be defined as:

*“[...] the extent to which the research finding accurately reflect the phenomena under study.”*

The majority of our methods of data collection have been of qualitative nature, based on the insights of the interviewees. In other words, our analysis and database is a gathering of personal insights, as well as theoretical data. Consequently, the validity of our research is the true reflection of perceptions of the people from the different companies. A risk of basing the analysis on this type of data is that the illustration of the reality can depend on what questions that have been chosen during the interviews. Nevertheless, the analysis and presentation of the data will result in a correct view of the context from the study proposition's point of view.

Finally, to reduce prejudice and ensure higher reliability and validity, both the researchers were always present during each interview.

Finally, according to Collins & Hussey (2009, p. 65) generalization can be defined as:

*“[...] the extent to which the research findings can be extended to other cases (often a population) or to other settings.”*

In other words, generalization contains the application of the research results to other different cases and situations excluding those observed in the study, if the results can be used in other areas outside the researched one (Kelliher, 2005; Yin, 2009). In our case, even though we used different interviews and made a broad literature review, the research is very specified to the Swedish clothing retail industry and therefore may not be able to be used in wider generalisations. It is also possible that the globalisation of retailing through e-commerce makes companies more similar to each other than before, thus increasing the suitability of generalisations. We therefore recommend that any generalisations done from our study are done with carefulness.

## 4. EMPIRICAL STUDY

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*This section will present and describe the findings from our empirical study. The empirical study was done by interviewing several companies from the retail industry, with people who have had key roles in the respective companies' choice of sales channels. To present the findings each company will be presented separately. This emphasizes the specific characteristics of each company's choice of sales channels. The questionnaire form that was used as the starting point for the interviews can be found in Appendix 3.*

### 4.1 By Malina

We interviewed Caroline Flacké who is Head of Sales and Marketing at By Malina. By Malina was founded in 2010 by Malin Andrén. At first, the assortment consisted of colourful dresses and today the company also has a wedding collection for women. There are two types of collections that are released annually, one for spring/summer and one for autumn/winter. By Malina targets women that want good quality and values classical cuts. For more details and information about By Malina, see Appendix 2.

By Malina has two main sales channels. The first sales channel is an online store and the second sales channel is retailing. In addition to the two main sales channels, the company has a showroom at their head office in Stockholm, where they sometimes show collections for customers. This allows the customers to see and feel the products, which creates awareness about the quality of the clothes, before making a potential purchase. One factor that influenced By Malina to choose an online store was to reach a broad customer base. However, the company also has retailers in 13 countries due to two main factors. The first factor is that retailers contribute in a favourable way to the company's brand; this is done because the retailers have a large customer base. The other factor is that retailers allow the customers to see and feel the products before purchasing them, which is very important to By Malina since they strongly value the quality of the products. By having the above sales channels, By Malina believes that the company reaches its customers in the best possible way.

When By Malina had made the choice of sales channels, the focus was on different processes internally and externally in the company. Internally, the company focused a lot on inventory management and to develop and update the online store. In addition to the branding and marketing that the retailers imply, By Malina also decided to work with marketing and PR internally. When it comes to outsourcing, the main focus lies on that My Malina uses agents for sales in Scandinavia and the U.K.

Flacké points out that an advantage of not only existing online, but existing both online and at retailers, is that the company reaches more customers. Even though an online shop reaches customers worldwide it is difficult to get the customers to make a purchase from the online shop in the beginning due to the lack of brand awareness in the rest of the world. It is therefore very favourable to have a retailer that has an existing customer base, when starting to sell a new brand. Furthermore, an advantage by not operating through a brick-and-mortar

store, but instead through retailers, is that the company does not have to pay high rents and staff wages. However, Flacké identifies a disadvantage of not having a brick-and-mortar store as that the company does not meet their customers face-to-face, which leads to that they lose control over the customers' purchasing processes. Finally, Flacké does not think that By Malina won't change their sales channels in the future since they are very satisfied with the current situation by having one physical sales channel in the form of retailers and one online sales channel in the form of their online shop.

## 4.2 Carin Wester

We interviewed Åsa Öhman, who is Head of Sales for Scandinavia at Carin Wester. Her role includes strategic issues, contact with customers and issues concerning retail. Carin Wester has retailers worldwide, for example in Germany, the U.S. and the U.K. The company was founded in 2004 by Carin Wester and targets female customers. The targeted female customers are interested in the company's specific design, including a more masculine touch to female wear. Carin Wester previously had a collection for men, but the collection has been closed down to allow the company to focus on the female collection since the company was more successful in women's wear. For more details and information about Carin Wester, see Appendix 2.

When the company started in 2004, it opened one brick-and-mortar store in Stockholm. When the store opened it was used both as showroom and office, in addition to the store. Subsequently, Öhman describes that the company wanted to expand its business and get a larger geographical spread of customers. The increased spread in customers was the main factor for why Carin Wester started to use retailers. When the company reached a high volume of customers through the retail business, Carin Wester chose to shut down the brick-and-mortar store in 2012 due to the high fixed costs of that store. In 2008, i.e. before closing the brick-and-mortar store, Carin Wester decided to open an online store. The main factor for that decision was to reach more customers and expand the customer base and at the same time take advantage of the economic benefits from an online store compared to a brick-and-mortar store.

Öhman also says that Carin Wester wanted to open physical stores as a part of the expansion. However, a main factor why the company used retailers instead of brick-and-mortar stores is that brick-and-mortar stores implies in bigger risks. In addition to high fixed costs, such as rental and personnel costs, there is a higher risk for brick-and-mortar stores not to be able to sell the whole collection compared to retailers, which apply made to order. Due to this, companies risk to be forced to put large parts of the collections on sale. However, Öhman emphasizes that if a company has sufficiently high turnover a brick-and-mortar store can, although it does not contribute economically, be good to have for marketing purposes.

An important factor to why Carin Wester not only uses retailers, but also uses an online store, is that retailers only select specific parts of the collections and it is therefore important for companies to have a wide range of retailers to ensure high volumes of every product in the

collections. A disadvantage of having retailer is that Carin Wester loses the control of the display of the products in the stores. It is also difficult for Carin Wester to ensure an appropriate customer treatment from all the retailers. Another disadvantage of using retailers is the risk of payment delays and default payments. According to Öhman, this has been a problem for Carin Wester and uses a lot of resources to work with this. Another main factor for opening the online store was the possibility to improve the profits by selling online and not have to use intermediaries that results in lower margins. Carin Wester also opened the online store due to an identified change in customer behaviour, including the increase in online purchasing. However, a clear disadvantage of an online store is, according to Öhman, that customers cannot see or feel the products.

Öhman also states that another large risk that online shops can result in is that a customer from any part of the world can order a product and then re-produce it and sell it as a pirate copy. This is something that is difficult to detect for companies and can in the long run hurt the turnover.

### **4.3 Grandpa**

We interviewed Susanna Månsson, whose main responsibility is the online sales and online marketing. She describes her own role as a broad area of responsibility with a focus on creating a strong brand for Grandpa online, for example via Facebook and Instagram. Grandpa was founded in 2003 by Jonas Pelz, Martin Sundberg and Anders Johansson, and opened its first store in Södermalm in Stockholm. Today, the company has two stores in Stockholm and one in Gothenburg. Moreover, the online shop started in 2008. The company targets a very broad target group, with customer ranging from 18 to 60 years old. Grandpa only sells clothes and interior design from external brands, except a few smaller interior design products. For more details and information about Grandpa, see Appendix 2.

The main reason for starting Grandpa was that the founders saw a gap in the Swedish retail market, where Grandpa wanted to create a special feeling and experience for the customer by opening a new store concept. This new concept was created due to two main factors. The first factor was to fill a gap in the current Swedish retail industry and the second factor was that they wanted to create a unique customer experience by selling clothes together with interior design, both with a vintage style. Furthermore, the most important factor for starting a brick-and-mortar store was to be able to ensure that the customer is treated well, through good service and a pleasant and inspiring environment.

The main factor for starting an online store was to reach more customers in Sweden, and Månsson also states that their online store had a low investment initially. However, she also further describes that the initial investment costs can vary between companies since they can have different ambitions and economic conditions regarding the online store. Another factor for starting an online store is to reach customers overseas. Lately, the company's stores have been subject to an increase in tourist customers. It is therefore important to establish an international online store to be able to sell to the tourist customers after they have left

Sweden. Consequently, by having an online store, Grandpa must deliver its products to a large geographical market. Delivery costs are something that is widely discussed at Grandpa but it is not a factor that influences the choice of sales channels. In the future, focus for Grandpa lies on developing its online store. For example, this is done through the development of web page that is suitable for mobile phones. Månsson says that 30% of the company's online customers visit the shop from a mobile phone. She thinks that the increase in mobile phone customers is a change in customer behaviour that will continue to increase significantly in the future.

