

Exploring the Relationship between Customer Experience and Customer Value in Grocery Retailing

Marketing

Master's thesis

Mikko Hänninen

2015



Aalto University
School of Business

Exploring the Relationship between Customer Experience and Customer Value in Grocery Retailing

Case: A K-Citymarket Grocery Store

Approved in the Department of Marketing

___/___/_____ and awarded the grade

Marketing

Master's Thesis

Mikko Hänninen

Fall 2015

Author Mikko Hänninen

Title of thesis Exploring the Relationship Between Customer Experience and Customer Value in Grocery Retailing

Degree Master of Science (MSc) in Economics and Business Administration

Degree programme Marketing

Thesis advisor(s) Lasse Mitronen & Olli Rusanen

Year of approval 2015

Number of pages 102

Language English

Abstract

As competition, especially in grocery retail has increased in the last decade, retailers have begun to compete primarily with price often forgetting its customers and their needs. While price can be the main purchase motivator for certain customers, it is a unique customer experience that creates competitive advantage that is difficult to imitate as several academics such as Rintamäki et al. (2006) and Grewal et al. (2009) have pointed out. However, despite the importance of understanding the link between customer experience and customer value the field has been under researched during the past decade, despite the adoption of new technologies that has led to fundamental changes in the industry. Especially the relationship between customer experience and customer value has not been empirically studied in marketing academia. This raises the question of what consumers want from their retailer and whether the retailer's customer experience match the needs of the consumer. Thus, the aim of this thesis is to understand the value drivers of Finnish consumers and how grocery retailers are able to create value for them through the in-store customer experience that they offer. The findings of this study contribute towards customer value theory and develop future research topics for marketing researchers as well as business opportunities for Finnish grocery retailers, especially K-Group and the K-Retailers.

The research methodology used in this consumer research is focus group discussions as per the structure defined by Goodyear (1986). Three focus group discussions were conducted with the customers of one grocery store, K-Citymarket that is a part of K-Group in order to gain a deep understanding of the needs and expectations of its customer base. In addition to the focus group discussions two in-depth interviews were held with a loyal customer and the K-Retailer of the store.

The findings of the study show that customer experience creates value for customers in grocery retailing. Based on the empirical findings, economic value plays a less important role in store choice or the purchase situation when shopping at a grocery store with customer experience creating primarily functional as well as emotional value for consumers. While price consciousness depends significantly on the customer segment and life situation; it is a combination of economic, functional and emotional value that serves as the primary motivator for the purchases. A key theoretical contribution of this thesis that extends prior research is that trust is a key facilitator of value creation and it can also alienate customers if they are not able to trust that their retailer is able to meet their expectations as well as needs. This raises the need for further research on the topic in order to understand the role of trust in grocery shopping as well as extend the study to a wide range of retail contexts both in Finland and abroad in order to comprehensively understand the value combinations of different customers as well as their grocery purchase behavior.

Keywords Customer Value, Customer Experience, Services Marketing, Customer Relationship Marketing, Consumer Behaviour, Trust, Retailing, Grocery Retail, B2C, Kesko, K-Group, Finland

Table of Contents

1.	Introduction.....	1
1.1	Research Theme	1
1.2	Research Objectives and Research Questions	4
1.3	Research Methodology.....	5
2.	Literature Review.....	7
2.1	Definition of Retailing.....	7
2.2	Customer Value Theory	9
2.2.1	Customer Value as a Subjective Evaluation of a Product or Service	11
2.3	Customer Value in Retailing.....	14
2.3.1	Economic, Functional, Emotional and Symbolic Dimensions of Customer Value.....	15
2.4	Customer Experience.....	17
2.4.1	Customer Experience as the Consumers' Response to the Retailer.....	18
2.4.2	How Retailers can Add Value through their Customer Experience.....	19
2.4.3	Customer Experience Generates Utilitarian, Hedonic and Social Value	21
2.4.4	Management of Retail Customer Experience.....	23
2.4.5	Gaining Competitive Advantage through a Value Adding Customer Experience in Retailing	24
2.5	Motivations for Customer Purchases	28
2.5.1	Customers Satisfy Different Values at the Store	29
2.5.2	Hedonic and Utilitarian Values Influence Purchase Decisions	31
2.6	Measuring and Translating Customer Value and Customer Experience	33
2.7	Overview of the literature view	35
2.8	Research Framework.....	40
2.8.1	Theoretical Gaps.....	40
2.8.2	Theoretical Framework Adopted for the Research.....	41
3.	Methodology.....	45
3.1	Case: A K-Citymarket Grocery Retail Store.....	45
3.1.1	K-Group grocery chains the second largest in Finland	46
3.1.2	K-Groups Competitive Advantage	48
3.1.3	Kesko Oyj as a Hybrid Organization	50
3.1.4	Relationship between K-Group and the K-Retailer.....	51
3.1.5	K-Citymarket Chains Competitive Advantage.....	54
3.2	Research Methods	55
3.2.1	Qualitative Research.....	55
3.2.2	Focus Group Discussion.....	56
3.2.3	Data Analysis.....	60
3.2.4	Validity of the Research	61
4.	Empirical Findings.....	63
4.1	Economic Value	64

4.2 Functional Value	67
4.3 Emotional Value.....	70
4.4 Symbolic Value	74
4.5 Trust.....	75
4.6 Relationship to the Retailer.....	77
4.7 Summary of Findings and Revised Framework	79
5. Discussion.....	85
5.1 Theoretical Contribution.....	85
5.2 Managerial Implications.....	89
5.3 Topics for Further Research	90
5.4 Limitations of the Study	92
6. Conclusion	94
References.....	96
Appendix 1. Discussion Guide for the Focus Group Discussions.....	101

Table of Figures

Figure 1. Theoretical Framework.....	43
Figure 2. Hybrid Organizational Structure of Kesko (Translated from Mitronen 2002).....	51
Figure 3. Revised Role of Customer Values in Grocery Shopping	82
Figure 4. Framework for Relationship between Customer Value and Customer Experience	83

List of Tables

Table 1. Five Customer Values that Influence Consumer Choice and Their Roles in Purchase Decisions (Sheth et al. 1991)	12
Table 2. Three Levels of Customer Value (Butz & Goodstein 1996).....	13
Table 3. Four Competitive Customer Value Propositions in Retailing (Rintamäki et al. 2007)	15
Table 4. Customer Motivations for Shopping (Bloch et al. 1994).....	20
Table 5. Benefits of Utilitarian, Hedonic and Social Value (Rintamäki et al. 2006)	21
Table 6. Dimensions of Hedonic Value in Retailing (Babin et al. 1994).....	30
Table 7. Six Dimensions of Hedonic Shopping Motivations (Arnold & Reynolds 2006).....	31
Table 8. Summary of Key Studies on Customer Value and Customer Experience	36
Table 9. K-Group Grocery Chains (Adapted from PTY 2015)	47
Table 10. Participants of the Study.....	63
Table 11. Summary of Empirical Findings.....	79
Table 12. Key Findings and Theoretical Contributions of the Study.....	85

1. Introduction

Offering a superior customer experience has become an increasingly important part of retailers' strategy in the 21st century as they seek to add value for customers and develop competitive advantage in an industry that has traditionally competed primarily with price. When economic uncertainty has grown across the globe after the recent worldwide recession, it has become crucial for companies to hang on to loyal customers and develop their strategy as well as capabilities so that they are able to better listen to customers and incorporate their needs directly to the customer experience they offer. However, so far academics have not sought to understand whether there is any concrete link between the in-store customer experience offered by retailers and the added value for customers.

Overall, actively listening to the customer base allows companies to translate this message directly to the firms' strategy and spread the insights gathered from customers across its organization. The gathered information will enable retailers to create a customer experience that is difficult for competitors to directly copy and that creates value for their customers (Verhoef et al. 2009). In academic literature, the most notable definition for customer value defines it as "*the trade-of between product, service, know-how, time-to-market and social benefits as well as price*" (Woodruff 1997, Slater 1997, Ulaga & Eggert 2005, Rintamäki et al. 2006). As consumers have become increasingly educated and demanding across the world (Grewal et al. 2009), satisfying the subjective needs of the consumers has become an ever-important tool for creating a unique competitive advantage.

1.1 Research Theme

The context of the research is on grocery retailing, where increased competition has meant that retailers have started to put more emphasis on improving the customer experience they

are offering (Saarijärvi et al. 2014). By conducting a cross-sectional single case study on one hypermarket store, the relationship between customer value and customer experience can be understood in more detail together with identifying the dimensions of customer experience in grocery retailing. One K-Citymarket grocery store is used as the case context, as it is run by an independent entrepreneur retailer who aims to constantly match the needs of its customer base and adapt the in-store concepts to meet existing as well as changing trends in the market. This allows this thesis to explore whether the retailers chosen strategy and in-store experience maximizes the needs of the stores' customers.

As Finland is recovering from a recent tough recession with low GDP and export growth continuing in 2015 (Findikaattori 2015), it is worthwhile to understand what consumers expect from their retailers in such difficult times especially as Finland has suffered more than the economies of other EU and Eurozone member states. A key focus in the study is therefore on examining how retailing creates added value to consumers through the overall customer experience in the store with a goal of understanding the key value drivers affecting the purchase behavior of consumers. The findings provide insight on the relevance of the customer experience for customers and also generates managerial implications for retailers in terms of service offering and marketing communications.

The main research gap that is clarified in this study is related to the deficiencies of the past academic research in explaining the relationship between customer value and customer experience. Customer value theory and the effect of customer experience on the purchase behavior of consumers has not been studied by previous researchers qualitatively in grocery retail especially at such a thorough level. In retailing value is added for consumers throughout the shopping experience with Mascarenhas et al. (2006) defining that value is created through a distinct market offering that is "*a fulfilling physical and emotional experience*" for the customer. Furthermore, the customer experience is the sum of the consumers' reactions to the retailer and is created through the customers' direct or indirect interactions with the retailer from pre-purchase to post-purchase as well as in the store (Meyer & Schwager 2007; Verhoef et al. 2009).

The most notable study on the topic in the retail context is by Rintamäki et al. (2007) who separate customer value to *economic, functional, emotional* and *symbolic* dimensions. So far academics have not opened these values in more detail and compared them with the needs of individual customers and the in-store offering. For example, Rintamäki et al. (2006) propose that further qualitative research is needed in order to understand the experiential aspects of consumption in grocery retailing. Especially the emotional and symbolic dimensions of customer value have not been examined in-detail despite the growing interest into their role in purchase behavior (Rintamäki et al. 2006). Thus, the aim of this thesis is to understand how the customer experience at the store influences the purchase behavior of consumers and adds value to customers. It is also worth pointing out that customer experience and customer value are both theoretically challenging topics without clear theoretical definitions which is why this study seeks to empirically prove existing frameworks that are identified in the literature review. This study fills in the missing gaps related to conducting research on the topic in the grocery retail context and with the use of qualitative research methods.