Månsson emphasizes that a disadvantage of having an online store is that it takes a lot of time. An online store must be updated continuously and at the same time an online store removes the interaction between the customer and the value of the company's service. To ensure a good customer service online, the company focuses on being available on e-mail and phones. An important aspect to consider when operating through an online store is inventory storage. This is something that can be complex for smaller companies, but has been solved by Grandpa by sharing the online inventory with their largest brick-and-mortar store in Stockholm.

Finally, Månsson says that if Grandpa changes its sales channels in the future, retail will not be an option for the company. It is not an option since selling through a retailer means that the company loses control over the most important factor, namely customer and company interaction.

## **4.4 Happy Plugs**

We interviewed Michaela Carpelan, who currently works as the Executive Assistant at Happy Plugs. She summarizes her role as Executive Assistant as "[...] very broad and close to the CEO". She works with the CEO with questions regarding logistics, marketing and PR. Happy Plugs was founded in the end of 2011 by Andreas Vural. The assortment consists of colourful earplugs and other smartphone accessories with the goal to be a fashion- and lifestyle company, where Happy Plugs wants their products to be matched and associated with how people dress. The company's target consumers are approximately 18 to 40 years old. For more details and information about Happy Plugs, see Appendix 2.

Happy Plugs exists today both online and in more than 5000 distribution retailers in 56 countries. The focus lies on the distribution retailers since it is easier for the consumer to get a visual experience of the product before purchasing it. The Happy Plugs-concept relies on the multiple colours of the products and to visualize it accurately for the consumer, it is important to display the products in real stores. Displaying the products in real stores also gives the consumer the chance to touch and feel the products, which is considered to be an important part of the purchasing experience.

A factor that had an impact on the choice of distribution retailers as the main sales channel, and not an own physical store, is that it is easier for a relatively new-started company to

access the market through distribution retailers. Another factor is that Happy Plugs's assortment is currently relatively narrow, which results in that an own physical store is difficult to have. Even though Happy Plugs is a new-started company, they have developed fast and continue to expand their assortment. This makes an own physical store to a relevant sales channel in the future.

A third factor, which is emphasized by Carpelan as one of the most important factors, is that the customers don't spend that much time on evaluating the purchase of Happy Plugs. This means that the customers often do impulse purchases and consequently it is very important for Happy Plugs to exist in retailers. The impulse purchases are furthermore affected by the broad spectra of colours that Happy Plugs offer, which allow the customers to match the products with the rest of their outfits.

Carpelan further describes the important aspects of the choices that the company must consider after the initial choice of sales channels. Here she emphasized the outsourcing and insourcing questions. Since Happy Plugs is a relatively new and small company, they have had to outsource multiple business processes, for example multiple logistics processes where the production is done in China.

When Carpelan compares e-based stores with brick-and-mortar stores, she mentions the factor that the target group is different between the two sales channels. Carpelan describes the target group that purchases online is more price-sensitive and tends to compare products with other products online, and thereby choosing the cheapest option amongst products. Another factor is that Happy Plugs can reach a broader group of customers and be available day and night through an online store. In addition to the factors mentioned above, Happy Plugs notes that a disadvantage of using a retailer instead of selling through an own physical store is the loss of control for the company. For example, Happy Plugs cannot control how the distribution retailer presents the products, i.e. the layout of the products in the store. Finally, Carpelan says that changing its sales channel in the future is not considered to be impossible. However, to open an own physical store will probably reduce the customers' tendency to impulse purchase the products. To be able to successfully start an own physical store, Happy Plugs must increase their brand awareness and the assortment.

## **4.5 Marville**

We interviewed Christina Claughton-Wallin, who is Chief Operating Officer (COO) of Marville, which means that she is responsible for improving certain processes and is responsible for the webpage etc. The company was founded in 2011, by Jenny Holmén and Lisa Sandefeldt, and has two operational employees at their main office, but since the company has retailers and an online business the company has external people that are involved and work with the business. The company's target customers are working women between 30-45 years old, living in big cities and that are interested in fashion. For more details and information about Marville, see Appendix 2.

Marville sells its assortment, consisting of its own brand, both online and through retailers, with Sweden as the primary market. The company has also tried two alternative sales channels in the form of pop-up stores and home parties. Pop-up stores are temporary small stores that companies can use to show and sell their clothes for a shorter time period, example by selling out the inventory or increase the company's brand. Home parties mean that the company visits a certain customer, for example during a party, to show the assortments for the customers, who can try and order the clothes during the evening.

Claughton-Wallin says that one factor for choosing retailers is because it is very good marketing channel, since it targets a big volume of customers. Clothing companies have a minimum level of clothes that it must order from its suppliers. Retail is a very suitable sales channel to increase sales and thus reaching the minimum level set by suppliers. A negative aspect of using retailers is that the company outsources its selling process and retailers therefore cause a decrease in margins for the company. Another factor that makes Marville use retailers, and not only an online store, is that only selling through an online store that company must have a specific marketing process, which makes it difficult for the company to reach high volumes fast.

Another main factor that Claughton-Wallin mentions about the importance of retailers is that many consumers do not purchase clothes without having seen and touched the clothes in reality before they buy something for the first time. When the company considers different sales channels it focuses more on the company's focus instead of the customer's. Claughton-Wallin says that this might sound odd, but emphasize that the company can affect the customer by employing efficient marketing strategies and by aligning the consumer experience offline and online. To improve the online customer experience, Marville has worked a lot with privacy and trust matters. For example, focus has been on developing a secure invoicing service to improve and simplify the purchasing process and consequently increasing the number of customers. Internally, focus has been on implementing a new IT-system to improve data processing in the company.

Since marketing is very important for Marville, they use Facebook, Instagram and other social media to market the brand in a way that accurately reflects the company brand. Another important part of the marketing process is to be seen constantly by displaying new arrivals through many different marketing channels.

Marville's future goal includes an opening of an own store. However, the company has analysed the process of opening a brick-and-mortar store and concluded that most companies in the business that opened a brick-and-mortar store successfully were active 16 years in the industry before the opening. A reason for not opening a store earlier, Claughton-Wallin says that a store has very high fixed costs and therefore that company has to sell a high volume of products each month. The main reason to start an own store is that the margins are much higher in a store operated by the company itself than by a retailer, and at the same time the company can control its own stores and brand to a larger extent than selling through a



retailer. Finally, Claughton-Wallin says that to change the company's sales channel it is important that the company constantly assess its current sales channels to see if they are optimal. She emphasizes that she thinks that e-commerce will grow immensely in the future and will thus play a major part of the company's sales channels. She also points out that pop-up shops can be used and can be an important part on the way to opening an own store, to increase the brand awareness and the company's number of customers.

## **4.6 Morris**

We interviewed Johan Ölander, who is Chief Operating Officer (COO) at Morris. The company was founded in 2004 by Janne Alsén and Erik Nygren. The assortment consists of their own brand of both men's and women's wear and the clothes have a preppy design. The design is furthermore influenced by England in combination with Swedish upper class style. For more details and information about Morris, see Appendix 2.

Morris uses retailers and brick-and-mortar stores, but does not operate through an own online store. Ölander mentions that Morris started their business by selling through retailers, and still try to have a close connection with those retailers that the company sells through. He also mentions that Morris try to limit the number of physical stores to give the customers a more exclusive purchasing experience. One factor for Morris's choice of retailing as a sales channel is the existing sales and marketing infrastructure that most retailers have. The company is furthermore very careful when choosing which specific retailers that sell the company's clothes. Here, Morris has identified another factor for choosing retailers, namely that retailers give Morris the opportunity to sell its clothes in the same store as other brands that Morris wants to be associated with. This can be beneficial for Morris, since it increases their brand recognition. When it comes to an own online store, Morris is currently developing one. The major factor for starting the development of the online shop was the increased attention that the brand would get online, and the online shop is not developed to maximize sales but instead to be a good marketing channel and a medium where customers can see the assortment without taking the time to visit a physical store.

Ölander also points out that cannibalism is a big disadvantage when using large e-shop retailers. Large Internet retailers often have the capacity to offer mid-season sales, which have a negative impact of physical retailers. Morris is therefore very selective and careful when it comes to the company's online presence. Moreover, a disadvantage with the use of retailers is that the clothes company does not interact directly with the end-customer, but only interacts with the retailers. As a consequent, it is difficult to fully understand how and why the end-customers purchase certain products. In connection with this, Ölander points out that a factor for choosing to operate through brick-and-mortar stores is to increase the understanding of customer behaviour. Ölander also points out that brick-and-mortar stores increase the control over product merchandising, which is an area where disagreement can exist between retailers and the clothing companies. This problem can be dealt with by working very close to the retailers, and support them in various marketing tasks.

Another factor that affects the choice of retailers positively is that all retailers put in their orders very early every season, and make their payments approximately 30 days after delivery. This allows the company only to produce what the retailers have order and can be compared to a brick-and-mortar store, where the company needs to estimate the sales numbers and produce accordingly.