While Kesko has been the case study of several academic research projects, these have not utilized focus-groups or other qualitative methods to study individual customers. In terms of marketing academia, the objective is to add to the customer value theory literature and create topics for further research. The main theoretical contribution is linking customer experience with the customer value dimensions and also evaluating the existing theory in the Finnish grocery retail context. The findings of this study can and should be extended to be examined in more detail in the context of other grocery retail chains as well as in other types of retailing both in Finland and abroad.

1.2 Research Objectives and Research Questions

The main objective of this research is to gain an understanding of if and how the in-store customer experience that the retailers offer adds value to its customers. A thorough literature review is conducted in order to understand what dimensions of customer value exist in retailing and how the customer experience is able to affect these values in the grocery store. Throughout the study the viewpoint is strictly on grocery retail.

This thesis fills in the gaps in academic research by conducting a thorough insight into the values of Finnish customers in one grocery store. There has especially been little qualitative academic research on the values of individual customers or groups of customers in grocery retailing. As a result, this study is exploratory in nature in order to add to existing studies. Furthermore, the findings of the thesis complement existing research on customers' values, customer experience and customer centric strategy together with managerial implications. In order to accomplish these objectives, a clear research question in order to align the methodological choice and research process.

Research Question:

How does grocery shopping add value to consumers through the in-store customer experience?

The research question highlights the main purpose: identifying the factors in the store that add value for Finnish consumers and understanding whether as well as how the grocery retailers are able to affect their customers through in-store customer experience. In terms of the theoretical contribution, this study links factors in the customer experience to the values of customers in order to understand the needs of modern customers. Throughout the study

the view is on grocery retail with focus especially on the in-store customer experience and how this adds value to the consumer

While the main viewpoint is that of the consumers and the insights gathered through the qualitative research, the business strategy of the retailer is examined as it is present in a wide-range of the existing literature on the topic. By understanding how retailers add value to their customers through the customer experience it is possible to develop recommendations that will clarify how retailers are able to develop more focused customer value propositions as well as customer value driven strategies. This will extend the scope of the recommendations from purely theoretical to managerial especially for the K-retailers and the chain management of K-Group that is the single case context of the research.

The case context of the thesis is the customer base of a single hypermarket grocery retailer at K-Citymarket with the focus on the customer experience in place and the added value that is perceived by the customers. A cross-sectional single case-study at a single retailer is conducted in order to gain access to the insights of a wide customer base and develop new extensions to the existing pool of customer value research as well as theory already in place in marketing academia. It is important to keep-in mind that the findings are from a single retailer case context and further research is needed to generalize the findings at a larger scope both in Finland and abroad.

1.3 Research Methodology

Qualitative research methods are used in order to tackle the research question that is set. The main research method is three focus group discussions in a cross-sectional single case setting and context together with two in-depth interviews with the K-Retailer and a loyal customer. The context of the study is a K-Citymarket hypermarket store, with this study focusing exclusively on the grocery retail section at the store. The participants of the study

are both loyal and occasional customers at the store who each share a common concern for improving the customer experience.

K-Citymarket is a hypermarket chain that is a part of the K-Group, run by an individual entrepreneur K-Retailer who is the owner of the franchise and the CEO responsible for all store-level operations in grocery retail. In order to gain background information about the strategy, one qualitative interview is held with the K-Retailer at the store supported with background case research and material on the case context of K-Group and K-Citymarket.

In order to understand the phenomena at hand, a comprehensive literature review of the existing theoretical research and frameworks in place primarily in the retailing context is also conducted.

2. Literature Review

The key finding of the literature review is that customer value is an important concept in retailing and there are many possible ways for retailers to create added value for their customers for example through a customer centric strategy. Overall, retailers create value by creating store concepts and additional services that appeal to the individual consumption motives of its consumers. At the same time the literature review shows that there is a lack of qualitative research on the topic, especially in grocery retailing and in examining the existing frameworks empirically. As the study by Rintamäki et al. (2006) states, further qualitative research is needed in order to understand the subjective values of consumers in retailing.

The literature review first defines the key concepts based on prior research followed by a focus on the context of retailing in terms of customer experience and customer decision making. Overall, the viewpoint throughout the literature review is on how the customer experience and other actions of the retailer are able to add value to the customer and create loyalty that is difficult for other retailers to imitate.

2.1 Definition of Retailing

While the case context is a supermarket/hypermarket chain, the term retailing is used in the literature review to describe a wide form of different exchange relationships. As the topic at hand has not been studied extensively in grocery retailing and hypermarket retailing, a broader definition is needed in order to apply the existing research to the single case context of this study. Furthermore, the terms customer and consumer are used interchangeably in the thesis to refer to the retail customer.

The definition for retailing used is adapted from Levy & Weitz (2012) who state that “*retailing is a set of business activities that adds value to the products and services sold to consumers for*

their personal or family use.” In the literature review, retailing is discussed in a wide context due to the large variety in the articles used in the literature review. However, it is important to keep in mind that the retailer in the case context operates a hypermarket store that sells both food and non-food items with this thesis focusing solely on the grocery products on sale. After the literature review, the term retailing is used to refer exclusively to grocery retailing unless otherwise stated.

In the retailing industry, increased competition and pressure to decrease prices has made it more difficult to hang-on to profitable customers as well as to maintain strategic direction (Grewal et al. 2009) especially after the recent global recession. In the past decade, there has been more attention put towards developing customer knowledge and customer satisfaction for example through the addition of various value adding applications and services (Mitronen & Lindblom 2015). When retailers are able to match the expectations of their consumers and create more benefits for them, they are able to generate increased loyalty and as a result reap a greater amount of competitive advantage over the competition. Retailers that understand the determinants of customer value are able put more effort into planning the marketing mix including advertising, promotions, segmentation strategies and the store atmospherics in order to create more valuable shopping experiences (Rintamäki et al. 2006). Retailing has also faced a lot of innovation recently, with the adoption of new technology and more flexible supply chains meaning that consumers now have access to retailers from around the world and they are no longer dependent on their local retailers (Reichheld & Scheffer 2000; Reinartz et al. 2010).