## **4.7 Our Legacy**

We interviewed Richardos Klarén, who is Head of Sales of Our Legacy, and has also been involved in other parts of the company such as production and economy. The company was founded in 2007 by Christopher Nying, Jockum Hallin and Richardos Klarén. The assortment consists of their own brand of menswear and the company's target customers are men from the age of 15 and older, where the core customer is approximately 30 years old. For more details and information about Our Legacy, see Appendix 2.

Our Legacy uses retailers, brick-and-mortar stores and an e-based store, where retail is the largest sales channel. The company has a total of 220-230 retailers worldwide in 25 countries, where the U.K. is the biggest market. Our Legacy has three brick-and-mortar stores; all located in Sweden, where two are located in Stockholm and one in Gothenburg.

It was a natural choice for Our Legacy to sell their products through retailers. Klarén says that Our Legacy is good at selling to retailers and the retailers are in turn good at selling to end consumer. He emphasizes that this is two different types of selling processes, which was a factor affecting the choice to operate through retailers. Another factor to extend the company's sales channel to brick-and-mortar stores can be divided into two main parts. First, Klarén emphasizes the economic aspects of brick-and-mortar stores, where the margins are significantly higher than for retailers. On the other hand, the company gets higher fixed costs by operating through brick-and-mortar stores. Second, a very important factor for choosing brick-and-mortar stores is the increased control of the customer experience. This implicates everything from the interior in the stores to how the customer is treated by the store personnel.

One clear advantage with an e-store is that it is easy to open and cheap in the beginning as well as the sales channel reaches the whole world. However, a disadvantage that is largely disregarded in the beginning is the substantial growth in costs for the e-store, for example an increased number of staff is needed as well as a more complex IT-system. Another important factor that Klarén says that retailers is a natural choice of sales channel for companies that do not start online, since new started companies seldom have enough capital to open a brick-and-mortar store. Furthermore, Klarén means that the importance of an online store has grown lately.

One main factor the Klarén emphasizes as important for Our Legacy is that the online store is very important for the company, even though it is not the largest sales channel. This is because the online store allows the company to get more information about customer

behaviours, which enables the company to analyse where it sells the most and consequently it can adapt their other sales channels accordingly. For example, Klarén says that Our Legacy sells the most in the U.K. and therefore they have focused strongly on the retailers in the country and has a future goal of opening a brick-and-mortar store in the country as well.

Moreover, a factor that increases the popularity of retailers is that retailers decrease the risk for the company. For example, the company can determine how much to produce after getting orders from retailers. The company can therefore be sure to sell everything that it produces. Another advantage with retailers is that it is possible to reach customers worldwide, since retailers already have a local customer base, which means that Our Legacy doesn't need to market its brand in the same way as when they sell online.

In future, Our Legacy wants to open more brick-and-mortar stores. But since the company only wants to grow organically it is difficult to obtain the economic opportunity to open many brick-and-mortar stores. Klarén emphasizes that it is important to do what is right from an internal company perspective to develop the business, but at the same time always listen and analyse what the customers want and implement the customer perspective in the business of the company.

## **4.8 Très Bien**

We interviewed Jakob Törnberg, who is one of the Co-Founders of Très Bien. Très Bien is a Swedish fashion company and was founded in 2006 by Jakob Törnberg, Simon Hogeman, Björn Lindén and Hannes Hogeman. The assortment consists of menswear, both with their own product lines but also with external brands. The company's targets consumers are men approximately 20-40 years old that live in a bigger city in Europe or U.S. For more details and information about Très Bien, see Appendix 2.

Très Bien started their business in 2006 with as a physical store. During the years thereafter, Très Bien developed their sales channels through an e-based shop, tres-bien.com, as well. Lately, Très Bien has also developed and started their own brands that consist of Welcome, Très Bien (starting during the spring 2014) and also a brand of accessories called Sun Buddies. Très Bien has had a total of five physical stores (they no longer exist), but today the focus is instead on their e-based store. The main reasons why Très Bien changed their focus and instead focus on their e-based store, was that as small operator Törnberg thinks that you need to have more core focus and at the same time the company has always wanted to have an international perspective. Consequently, this was a natural step for Très Bien, since they needed to have the opportunity to reach the whole world directly.

Another factor that had an impact on the choice of starting an online store was also that they felt that the type of fashion they worked with was difficult to only sale in a physical store in Sweden. Would they instead have had a physical store in Paris etc., Törnberg points out that the situation may have been different. Therefore, the main focus after closing the physical stores was to transmit the whole feeling of fashion, retail and the trademark Très Bien online

which in the end, according to Törnberg, is the main reason why people choose to buy from them, instead of other criteria like fast delivery offering etc. But in the future, Très Bien wants to open physical stores again with their own brands. Since Très Bien is a self-founded company and grows organically, everything takes time to reach and at the same time they also have to be careful of taking on big economic risks. This is the reason why they haven't had the chance to start working with their own collections and products until recently.

Furthermore, Törnberg explains that when Très Bien makes their choices, the company's perspective is more important than the customers'. He describes that they don't think about the customers' perspective, and instead means that if it's right for Très Bien then it's right for their customers. But he also points out that if they want to open a new store, they only open it if they know that there exists an interest, but they don't use market research to identify the demand.

Törnberg further describes that their future goal is to be a small fashion company with different brands and stores in several countries. To reach their goal, physical stores are needed as a next step in their development, but at the same time the e-based store will also be an important part of it. However, Törnberg points out that the next step will consequently be to expand with physical stores, both their own but also through brick-and-mortar distribution retailers. This next step with physical stores is important, since it still has a higher status in the fashion industry compared with an e-based store. In a physical store, Très Bien will have a bigger opportunity to present what the company represents and what their products are in a more inspiring way, but at the same time use the physical stores to reinforce and legitimize the e-business. Some products are difficult to sell online and therefore can be better in a physical store. On the other hand, a physical store can cause difficulties with the logistics and at the same time the company has to pay expensive rents and salaries.

Lastly, Törnberg describes that a positive part of an e-based store is instead that the company can show all their products there, both their own and external brands, which can be difficult in a physical store. This implies that customers from all over the world can see all products, which has been a big positive part of Très Bien's business since they each month sales products to customers in fifty different countries all over the world. Törnberg clarifies that even if this implies other overhead costs, they still don't have to pay high rents and wages that physical stores imply.

## **4.9 Factors from the empirical study**

As the next step in developing a good understanding for the factors that influence companies when choosing sales channels, we have identified multiple new factors from the empirical study and further developed some of the factors from the literature. The identification and development of factors were possible due to the rigorous and extensive empirical research, done with carefully chosen companies with a wide range of assortment and people with substantial influence and a good insight into the respective companies' strategic choices.

In this section, we will start by presenting and describing the new identified factors from the empirical study and how they influence the companies in the clothing retail industry. Thereafter, we present and describe how some of the identified factors from the literature has been further developed and strengthened due to the addition of valuable information from the empirical study. Moreover, as we present the factors below they are not presented in a particular order.

#### **4.9.1 Fill a Gap**

Fill a Gap is a factor that implicates that a company wants to fill an existing gap of clothing retail concept that, according to the company itself, exists to a small extent or does not exist at all. For example, Månsson (2014) says that the main reason for Grandpa to start its brick-and-mortar store was to create a special feeling and experience for the customer by opening a new store concept with vintage style of clothes and interior design. She argued that the concept did not exist on the Swedish market, which enabled Grandpa to successfully start a brick-and-mortar store. Note that Grandpa sells already existing products, thus not filling a specific product gap, but the difference is that the combination of clothes and interior sold in a brick-and-mortar store creates a new concept on the market. Naturally, all companies try to produce something that is non-existing on the market. However, we define our Fill a Gap factor as when a company creates a new concept, and not a single product, on the market that has not been available before. It is today unusual to start a company's business with a brick-and-mortar store, where companies in the clothing retail industry open their own brick-and-mortar stores after a longer time period of operating through other sales channels (Claughton-Wallin, 2014).

Starting a business through filling a gap does not necessarily mean that the company must have both clothing and interior products to fill a large gap. The gap can also be a relatively small gap, where the company tries to niche itself and sell a narrower assortment. (Carpelan, 2014) One example of this is Très Bien, which sells a niched assortment for men that enabled the company to enter the market with a brick-and-mortar store (Törnberg, 2014).

#### **4.9.2 Customer Experience Control**

Customer Experience Control is a broad factor that affects almost all sales channels, but mainly affects brick-and-mortar stores and retailers. The factor concerns the experience that the customer gets when the customer shops, and includes both the service and environment of the shopping process. The control that a company has over the customer's shopping process is something that is reduced when a company chooses to sell through retailers. (Carpelan, 2014; Claughton-Wallin, 2014; Klarén, 2014; Månsson, 2014; Törnberg, 2014; Öhman, 2014; Ölander, 2014)

There are three main components of the factor: product display, shopping environment and service. An example of product display is when a company wants to present and display its products in a certain colour scale, which is the case for Happy Plugs (Carpelan, 2014). An example of the second component, shopping environment, is that the customer gets an

improved customer experience when there is a certain environment. When the shopping environment is good it increases the customers willingness to shop and its loyalty to the store, which makes it beneficial to control the shopping environment (Månsson, 2014). An example of the third component, service, is that companies with their own brick-and-mortar store the company can ensure itself of that the store staff is service minded and treat the customers according to the company's brand image. When selling through retailers, the customer experience is at risk since the service from the store staff can be different due to the wide range of brands in the store and that an external employer employs the staff. As a result of the three components, the loss of control of the customer experience by the company can lead to loss of sales due to the different approaches between retailers and a company's own stores. (Claughton-Wallin, 2014; Klarén, 2014; Öhman, 2014; Ölander, 2014)

### ***4.9.3 Spread of Distribution***

A factor that has been mentioned recurrently in the empirical study is that companies often want to obtain a large spread in their product distribution and want the possibility to develop the product distribution channels. Consequently, through developing a broader range of distribution alternatives, companies can reach the maximum amount of potential customers. (Månsson, 2014; Carpelan, 2014; Törnberg, 2014; Klarén, 2014; Claughton-Wallin, 2014; Öhman, 2014; Ölander, 2014)

This factor consists of different components. One component of this factor is that an online shop makes it possible for companies to reach customers worldwide (Öhman, 2014). As an example that describes the benefit of this, Månsson (2014) says that by reaching customers worldwide it is possible for a company to maintain certain customers. These customers can be tourists that have purchased products in the company's niched brick-and-mortar stores in Sweden and want to continue to purchase products from the niched assortment that does not exist in their home country. Another way of reaching many customers is by selling through retailers, as a physical alternative to the online shop. This enables companies to sell a high volume of products relatively fast, since retailers often have an existing customer base and infrastructure in place. In addition to reaching the retailers customer base, companies benefit from retailers because they can produce their products after receiving orders from the retailers. This means that they can be sure to sell everything that is produced. (Klarén, 2014; Ölander, 2014)

Another very important component of the factor is that companies need to follow trends to increase their distribution spread (Öhman, 2014). One part of this is to follow the trend in online purchasing behaviour. One clear and uprising trend during the last years is the increase of mobile usage, which forces companies to develop an online shop that is also suited for mobile users. Developing a platform for mobile sales increases the distribution range for companies, which leads to increased sales. (Månsson, 2014) Finally, a very important part of spreading the product distribution alternatives is to use the existing sales channels to analyse sales patterns. Companies can for example use their online shop to map different customers in different parts of the world. Consequently, it is possible to use the online shop to identify

geographical areas where the brand is popular, which in turn can lead to investments in retailers and/or brick-and-mortar stores in the area. (Klarén, 2014)

#### 4.9.4 Type of Assortment

Type of Assortment is a factor that describes the importance of companies' assortments when choosing sales channels. Different assortments benefit from different types and combinations of sales channels. If the assortment is specifically niched, the consequence is a narrower customer base. Companies that operate in areas where the customer base is small can have bigger problems to reach a large volume of customers by selling through brick-and-mortar stores and retailers. A suitable alternative for companies with a niched assortment is to start the business by selling online, and when the number of customers is sufficiently high it is possible to open physical stores in the areas where the products are popular, for example in big cities. If the assortment is very niched, but the company wants a physical presence, it is favourable to use retailers since it is the cheapest and fastest way to reach a high volume of potential customers. (Carpelan, 2014; Törnberg, 2014) If the assortment is very large, it can instead be favourable for companies to have several sales channels. With a large assortment it can be difficult to display the whole product line in the physical stores and therefore it is useful to have an online alternative where they can show all the products. (Törnberg, 2014)

#### 4.9.5 Effect of identified factors from the empirical study

To get a good overview of the new factors that have affected the different companies from the empirical study, Table 2 shows a summary of the factors' different impact.

Factors Company	Fill a Gap	Customer Experience Control	Spread of Distribution	Type of Assortment
By Malina		√	√	
Carin Wester		√	√	
Grandpa	√	√	√	
Happy Plugs	√	√	√	√
Marville		√	√	
Morris		√	√	
Our Legacy		√	√	
Très Bien	√	√	√	√

Table 2: Effects of the factors identified in the empirical study

#### ***4.9.6 Framework of factors from the empirical study***

As in the literature study, we will continue the empirical study by dividing the identified factors into two different focus areas, company focus and consumer focus. This section will only present the new identified factors from the empirical study and not include the factors from the literature or the reinforced literature factors. Below follows a presentation and description of why the empirical factors can be perceived to have the corresponding focus and thereafter each factor will be positioned in the framework, show each factor's relationship between company focus and consumer focus based on the interviews.

Fill a Gap is a factor that mostly affects the consumer since companies that target existing gaps have identified customer demand in a niche where other companies do not supply similar products. The opposite of filling a gap would be to produce something that is already supplied by companies in the market, but the company believes that it has better competence in that area or can produce it cheaper. Thus, the main part in filling a gap is therefore focused on the consumers, but there exists some company focus since the company must have the competencies to produce the product.

When it comes to customer experience control, the factor has a large focus on the consumer and a smaller company focus. This is because the factor builds on that the customer should get a purchase process as good as possible but at the same time, the factor focuses on what the company has competencies in, for example selling and service competencies. Another factor, that focus more the company, is Spread of Distribution. This is because of that this factor mostly focuses on how the company should operate to reach as many customers as possible. The small consumer focus stems from that a wide range of purchasing alternatives is something that satisfies the customer. Finally, another factor that has a relatively large company focus is Type of Assortment. It has a large company focus since that what the company sells heavily affects the choice of sales channels. For example, if a company is niched within low-priced fashion clothes but with a large assortment and customer base it is suitable with multiple sales channels and a small consumers focus since companies' product offerings are dependent on the consumer base. Below, in Figure 8, a framework of the factors found in the empirical study is illustrated.



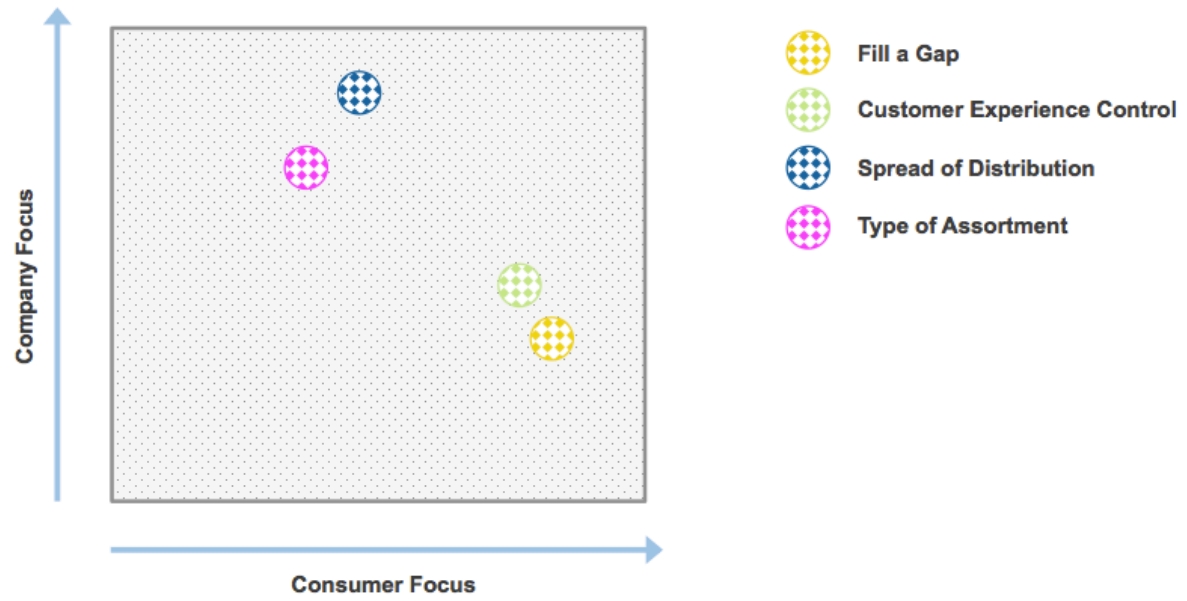


Figure 8: Final framework of factors from the empirical study

## 5. ANALYSIS

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*This section will present, describe and analyse the findings from both the literature study and the empirical study. The analysis was done by first looking at the most important factors and then analyse how certain factors have changed focus through input from the empirical findings. Finally, the section presents, analyses and discusses a final framework of the most important factors for choosing sales channels in the clothing retail industry.*

### 5.1 The most important factors

To be able to determine the most important factors that affect the strategic choice of sales channels for companies in the clothing retail industry we will combine our literature review and empirical study to analyse which factors that have the largest impact.