So far existing research has not focused specifically on grocery retailing, which is significantly different to other forms of retailing. Overall, grocery retailing is less developed in terms of customer experience and need fulfillment compared other forms of retailing as it is based on a self-service model without high levels of customer service and possibilities for interactions with the customer (Schröder & Zaharia 2008). In Finland the grocery retail market is extremely concentrated (Aalto-Setälä 2002) with the two main players S-Group and K-Group chains having a combined market share of around 80% (PTY 2015) which means

that most global retail studies are not applicable to Finland due to the unique nature of the market. While the grocery chains of these two retail groups operate a vast store network across the country, it is the hypermarket chains Prisma (S-Group) and K-Citymarket (K-Group) that deliver the most revenues and serve as the flagship stores in terms of selection and service. As the K-Citymarket chain is a part of the K-Group, a brief introduction to the unique features of the organization will be provided in the methodology section.

Overall, the food retail industry in general is highly competed with retailers under pressure to capture market share and create a loyal customer base (Grewal et al. 2009). In grocery retail Finnish customers are loyal to S-Group and K-Group grocery retail chains which means that retailers do not have the same pressure to develop and improve their customer experience due to their effective duopoly (Raijas & Järvelä 2015). The loyalty programs in place also help the two main retailers hang onto their profitable customers through the accumulated bonus benefits (Juntunen 2007). The accrued information of Finnish consumers means that the two retailers are able to continuously adapt their offerings to meet new trends or changes in consumption behavior. At the same time in many parts of Finland consumers have limited options as S-Group and K-Group stores are often located adjacent to each other (Juntunen 2007).

2.2 Customer Value Theory

Companies add value to their customers and create competitive advantage through a customer centric strategy. Thus, this study explores the different needs of customers and their values. Overall, fulfilling the needs of customers is important as companies have noticed that a satisfied customer base leads towards increased satisfaction and loyalty towards its products, services and brands (Slater & Narver 2000). Customer retention is crucial for companies operating in tightly competed industries such as retailing. Berry et al. (2002) state that firms create additional value for their customers' through all the functional and emotional benefits the customer receives from using their offering, minus all the

financial and non-financial costs they pay. As a result, academics have sought to understand what kind of motives drive customers when making purchases as well as the fundamentals behind customer centric strategies.

Due to the importance of customer value, researchers have focused on understanding how value is translated from the firms' strategy to the customer experience. According to Lusch et al. (2007) collaboration with customers is needed in order to add value to the firm and its customers. In the service-dominant logic the customer is a resource that co-creates value together with the firms' customers, partners and employees (Vargo & Lusch 2004). They define service-dominant logic as one where the *service-centered offering is customized, the customer is always a co-producer and the customer involvement is maximized*. Overall, marketing has switched to the value-in-exchange mindset with both producers and consumers determining what is of importance to their business relationship (Ballantyne & Varey 2008). Vargo & Lusch (2008) argue that value is created primarily during the usage of the product or service as the perceptions and experiences generated during use contribute to their determination of value.

Traditionally in academic literature customer value is defined as customer-centric; taking into account the customers personal view and opinion on the quality of the product or service (Woodruff 1997). In academic literature, customer value is associated with the terms *quality, utility, benefits and worth* (Woodruff 1997, Ugala & Eggert 2005). In strategic marketing, a stream of research looks at a firm's competitive strategy in order to understand how companies can differentiate themselves from competitors and fulfill their customers' needs. At the same time, customers continue to be more and more demanding which puts pressure on companies to deliver higher levels of quality and service at a lower cost (Slater 1997) which sacrifices long-term development of the customer experience over short-term gains.

As technology has allowed companies to develop more advanced product innovation and quality, they have turned towards the market and customers in order to develop a further competitive advantage; especially in industries with heavy competition (Woodruff 1997).

Payne et al. (2008) shift the role of the company utilizing a service-dominant strategy from only designing relevant products to consumers towards understanding the potential of co-creation. In retailing the increased role of technology and the development of new mobile services has allowed retailers to move from just the exchange of goods towards providing services and co-creating value. Especially in grocery retailing the shift towards creating new mobile services and customer experiences has allowed retailers to differentiate from their price-focused competitors such as hard-discounters (Saarijärvi et al. 2014). The relationship is co-created between the two parties when new technology allows the retailer to interact as well as engage with the customer throughout the shopping process from pre-purchase to post-purchase.

2.2.1 Customer Value as a Subjective Evaluation of a Product or Service

Firms exist in order to satisfy the needs of their customers (Slater 1997) with superior performance the result of being able to create superior customer value through its market offering. Customer value is defined by Woodruff (1997) as *“a consumer’s preference as well as evaluation of certain product attributes that allow the consumer to achieve certain goals or purposes with the product use”*. According to this definition customer value takes the viewpoint of the customer and what they want or believe they get from using the product.

Customer value is the sum of all the benefits and sacrifices involved with purchasing and using the firms offering (Lam et al. 2004). The decision making of consumers is affected by their satisfaction and perceptions of the product or service when considering whether to purchase it again. As stated by Cronin et al. (2000) value should be a strategic objective for companies as the customers' quality perceptions are a key determinant of customer satisfaction. Their study shows that in the case of services, customers place more emphasis on the quality of the service rather than its direct or indirect cost. Customer value is thus the subjective and personal evaluation of the product or service in-use and at the store.