We will first analyse the empirical data and identify the factors from the literature that have been reinforced by the empirical study. The identified reinforced factors are the factors that were both important in the literature study, as well as the empirical study. Because of the change and development of e-commerce in the industry, the empirical study has contributed to our study by adding additional depth and new important aspects to the factors that were based on the theory in the literature study about how companies make decisions to choose sales channels.

Second, the empirical study has also contributed to our study by identifying new factors. The new factors, which we didn't find extensively discussed in the literature, have been emphasized in the interviews and are characterized by the development of the clothing retail industry and have therefore not been present in the research done before the development of e-commerce. Consequently, the new identified factors from the empirical study, together with the reinforced factors from the literature, have the largest weight when companies choose sales channels in the clothing retail industry. Hereafter, we will first present the factors that are reinforced by the new empirical findings and then describe their new dimensions and how they affect the company and consumer focus.

Below, in Table 3, factors from the literature that were identified and highlighted in the empirical study are visualized. The factors that are highlighted by two or more companies in the tables below are factors that both proved to be important in the literature but also that are reinforced due to the development of the clothing retail industry. Conclusively, these factors, together with the new identified factors from the empirical study, are considered as the most important factors that at first were found in the literature and later reinforced by the empirical study.

Factors Company	Congruity	Marketing and Customer Loyalty	High Costs	Sustainability	Privacy and Trust	Customer Behaviour	Outsourcing or Insourcing	Organisational Support	Managerial Productivity	Intangibility and Tangibility	Competitive Environment
By Malina		✓	✓							✓	
Carin Wester		✓	✓			✓	✓			✓	
Grandpa			✓				✓				
Happy Plugs		✓	✓			✓	✓			✓	
Marville		✓	✓		✓	✓	✓		✓	✓	
Morris		✓	✓			✓	✓				
Our Legacy			✓				✓	✓	✓		✓
Très Bien		✓	✓								

Table 3: Factors from the literature that were highlighted in the empirical study

### ***5.1.1 Reinforced factors from the literature***

Some of the data found in the empirical study is data that reinforces and further develops some of the factors described in the previous literature study. Note that these are only additional facts on each factor and not a repetition of the data found in the literature. Below follows a description of the data that has been found in the interviews and how they affect the factors found in the literature.

#### ***5.1.1.1 Marketing and Customer Loyalty***

An important aspect of the marketing perspective is that by choosing appropriate sales channels, a company can get a high volume of sales that at the same time implies marketing of the brand. One example of this is when companies choose to sell through retailers, which due to the existing customer base provides the company with a high volume of customers at the same time as it is a favourable marketing channel for the company. In general, more sales channels means better marketing. However, when companies try to maximize their presence online in order to increase the awareness of the brand, one risk that occurs is violation of intellectual property rights (IPRs). This has proven to be a problem for companies with popular design. (Claughton-Wallin, 2014; Flacké, 2014; Ölander, 2014; Öhman, 2014)

#### ***5.1.1.2 High Costs***

One of the most important aspects of the factor, which was highlighted in the empirical study, is how the margins of the different sales channels affect the choice, and thus the different sales channels affect the economic sustainability in different ways. Companies often start selling their products through retailers, where the margins are low, since retailers give access to an existing customer base. When companies have a sufficiently large customer base, it is favourable to open brick-and-mortar stores (where the margins are the same as for the company's online store) since the margins are substantially higher for brick-and-mortar stores compared to retailers, however the fixed costs increase substantially. (Klarén, 2014; Claughton-Wallin, 2014; Flacké, 2014; Öhman, 2014)

#### ***5.1.1.3 Customer Behaviour***

As previously mentioned, Customer Behaviour is an important factor for companies when choosing sales channels. Empirical data further reinforces the importance of Customer Behaviour as a factor, since customers can be driven by impulse purchasing. Impulse purchasing can therefore be a contributing factor to how companies also choose their sales channels. An example of this is if a company has a narrow product offering, where retailers not only are used to reach a wide customer base but also since it is an environment where customers tend to do impulse purchases. (Carpelan, 2014) Another important aspect of Customer Behaviour is that customers that buy online tend to be more time and price sensitive than offline customers and often do a more thorough comparison of products before the purchase. This is important for companies to have in mind when they choose which sales channels they operate through. (Claughton-Wallin, 2014; Ölander, 2014)

#### **5.1.1.4 Outsourcing or Insourcing**

One important aspect when companies sell products is to be able to sell a product to potential customers when they visit physical stores. Companies in the clothing industry have mainly competencies that concern the design and production of the products. Consequently, the choice of sales channel, for example to sell through a retailer, implies that the company outsources the selling process towards to customers to an external part that has the competency. (Klarén, 2014)

#### **5.1.1.5 Managerial Productivity**

For managers to be able to analyse and continuously develop the sales channels it is important to have good access to accurate information about consumers. The development of online shopping has not only contributed to improved in-house information system but it is also possible for managers to use their online business to evaluate in which geographical areas that the products are popular. (Klarén, 2014)

#### **5.1.1.6 Intangibility and Tangibility**

An important aspect for the customer in the purchasing process is that it is important to see and feel the products as a step in the evaluating process (Flacké, 2014; Öhman, 2014). This is something that Claughton-Wallin (2014) further develops by saying that if the customer has seen and felt products from a brand once before the purchase, the customer is more willing to continuously buy online since it gets a better understanding of the quality of the brand.

### **5.2 Final framework of factors**

The final framework of factors will consist of both factors found in the literature that were further reinforced and were important for the interviewed companies and the new identified factors in the empirical study, which were proven to be important for the interviewed companies after the development of the industry. Since the empirical study gave more depth and new perspectives on some factors from the literature, these factors were proven to be the most important ones. Furthermore, because of the new perspectives, the factors will also change in company and/or customer focus. Below follows a description and analysis of how the reinforced factors have changed focus compared to the interpretation of the literature. As mentioned before, it is important to consider that the final framework is constructed in the same way as the framework of factors from both the literature study and the empirical study. In other words, the potential changes in the reinforced factors' position can be a change in their company focus and/or consumer focus, but the changes are still based on a firm's perspective when choosing sales channels and not on research about what the customers think.

The empirical study has, in addition to the literature study, shown that Marketing and Customer Loyalty has a much higher company focus after the development of the industry. It is time-consuming and complex to create awareness of the brand for the growing number of potential customers online. Marketing online is also more complex than marketing in the real world, which means that companies must have front edge competence in that area that also

can result in higher costs for the company. To reach customers fast, companies can use retailers that have a large existing customer base. Retailers indirectly contribute to the marketing of a brand, which can increase the sales for companies. Companies therefore use retailers not only because customers want to shop there, but also to ensure high volumes and good marketing of the brand, where the marketing is indirect and not a direct expense for the company.

When it comes to High Costs, the reinforcement of the factor has increased the company focus further since the empirical study has shown that one of the most important factors for choosing a sales channel is the margins and potential profit for the respective sales channel. Due to the development of e-commerce, it is possible to close brick-and-mortar stores and instead open an online shop, where the company has no store costs but at the same time can keep approximately twice as high margins online compared to retailers. In spite of the higher margins for online and brick-and-mortar stores compared to retailers it is favourable to use retailers since they provide the company with an indirect marketing channel and an existing customer base.

Since Customer Behaviour basically only has a customer focus and already has the highest possible consumer focus, the findings from the empirical study cannot increase the consumer focus but can further confirm the focus. The findings from the empirical study confirmed the consumer focus by stating that the choice of sales channel depends on the customer behaviour. For example, consumers tend to do impulsive purchases when shopping at retailers, which make retailers suitable for companies with products that can be impulsively bought. Furthermore, due to the e-based development, groups of customers that are highly price-sensitive have emerged. A factor in choosing an online store is to reach different customer segments, for example by exploiting the price-sensitivity of customers.

Since Outsourcing and Insourcing already has maximum company focus, it is not possible to increase that focus further. However, findings from the empirical study has further confirmed the company focus by outsourcing the selling process to the end customers, which means that the company instead can focus on its core competencies to produce and design new products.

With regards to the development of e-commerce in the clothing retail industry, companies have not only chosen to sell online to increase the sales volumes but it also enables the company to see and analyse the geographical spread of their customers. A consequence of this is that the Managerial Productivity increases both in company and consumer focus. The increase in company focus is due to that the online shop and the corresponding IT-system provide the managers with more information about the customers. The increase in consumer focus is due to that the increased information about the customers that the companies get enables companies to open new and more retailer and/or brick-and-mortar stores.

Finally, when it comes to Intangibility and Tangibility the empirical study shows an increase in consumer focus due to that if the customers have had the opportunity to see and feel the

product it gives the customers an increased understanding of the overall quality of the brand. This results in that the customers get an initial understanding and feeling about the brand, which is very important for the consumer to get the first time a new customer gets introduced to a brand. Below, in Figure 9, the new positions of the reinforced factors from the literature, based on a firm's perspective when choosing sales channels, are illustrated.

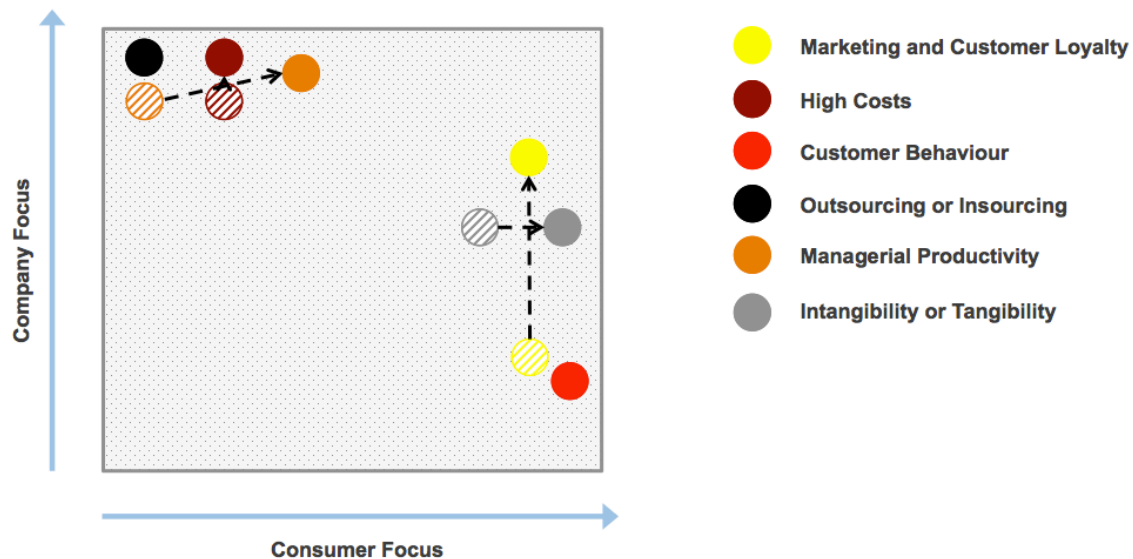


Figure 9: Reinforced factors from the literature

The new identified factors from the empirical study are included, together with the reinforced factors from the literature, in the final framework since they have proven to be the most important new developed factors for companies when choosing sales channels during and after the development of the industry through the expansion of e-commerce. The focus of the new developed factors from the empirical study is described in chapter 4.9 Factors from the empirical study. Below, in Figure 10, the final framework of factors that companies have to consider when choosing sales channels in the clothing industry is illustrated.

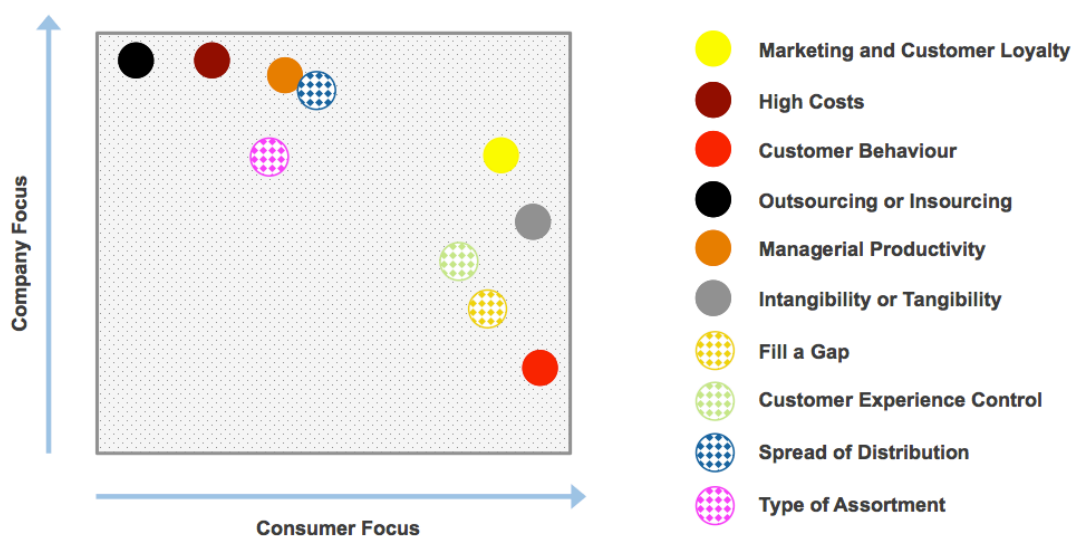


Figure 10: The final framework of factors

## 5.3 Discussion

As seen in Figure 10, the different factors can be classified as either more company focused or more consumers focused. We will start by describing and discussing the factors that have a clearer company focus, and how they affect the three different types of sales channels. Thereafter, we will do the same with the more consumer focused factors.

### 5.3.1 Factors with a clear company focus

Below, in Table 4, it is illustrated how the more company focused factors affect the choice of sales channels.

	Outsourcing or Insourcing	High Costs	Managerial Productivity	Spread of Distribution	Type of Assortment	Comments/other
Online	Medium	Low	High	High	Medium	<ul style="list-style-type: none"> <li>Low start-up costs, good potential to reach a large customer base</li> </ul>
Brick-and-Mortar Store	Medium	High	Medium	Medium	Medium	<ul style="list-style-type: none"> <li>High fixed costs, opportunity to show important products</li> </ul>
Retailer	High	Medium	Low	Medium	Medium	<ul style="list-style-type: none"> <li>Allows companies to focus on core competences</li> </ul>

Table 4: The impact of the five most company focused factors on the choice of sales channels

Table 4 above shows how large impact that the five factors with a clearer company focus have on the choice of the different sales channels. Outsourcing and Insourcing is a factor that impacts the retailer sales channel maximally, since there is a clear focus on outsourcing to external parts, for example marketing and sales to the end customers. Moreover, the factor has a lower impact on the online sales channel since companies do not have to make many outsourcing or insourcing considerations in the beginning. However, as a business grows, a company must consider online outsourcing alternatives, for example website design, delivery methods and payment methods. Moreover, High Costs has a low impact on the online sales channel since an online store overall has a lower start-up cost compared to a brick-and-mortar store. But, as seen previously, an online store needs more investment in competencies and personnel as business grows, which will increase the costs for a company. As mentioned before, in the case with a brick-and-mortar store we see that High Costs has a large impact since there are many different costs for such a store, for example high rents and personnel costs. However, an online store and a brick-and-mortar store have substantially better margins than selling through retailers, which leads to that retailers have some impact on the costs.



Managerial Productivity strongly impacts the online sales channel, since an online store gives managers information about the products and customer purchasing patterns. Through a brick-and-mortar store, managers have smaller insight into the customer purchasing patterns, but still good insight into the product lines in the brick-and-mortar store. Finally, since retailers are external to companies and only order certain parts of companies' product offerings, they do not give managers any insight into either the product offering or customer purchasing patterns. When looking at Spread of Distribution, it has a very big impact on the online sales channel since it immediately reaches potential customers worldwide. Furthermore, if companies grow organically, which the majority of the companies do, using retailers instead of brick-and-mortar stores enables companies to reach a larger customer base (since retailers have an existing customer base) with low fixed costs. Finally, looking at Type of Assortment, this factor has a large impact on the brick-and-mortar store since if a company is very niched; it is difficult to reach a large customer base in a small country as Sweden, making the online store a better option. If a company wants to have a physical presence, it is better to exploit the existing customer base that many retailers have. If the assortment instead is very large, it can be favourable for companies to have several sales channels. With a large assortment it can be difficult to display the whole product line in the physical stores. It can be useful to have an online alternative where they can show all the products and that allow the customers to enquire the company to bring different products to the stores to enable the customers to review them in reality.

By looking at the final factors that have a clearer company focus we can see that the majority of the factors indicates that how perceived usefulness and ease-of-use can predict the usage of the sales channels. This is in line with Masrom's (2007) argument in the TAM theory. The higher the perceived usefulness and ease-of-use of a new sales channel seems to be, the likelier it is that it will be adopted. This is especially clear when looking at the actual systems used by companies. The factors show that the easier it is to start a new sales channel with low costs and at the same time reach the maximum amount of potential customers, the more likely it is that a company chooses the sales channel. This is in line with the TAM theory, since e-commerce is the most commonly used sales channel among the interviewed companies due to that it seems to be easy to use for the company and that it is very beneficial by reaching many potential customers, which indicates high perceived usefulness. Second to e-commerce is the retailing sales channel, which is easy to use for a company since it implies an outsourcing of the sales process to the end-customer to retailers. When it comes to brick-and-mortar stores, ease-of-use is relatively high but the high fixed costs decrease the perceived usefulness for companies that do not have sufficiently high turnover. However, this can change with a growing turnover and brick-and-mortar can become a very important sales channel for companies. The above reasoning builds on the same argument as Masrom (2007) who emphasizes that the higher the perceived usefulness is, the higher the chance is for a sales channel to be adopted.

### 5.3.2 Factors with a clear consumer focus

Considering the five factors with a clearer consumer focus, and how they impact the choice of the different sales channels, the factors are illustrated in Table 5.