The customer value generated by a firm’s offering is also summed by Zeithaml (1988) as the “*perceived value of the consumers’ overall assessment of the utility of a product based on a perception of what is received and what is given.*” Overall, value is a more individual and personal measure than quality (Zeithaml 1988). Oh (2000) also defines customer value as the price-quality trade-off in the consumers product search and purchase situations, with the highest utility achieved when the perceptions of quality are greater than the monetary or non-monetary sacrifices. Zeithaml (1988) argues that customer value is made up of several components that are all subjective for the customers and difficult to quantify.

Sheth et al. (1991) identify five customer values that influence consumer choice: *functional, conditional, social, emotional* and *epistemic*. A consumers’ product choice is a function of multiple values that fit that specific consumption situation (Sheth et al. 1991) with the consumer potentially influenced by any or all of these five values. Different types of products require different combinations of values depending on the type of product, the brand attributes and other situational factors influencing the choice. Sheth et al. (1991) outline that the consumers decision making process consists of various steps that the values influence from the actual purchase decision to determining what type of product or from which brand to purchase. The following table (table. 1) identifies the different value dimensions that were defined by their study as well as their roles in decision making.

Table 1. Five Customer Values that Influence Consumer Choice and Their Roles in Purchase Decisions (Sheth et al. 1991)

Functional Value	The functional, utilitarian and/or physical performance that the consumer gains from using the product
Conditional Value	The utility realized from a product in the specific situation or circumstance the consumer is in
Social Value	The utility gained from a product in one or more specific social groups as measured through choice imagery
Emotional Value	The amount that which the product or service is able to arouse feelings or affective states in the consumer
Epistemic Value	The extent to which the alternative is able to arouse curiosity, provide novelty as well as satisfy a consumers desire for knowledge

Adding value for its customers is primarily about managing and fulfilling expectations (Butz & Goodstein 1996). Continuing from the prior definitions, Butz & Goodstein (1996) state that customer value is “*the emotional bond established between a customer and a producer after the customer has used a salient product or service produced by that supplier*”. Value is a bond that facilitates the future exchange relationship between the two parties and means that they are able to foster loyalty. When companies are able to create an emotional bond; it means that they are able to fulfill customer expectations and also facilitate more trust (Butz & Goodstein 1996).

In their study, Butz & Goodstein (1996) classify the added benefits firms deliver to *Expected Value*, *Desired Value* and *Unanticipated Value* as shown by the next table (table. 2). Moving from the expected value to creating unanticipated value for their customers, Butz & Goodstein (1996) argue that in order to surpass the expectations of their customers' firms need to develop new and unique ways for delivering established goods or services. It is crucial that firms are able to add value for their customers that surpasses the industry standard and all the expectations that customers has. In retailing this can be achieved by providing new services such as mobile applications that engage customers (Saarijärvi et al. 2014) or a superior customer experience that meets individual needs of customers (Grewal et al. 2009). Overall, Butz & Goodstein (1996) state that companies that truly listen to their customers' problems are also able to find solutions to their problems.

Table 2. Three Levels of Customer Value (Butz & Goodstein 1996)

Expected Value	The value that the company offers is at a level normal to the industry. Goods and services produced by the company match the expectations of customers when compared to the offering of its competitors in the market.
Desired Value	The company is able to offer functions that add some tangible or intangible benefits to customers that also surpass the current industry norms. Delivering desired value means that the company needs a thorough understanding of the expectations of its customers
Unanticipated Value	The value that the company is able to add to the customer is unexpected and above the customers conscious desires. This includes offering unusually good service or for example providing additional services for free to the customers.

Before the purchase decision, consumers need to be able to understand the benefits the offering creates for them (Anderson et al. 2006). Overall, retailers add value to their consumers by engaging them in different shopping activities and fulfilling their needs. The value each consumer gets from shopping is unique and is influenced by different environmental factors as well as how much the customer appreciates the overall experience they are receiving (Babin et al. 1994).

2.3 Customer Value in Retailing

In retailing a customer centric strategy is a tool for adding value to customers and creating a competitive advantage over other companies (Grewal et al. 2009; Mitronen & Lindblom 2015). As stated by Rintamäki et al. (2007) customer value is especially important for retailers as customers' needs have radically changed in the past decade and the service offering has become a prerequisite for differentiation. In an industry that has traditionally competed primarily on price, creating concepts and services that add value to the customers is crucial as a unique experience is difficult for competitors to directly mimic. Overall, in retailing value is added for consumers by being able to create a superior customer experience and complementary services that match consumer needs. Furthermore, the interaction between the retailer and customer has changed as retailers are nowadays able to communicate with the customers through various channels which has extended the relationship (Mitronen & Lindblom 2015). In grocery retail, Saarijärvi et al. (2014) state that mobile services can engage customers and increase the service levels as well as extend the interaction to start already before entering the store.

2.3.1 Economic, Functional, Emotional and Symbolic Dimensions of Customer Value

The value proposition of retailers should be the main reason why customers continue to buy from their retailer (Rintamäki et al. 2007) with customer value created through all the benefits that the retailer is able to offer through its in-store customer experience. When retailers have a clear value proposition it serves as a source of competitive advantage and gives strategic focus. At the same time the value proposition serves as the companies' strategic decision on what it believes that its customer base find as the most important aspect in the offering and how it can match these needs in order to create competitive advantage for itself (Rintamäki et al. 2007).

Continuing from the classification by Sheth et al. (1991), customer value is split into four dimensions in their framework: *Economic*, *Functional*, *Symbolic* and *Emotional* as per the table below (table 3).

Table 3. Four Competitive Customer Value Propositions in Retailing (Rintamäki et al. 2007)

<p style="text-align: center;">Economic</p> <p>The economic value includes the price of the product and can be defined as the best tradeoff between price and quality. Companies that utilize the economic value proposition need to have strong organizational capabilities in place in order to be able to create the best economies-of-scale.</p> <p style="text-align: center;">E.g. Walmart</p>	<p style="text-align: center;">Functional</p> <p>Customers who are primarily motivated by convenient solutions, search for functional value. This means solutions that allow customers to find products in the store with minimum time and effort. Retailers that offer functional value are able to minimize the consumers' non-monetary sacrifices.</p> <p style="text-align: center;">E.g. Tesco</p>
<p style="text-align: center;">Emotional</p> <p>Emotional value appeals to customers who are motivated by the experiential aspects of shopping. For example, these customers enjoy the hedonic motivations of shopping such as seeking adventure or relaxation at the store. Retailers can also create</p>	<p style="text-align: center;">Symbolic</p> <p>Customers who are motivated by the self-expressive aspects of consumption are motivated by symbolic value. The symbolic value is defined as the positive consumption meanings that are attached/communicated to others. Retailers can create symbolic value by attaching and representing</p>

emotional value by designing in-store experiences that arouse different senses. E.g. Barnes & Nobles	something other than the function of the product in the offering. E.g. The Body Shop
---	---

Economic value is important because many customers base their purchase decisions only on price (Rintamäki et al. 2006). According to Smith & Nagle (2005), economic value is a products monetary worth to the customer adjusted for the availability of substitutes. In their definition a product that is able to create superior benefits to the customers in use will lose that advantage in a competitive market due to competitive pricing where price is more important than the quality of the offering. Rintamäki et al. (2007) state that consumers who are motivated by the economic aspects of consumptions will generally buy products based on the price and will not make monetary sacrifices for better quality products. At the same time they will spend a lot of time and effort for finding the best bargains. However, consumers who care about both the price and quality of a product, will upgrade to a more expensive alternative if they consider that the increase in quality surpasses the increase in price (Rintamäki et al. 2007). In grocery retail customers who are primarily motivated by the economic value and price (for example, customers who primarily shop at hard discounters or EDLP stores) will thus not be greatly affected by the shopping experience and service elements that the retailer offers.

Functional value on the other hand is important for consumers who are motivated by convenient solutions and being able to find products with as little time as well as physical and cognitive effort possible (Rintamäki et al. 2007). According to Sheth et al. (1991), it is the functional, utilitarian or physical cost of the product or service to the customer. Generally, functional benefits are associated with the added convenience to the shopping process brought on by the product or services' ability to meet the consumers' needs. In practice functional benefits can be delivered by grocery retailers through relevant merchandise, training the personnel for better customer service and designing shopping experiences that are convenient for consumers (Rintamäki et al. 2007).

Emotional value is the ability to arouse feelings and affection in the customer through the use of the product or service (Sheth et al. 1991). In retailing emotional response is primarily associated with the customer experience with certain products eliciting comfort and other positive references for the customer. In order for retailers to be able to better appeal to the emotions of consumers they need to continuously renew the customer experience they are providing in order to meet the subjective hedonic needs of consumers. For example, the use of visual, auditory, sensory, olfactory and gustatory clues in the store environment can serve as a way for creating emotional value (Rintamäki et al. 2007).

Symbolic value is important for consumers who are primarily motivated by the self-expressive aspects of consumption. According to Belk (1988) it is created when the product or service allows consumers to convince themselves as well as others that they can be a different person through their use than they would be without their use. This definition by Belk (1988) argues that what and where the product is consumed helps build one's self as well as their overall personality. As defined by Rintamäki et al. (2007) consumers look for positive consumption meanings in the product or service that they can attach to themselves or communicate to others. Basically, this means that the consumption behavior for consumers includes some socially interpreted codes in the consumption that can be related to other social benefits that the consumers gain. For example, retailers such as Body Shop have been able to create a loyal customer base through its core values such as environmental protection and elimination of animal testing that its customer base shares with it and are also self-expressive for them (Rintamäki et al. 2007).

2.4 Customer Experience

In retailing, the customer experience is the main tool how retailers create tangible and intangible benefits for the customers in the shopping environment and during the shopping process. The customer experience is relevant for this study to understand in order to relate

the in-store experience to customer value for individual customers. Overall, customer experience, and the customer centric retail strategy create value for both the firm and the customer (Verhoef et al. 2009). Customers also tend to select the retailer and retail channel based on their subjective evaluation of which one best satisfies their shopping motivation in that specific situation (Schröder & Zaharia 2008). However, so far research has failed to concretely examine the relationship between customer value and customer experience.

2.4.1 Customer Experience as the Consumers' Response to the Retailer

Verhoef et al. (2009) define customer experience as the “*cognitive, affective, emotional, social and physical*” responses to the retailer. Overall, customer experience has been studied extensively in academic literature as a complex construct consisting of many factors. It is the sum of all the consumers' responses to any direct or indirect contact with the company (Meyer & Schwager 2007). While direct contact occurs during the purchase of the product or service, indirect contact includes any unplanned encounters with the company's products, brands or services (Meyer & Schwager 2007) for example through media or social interactions. In their framework Meyer & Schwager (2007) determine that in order to positively affect the customers' experience the company needs to embed its customer focused value proposition to every feature of the offering including communication. Based on Lusch et al. (2007), firms that provide their customers opportunities for value production are able to create an enhanced customer experience and improve their competitive advantage. A well-designed customer experience is thus a tool for the retailer to distinguish itself from competitors which is also the focus of the research in this study.