	Customer Behaviour	Intangibility or Tangibility	Marketing and Customer Loyalty	Fill a Gap	Customer Experience Control	Comments/other
Online	High	High	Medium	Low	Medium	<ul style="list-style-type: none"> <li>Can not see and touch the products, fierce global competition</li> </ul>
Brick-and-Mortar Store	Medium	Medium	Medium	Medium	High	<ul style="list-style-type: none"> <li>Best alternative when focusing on the experience for end customers</li> </ul>
Retailer	High	Medium	Medium	Medium	Medium	<ul style="list-style-type: none"> <li>Loses control of the end customer, good marketing opportunity</li> </ul>

Table 5: The impact of the five most consumer focused factors on the choice of sales channels

Customer Behaviour is a factor that has a large impact on the online and retailer sales channel, since there are clear behaviours of customers that buy through those sales channels. For example, the analysis showed that customers that buy online are more price-sensitive and that customers tend to buy more impulsively when buying at retailers. The impulsive purchasing behaviour is not as commonly seen online, since that customers do not have the same chance to see and feel the products online, which is an important part of the factor Intangibility and Tangibility. This is the largest disadvantage with an online store, from a consumer perspective, and is something that can be managed by using the physical alternatives of sales channels. This leads to that the customers can create an appropriate perception of the overall quality of the brand, and therefore the factor has some impact on brick-and-mortar stores and retailers. The impact of Marketing and Customer Loyalty can be twofold. On one hand, choosing retailers means that a company does not need to focus extensively on marketing since the marketing process can be seen as outsourced to the retailers, which means that Marketing and Customer Loyalty has a large impact on the retailer sales channel. On the other hand, it also has a large impact on the online sales channel, but in a different way since a company must work heavily with marketing to create awareness of the brand and online store worldwide. The brick-and-mortar store alternative can be an important marketing channel, even though a brick-and-mortar store is not very profitable, it mediates a good impression of the company to the customer.

Overall, Fill a Gap is something that has a smaller impact on the online sales channel compared to the physical sales channels. It is difficult to fill a gap online, since the market is global and very large. It is thus easier to fill a gap locally; using a brick-and-mortar store to a wider extent than retailers, since filling a gap might include the lack of suitable retailers to

sell the products. Finally, Customer Experience Control is one of the most important factors of choosing a brick-and-mortar store since a brick-and-mortar store enables the company to have full control of the end customers. This is something that also has a very large impact when choosing retailers, since a company loses the control over the customer experience when choosing the retailer sales channel. Choosing the online sales channel means that the company still have some control over the customer experience, but since the company does not interact with the customers directly when they shop online, Customer Experience Control has less impact on the online sales channel compared to the physical alternatives.

By looking at the final factors that have a clearer consumer focus we can see that the majority of the factors show that the companies have adopted the new e-commerce technology. According to the Rogers (2003) and the DOI theory, a company should have gathered knowledge about an innovation before making the decision of the adoption of the innovation. Our empirical study has shown that a majority of the interviewed companies have deviated from this process. The companies have adopted e-commerce as a new sales channel without sufficient knowledge. Overall, it can be risky to adopt a new innovation by not having adequate information and knowledge. However, due to the low costs and other characteristics of e-commerce it is less risky compared to starting multiple new brick-and-mortar stores, which are characterised by large initial investments in store space. Many of our interviewees mentioned that many companies in the industry trust their peers in the retail industry when choosing to adopt the new sales channel. As mentioned before, in excess to that it is less risky to start a new e-shop compared to a brick-and-mortar store it has, according to the TAM theory, higher perceived ease-of-use, which means that the effort it takes adopt and use the new sales channel is very low.

### ***5.3.3 Why certain factors are not reinforced***

In excess to identifying and analysing why certain factors are the most important ones, it is also important to discuss why certain factors from the literature were important in the theory but later proved to be unimportant in the empirical study. These factors are Congruity, Sustainability, Privacy and Trust, Organisational Support and Competitive Environment.

Overall, the above factors seem to be important but by looking closer at them it is possible to identify differences compared factors in the final framework. In general, companies intend to make large profits and it is consequently important that the sales channels have as high usefulness as possible and that they are easy to use. Looking at the final framework, these factors have a close link to the TAM theory compared to the non-reinforced factors, for example Sustainability and Privacy and Trust, which instead lie further away from the scope of the TAM theory and therefore fails on impacting the profit of companies as extensively as the factors in the final framework. Another reason for that some factors from the literature are not reinforced is for example that a factor is too narrowly defined in the literature. For example, the factor Competitive Environment describes the pressure from external *companies* but the DOI theory means that when the user makes the decision to adopt or reject an innovation, it can feel pressure from the surrounding environment where surrounding

environment in our case means the entire digital development and not only competitors in the same industry. These two main arguments are why the above factors that were identified in the literature were not reinforced by the empirical study and therefore were not included in the final framework of factors of when companies choose sales channels.

## 6. CONCLUSIONS AND SUGGESTIONS

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*This section will present the conclusions of our study. This will be done by first presenting the factors that affect the choice of sales channels and thereafter the overall aspects of the sales channels. Finally, the section will discuss the limitations of the research as well as suggestions for further research.*

### 6.1 Factors that affect the choice of sales channels

We have identified ten final factors that influenced the choice of sales channels in the clothing retail industry. This was possible to do due to our suitable choice of methodology for our type of study. The literature review enabled us to develop a thorough foundation of theory and allowed us to form our initial group of factors. The eight case studies then helped us to improve our group of factors by indicating which factors that were less significant than others. The less significant factors were later excluded from the group and some of the more significant factors were reinforced by the empirical findings. The case studies also resulted in new factors that were not extensively discussed in the literature. The final ten factors from the final framework, which is also the answer to our first research question (1), are stated below. It should also be noted that, as we present the factors below, they are not presented in a particular order.

- Marketing and Customer Loyalty
- High Costs
- Customer Behaviour
- Outsourcing or Insourcing
- Managerial Productivity
- Intangibility and Tangibility
- Fill a Gap
- Customer Experience Control
- Spread of Distribution
- Type of Assortment

As mentioned above, the factors are not presented in a particular order. The reason for this is that the factors cannot be ranked in a certain way since each company has different characteristics and basic conditions. The Harvey Balls diagram used in the discussion section were used to visualise how different factors affect the sales channels in different ways. To answer our more specific questions (1.1 & 1.2), a section about the overall aspects of the sales channels is included below.

#### 6.1.1 Overall aspects of the sales channels

Our more specific research questions, 1.1 and 1.2, will be answered in the following sections. Even though the questions are answered explicitly below, it is important to keep in mind that they relate to each other.

#### **6.1.1.1 Advantages and disadvantages with different sales channels**

Depending on what sales channels a company has, the company will have both positive and negative consequences of the choice. If a company values the customer service, the store environment and the customers' purchasing experience, it is important for the company to attract customers to sales channels where the company, and not external parts, has control over the whole purchasing process. However, it is important to put the control of the experience of the end customers in relation to the potential decrease in sales volume when not choosing to sell the products through external parts. In some cases, companies that face the trade-off between control and increased marketing and sales volumes have chosen to increase their sales instead of having control. Furthermore, for a company that has a large product assortment and not sufficiently many stores it is preferable to not only have an online store as a sales channel, but also to use as a digital showroom for the whole product line. To maximize the customer experience it is important to give the customers the opportunity to feel and see the products, which can be done by allowing the customers to enquire the company to bring different products from the online store to the company's brick-and-mortar store to enable the customers to review them.

As mentioned before, overall an online store does not demand an initial large capital investment. Naturally, the initial investments for an online store can vary depending on either the ambitions or the economic conditions for the online store. Moreover, it is important for companies to consider and deal with the increasing costs of an online store when the business grows. The costs for an online store increases with a growing business since increased online sales volume imply higher spending costs on online store development, personnel and IT-systems. Many companies emphasized the difficulties of achieving economies of scale with an online store since more online traffic demands more expensive IT-infrastructure as well as the increased demand for competencies. If a company manages the increase in costs appropriately, they can benefit from the high margins of online sales and the possibility to develop their business overall by identifying geographical areas where the products are popular and thereby ensuring good economic sustainability for the future. As a result of the above, we have answered our research question 1.1.

#### **6.1.1.2 When to modify the sales channels**

If a company wants to fill a gap in a market it is important to make a good market analysis, for example before opening a brick-and-mortar store. This is due to that opening a brick-and-mortar store with the goal to fill a gap implies a very big risk, since the niche has not been present in the market yet. If a new company chooses sales channels, or if an already existing company has a problem with a current sales channel arises and the company wants to change its sales channel, it is firstly important to choose sales channels where the company can ensure itself of a sufficiently high sales volume. When initially starting a company, it is common to adapt the first sales channel(s) to the economic conditions of the company. Since it is possible to adapt the initial investment for an online store and to benefit from the existing customer base when using retailers, these sales channels are the most common when starting a new business. Naturally, there are exceptions where companies start their business through

a brick-and-mortar store, which are often backed up by sufficient financing. It is however important to note that due to the recent development of e-commerce, companies should use an online store, in addition to a potential brick-and-mortar store, when starting a business to maximise the sales potential.

As a consequence of that companies today often start an online store and use retailers, instead of brick-and-mortar stores, when starting a new business, it is relevant to conclude when companies should modify their sales channels by start using brick-and-mortar stores. As mentioned before, from when the business starts until it is appropriate to modify the sales channel by adding a brick-and-mortar store is a long time, where the average time is around 16 years. Moreover, opening a brick-and-mortar store can be done through two alternatives. First of all, it is appropriate to open a brick-and-mortar store when the sales volume, and implicitly the turnover, is sufficiently high. Second, the other alternative for when it is appropriate to modify the sales channel by adding a brick-and-mortar store is when the company chooses to start a brick-and-mortar store to increase its marketing, in spite of that the turnover isn't sufficiently high. Although the turnover for the brick-and-mortar store isn't sufficiently high, the increased marketing that a brick-and-mortar store gives can increase the turnover for other sales channels, for example the online store. Hopefully, in the long run, this alternative is temporary and the turnover for the brick-and-mortar store will increase in the future. As a result of the above, we have answered our research question 1.2.

#### ***6.1.1.3 Conclusions in light of the theory and previous literature***

Overall, our conclusions agree with the theory in the field. However, it is possible to see some differences within the theory. One example is the adoption process described in the DOI theory. DOI theory states that to make the decision to adopt an innovation it is very important for the user to gather knowledge about the innovation. This is not in line with the adoption of e-commerce since the sales channel does not require the same initial investment as other sales channels require. By looking at the previous literature in the field, our conclusions differ somewhat from previous literature since our factors are adapted to the more digital society that exists today. One example of this is Spread of Distribution, which emphasizes how companies today exploit e-commerce to reach a broader customer base worldwide. Finally, the above conclusions show how our research has further developed the existing findings on the field.

## **6.2 Limitations and further research**

Overall, the research in this paper has contributed with a deeper understanding and new perspectives of previously researched factors as well as the development of new ones. However, the research is subject to some limitations.

When it comes to our empirical study, the limitations are mostly concentrated to the number of interviews. This limitation can be further divided into two sub-limitations. First, the number of companies could be higher, but we do not think that this would improve the results of the study substantially. The outcome of the interviews showed that many companies

answered similarly to our questions, which argues for that including more companies probably would not lead to more extensive results. Second, more employees at the same company could have been interviewed to get a more nuanced picture of each company.

Finally, another limitation lies in the characteristics of the companies we have interviewed. For example, the majority of our interviewed companies have grown organically, which could have influenced the companies' choices of sales channels.

Based on the limitations of our study, we propose two main areas of future research:

- (1) A longitudinal study, where the same companies are analysed during a longer time period. This allows the research to follow up on the factors that influence the choice of sales channels and see if any company has changed its sales channels, and what factors that resulted in that change.
- (2) A similar study for another geographical area, and subsequently a comparative study of the differences in identified factors. Here, two main areas are interesting. First, to see how the global development of the clothing retail industry has influenced different areas. Second, to cover different economic and social characteristics of different areas.



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## Interviews

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# APPENDIX 1: USED METHODOLOGIES IN THE LITERATURE

Authors (Year)	Methodology	Analytical Method	Number of Respondents & Characteristics	Response Rate	Hypothesis Driven (Y/N)
Becerra, Badrinarayanan & Kim (2013)	Survey	Not specified	565, two universities from the US and South Korea	543/565, 96%	Yes
Eastlick, Lotz & Warrington (2006)	Online survey	SEM <sup>3</sup> , CFA <sup>4</sup>	2000 US households	477/2000, 24%	Yes
Goldsmith & Flynn (2005)	Survey	Not specified	805, US Consumers	N/a	Yes
Grandon & Pearson (2004)	Online surveys from employees	CFA, canonical analysis <sup>5</sup>	832, SMEs from various industries in the US	99/832, 12%	No
Ha & Stoel (2009)	Survey	Not specified	2500, a Midwest university, the US	385/2500, 15%	Yes
Kwon & Lennon (2009)	Online survey	MANOVA <sup>6</sup> , ANOVA <sup>7</sup>	4000, Midwestern University College students	671/4000, 17%	Yes
Laroche et.al (2005)	Survey	EFA	540, university students from Montreal	472/540, 87%	Yes

<sup>3</sup> Structural equation modelling is a statistical technique to test or estimate relations using both statistical data and qualitative assumptions.

<sup>4</sup> Confirmatory factory analysis is used to test whether measures of construct are consistent with the understanding of the factor and tests if the data fit the hypothesized measurement model.

<sup>5</sup> Canonical analysis studies relationships between several dependent variables and several independent variables.

<sup>6</sup> Multivariate Analysis of Variance.

<sup>7</sup> Analysis of Variance.

Laroche, Bergeron & Goutaland (2001)	Survey	SEM	540, university students	513/540, 95%	No
McCole, Ramsey & Williams (2010)	Survey	EFA <sup>8</sup>	1500, a university in New Zealand	450/1500, 30%	Yes
Nitse et al. (2004)	Survey	Frequency analysis <sup>9</sup> , crosstabs <sup>10</sup>	218, college students	109/218, 50%	No
Saffu, Walker & Hinson (2007)	Data Survey	CFA, canonical analysis	200, SMEs from Ghana	106/200, 53%	Yes
Saffu, Walker & Mazurek (2012)	Data survey	CFA, canonical analysis	211, SMEs in various Slovakian cities	177/211, 84 %	Yes
Segars & Grovers (1998)	Survey	CFA approach	20 large-sized organisations, origin not specified, 1000 people	468/1000, 47%	No
Sharp (2007)	Case study	SMART <sup>11</sup>	Single company, selling physical goods over the Internet	N/a	No
Wang, Beatty & Mothersbaugh (2009)	Online survey	CFA, SEM	375, A south-eastern university in the US	290/375, 77%	Yes

<sup>8</sup> Exploratory research is a statistical method, which an overreaching goal to identify the underlying relationships between measured variables.

<sup>9</sup> Frequency analysis is used to determine if the data is entered in a manner that is consistent with the questionnaire and to determine the general description of respondents.

<sup>10</sup> Crosstabs is another name for contingency table. In a survey, a crosstab is a table showing summary statistics.

<sup>11</sup> Single Multi-Attribute Rating Technique employs ratings of alternatives that are assigned directly, in the natural scales of the criteria (where available).



## APPENDIX 2: COMPANIES INTERVIEWED

This appendix is constituted by two parts, first a table including basic company information and second a table including delivery and returns information.

### Basic company information

Company	Turnover (TKR)	Number of Employees	Presence	Founded /Started Online Business (Year)
By Malina	~ 5 800 (2013-12)	3	E-based + retailers	2010/2011
Carin Wester	~ 9 000 (2013-12)	6	E-based + retailers	2004/2008
Grandpa	~ 26 966 (2013-06)	15	E-based + brick- and-mortar	2003/2012
Happy Plugs	~ 10 509 (2012-12)	7	E-based + retailers	2011/2011
Marville	~ 1 685 (2012-12)	2	E-based + retailers	2011/2011
Morris	~ 61 308 (2013-12)	19	Retailers + brick- and-mortar	2004/-
Our Legacy	~ 41 037 (2013-06)	16	E-based + brick- and-mortar + retailers	2007/2010
Très Bien	~ 29 932 (2013-04)	10	E-based	2006/2009

## Delivery and returns information

Company	Delivery Costs to Customer	Delivery Costs Returns
By Malina	39 SEK	Free
Carin Wester	75 SEK	50 SEK
Grandpa	Free if > 1200 SEK	50 SEK
Happy Plugs	Free	Free
Marville	Free	Free
Morris	-	-
Our Legacy	Free	Customer pays for returns
Très Bien	Free	Free

## APPENDIX 3: INTERVIEW QUESTIONS

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- Can you present yourself, describe your position in the company and how long you have worked in the company.
- Can you briefly describe your organisation (year founded, number of employees, assortment, etc.)?
- We have seen that your sales channels are e-based/e-based as well as through brick-and-mortar stores/e-based as well as through a selection of retailers/a selection of retailers as well as through brick-and-mortar stores/e-based as well through retailers and brick-and-mortar stores. What factors influenced the choice of operating through that/those exact sales channel(s)?
  - When did you open your online store (if the company has one)?
- How important was it, when choosing sales channels, to consider the customers' and the company's perspective, respectively?
- When you had decided what sales channels to use, where did the focus of your work lie thereafter?
- What advantages and disadvantages are there when operating through e-commerce, brick-and-mortar store(s), and retailers or through a hybrid of the sales channels?
- Is it possible and appropriate for a company to change or modify its sales channel(s) in the future?
  - If yes, why/when/how?