2.4.2 How Retailers can Add Value through their Customer Experience

Grewal et al. (2009) state that a good customer experience increases the probability that a consumer will return to the store and use word-of-mouth to spread positive information about the retailer in social interactions. Meyer & Schwager (2007) argue that the customers compare each new experience with the previous ones and judges all the experiences together when making a purchase decision. However, according to their framework the customers' expectations of the service can be shaped by the personal situation of the customer, the competitors and also the market offering.

As retailers have struggled post-recession, they have started to pay more attention to the relatively small factors that influence customer satisfaction. These factors include *improving the communications between retailer and customer, establishing more consistency in the marketing communication, providing new channels to customers and responding more efficiently to customer feedback* (Grewal et al. 2009). All of these factors play an important part in creating subjective benefits for the customer throughout the purchase process. In grocery retailing for example, social media allows retailers to directly communicate with customers and also respond to feedback without intermediaries. However, Puccinelli et al. (2009) state that consumers should be grouped in various typologies, as each type of customer is looking to satisfy different individual goals or motivations with more innovative offerings possibly alienating some groups of customers.

While companies have collected a lot of data on their customers, especially through loyalty programs, they know little about the thoughts, emotions and states of mind that affect how they interact with the firms' products, services and brands (Meyer & Schwager 2007). In order to create a great customer experience, retailers are required to know their customers so that they are able to implement this knowledge in their strategy. The retailer thus needs to know its consumers' attitudes and how they are formed. In retailing, attitudes are formed throughout the in-store experience, from product trial (e.g. the ability to touch the product or through the products relevance to the consumer) to the marketing mix of the retailer (e.g.

through appealing product information) as stated by Puccinelli et al. (2009). Retailers need to maintain a long-term view as it takes time for consumers to adopt new innovations in store design or retail concept. Traditional innovation may not function well in an industry that is constantly evolving according to consumer trends (Mitronen & Lindblom 2015).

In retailing the customer experience allows customers to fulfill other needs in the store than only product search and purchasing. Bloch et al. (1994) conducted a study in shopping malls in order to understand the intrinsic motivations for shopping and visiting stores. In their study, they compare the shopping environment to a habitat where consumers spend a lot of time in as it is a source of a pleasurable experience. Consumer motivations are classified into seven categories in their study based on the benefits that the experience and environment provides: *aesthetics, escape, exploration, flow experiences, epistemic* and *social* (Bloch et al. 1994). Table 4 shows the benefits and motivations that customers get from the shopping experience as identified by Bloch et al. (1994) in the context of shopping malls. Overall, the retail environment provides customers with many different purposes, influences and attractions with a satisfying experience more important than the actual purchase of the product.

Table 4. Customer Motivations for Shopping (Bloch et al. 1994)

Aesthetics	The customer appreciates the physical design or appearance of the store or shopping environment
Escape	The customer is motivated by the ability to escape from routines when shopping
Exploration	The customer enjoys the opportunity to explore new products or service while at the store
Flow Experiences	The customer enjoys being absorbed in the process of shopping so that they lose track of time and feel like they are in another world
Epistemic	The customer enjoys being able to hear about new trends and receive information about new products while shopping
Social	The customer enjoys socializing and spending time with friends or family during shopping

The customer experience is based on a unique interaction between the customer and the company that is an engaging experience stimulated by the use of the product (Mascarenhas et al. 2006). In their study Mascarenhas et al. (2006) define the customer experience as a “*fulfilling physical and emotional experience across all major levels of one’s consumption chain*” with a product “*that calls for active interaction between consumers and providers.*” When the retailer understands the factors that motivate its consumers, it can then better focus on improving the experiential factors in-store (Arnold 2006). For example, Verhoef et al. (2009) state that the overall customer experience is the sum of both the elements that the retailer can control (e.g. background elements in the store such as lighting/shelving) and elements that the retail cannot control (e.g. elements outside of the store such as word-of-mouth on the retailer or its products).

2.4.3 Customer Experience Generates Utilitarian, Hedonic and Social Value

When retailers are able to develop rewarding shopping experiences for their customers (Babin et al. 1994) shopping becomes more than just work or routine. In retailing, Rintamäki et al. (2006) study customer value creation for department store shoppers. Their study examines how value is created throughout the shopping process and experience. Rintamäki et al. (2006) identify *hedonic*, *social* and *utilitarian* dimensions of customer value that are present in shopping. These are relevant for this study as they are each directly related to the customer experience at the store. The following table (table. 5) highlights the benefit that the three value dimensions deliver for consumers.

Table 5. Benefits of Utilitarian, Hedonic and Social Value (Rintamäki et al. 2006)

Value	Benefit
Utilitarian value	Monetary Savings and Convenience
Hedonic value	Entertainment and Exploration
Social value	Status and Self-Esteem

Utilitarian value is based on functional benefits and product-centric thinking with utilitarian consumption seen primarily as a mean to fulfill some distinct need (Rintamäki et al. 2006). For example, Babin et al. (1994) described utilitarian consumption as ergic, task-related with customers' interested primarily on fulfilling the consumption need that stimulated that specific shopping process or store visit. Convenience on the other hand is achieved when the sum of all non-monetary (e.g. time and effort) costs involved in the shopping process are minimized (Rintamäki et al. (2006).

Hedonic value is realized by consumers who appreciate shopping for the experience instead of only for the act of purchasing products (Rintamäki et al. 2006; Babin et al. 1994). Chandon et al. (2000) state that non-monetary promotions in the store such as free-samples, contests and free gifts also provide hedonic benefits for consumers. They also argue that it includes delivering value-expressions, entertainment and exploration through the shopping experience. Hedonic value is realized through entertainment, when the aesthetic factors of the shopping experience provide positive reactions and emotions from the customers. Entertainment factors in the shopping experience can include factors such as in-store events and restaurants. Hedonic utility is associated with exploration when consumers enjoy the excitement of product and information search (Rintamäki et al. 2006). Thus, in retailing companies that utilize hedonic value are able to deliver added benefits to the customer outside of the actual purchase of the products or services.

Social value means that shopping represents a social act for consumers that shapes the consumers' identity. Consumers also shop to enhance their self and self-esteem even if it might stretch their financial capabilities. For example, by communicating signs of position or membership to others through the purchase of the product or service, the consumer can enhance their status in society. The self-esteem of individuals can also be improved when the consumers are able to attach features from the store, personnel and other consumers to their self (Rintamäki et al. 2006). Basically, this means that the experience carries some personal meanings to the customers. As retailers have already adopted hedonic value dimensions in the store through the use of aesthetic factors in the customer experience,

Rintamäki et al. (2006) argue that in order to differentiate from their competitors, retailers should concentrate on the social dimension. The key to success for firms is the ability to combine utilitarian values with both hedonic and social dimensions as consumers' can best relate to the benefits that directly appeal to their emotions (Rintamäki et al. 2006).

2.4.4 Management of Retail Customer Experience

When the firm's offering is low on "*physical experience, emotional involvement and customer perceived value*" it will fail to generate long-term customer loyalty for the company (Mascarenhas et al. 2006). When the customer experience fails to maximize the added value for its customers the retailer needs to focus on creating new service solutions and managing the in-store experience. For example, by developing new service solutions that enhance the brand as well as the customer promise it increases the consumer experience and is difficult to copy (Mitronen & Lindblom 2015). The new service solutions in retailing are, for example, mobile applications, home delivery or home set-up that extend the scope of their relationship from what has traditionally been the industry standard. Therefore, it is important that companies constantly manage the total customer experience and offer new service dimensions to the customer in order to extend their relationship.

Managing the customer experience also involves understanding all of the sacrifices customers make during the entire purchase process. Zeithaml (1988) describes the different monetary and non-monetary sacrifices customers make and their influence on the consumption process. Sacrifices are defined as key resources for the customers including time, energy and effort. In grocery retailing non-monetary sacrifices include actions such as clipping coupons, reading food advertising and travelling to different stores in search of discounts as described by Zeithaml (1988). Customers' who currently are using a lot of resources as part of the purchase process are open to alternatives and solutions that minimizes their monetary or non-monetary expenditure (Zeithaml 1988). Thus, minimizing

the consumers' sacrifices in the customer experience is important and justifies the development of new technologies for example, mobile applications in retailing that reduce the consumers' sacrifices especially in terms of time and effort.

The retail experience is made up of several macro factors that equate to the overall customer experience. In order to understand the customer experience companies must understand the entire path the customer's take in the service process, all the way from pre-purchase to post-purchase and all the steps in between (Berry et al. 2002). The factors can be either in the direct control of the retailer or factors which the retailer is only indirectly able to control such as the influence of others and the customer's mood while shopping. (Grewal et al. 2009). Berry et al. (2002) find that companies that create a customer experience through combining emotional and functional aspects perform better than companies that create an experience artificially, through only a few minor in-store details. For example, similar to this Verhoef et al. (2009) state that firms with an emphasis on customer satisfaction and customer loyalty perform better than competitors. However, Oswald et al. (2006) argue that even if a companies offering does not match the competitor's in quality, it can still create a superior customer experience through the emotional and value related attributes as well as through emphasizing the concrete benefits of their offering to the customer.

2.4.5 Gaining Competitive Advantage through a Value Adding Customer Experience in Retailing

Competitive advantage is most notably defined by Barney (1991) as a strategy that creates benefits for the customers and is not being implemented by competitors. Lusch et al. (2007) also define competitive advantage as *“a function of how a firm applies its operant resources to meet the needs of the customer relative to how another firm applies its operant resources”*. In this case operant resources are the skills and knowledge capable of value production. Besides competitive advantage a sustained competitive advantage means that this

advantage cannot immediately be duplicated by others (Barney 1991). A successful competitive advantage comes as a result of using the firm's internal capabilities in order to respond to some external threats or opportunities in the market. For example, these capabilities include the human resources of the firm as well as the physical capital available. However, Barney (1991) states that not all of the firms' resources are strategically relevant as they can in fact lead to the company losing its competitive advantage instead of gaining it. In retailing the key resources of the retailers are the store or chain concepts and human capital.

Traditionally in the context of retailing, customer value addresses the differences between what customers want to get from buying or using a product as well as what they actually get (Zeithaml 1988; Woodruff 1997). Customer value has been defined as a source of competitive advantage when firms are able to integrate a customer-centric approach to their strategy. Understanding customer needs and developing services to fit these needs is also an important part of the service-dominant logic. For example, Lusch et al. (2007) state that firms gain competitive advantage when they engage customers and partners towards co-creation and co-production. The service-dominant logic argues that value is not just added in the production process to the offering but determined only in the usage after co-operation between the company and the customers either directly or through a third-party. As the retailer has control over the customer experience, Lusch et al. (2007) argues that they should facilitate the co-creation or co-production of value.

For retailers, competitive advantage comes from the ability to serve its customers by offering a wide range of unique services that add value to the consumers and are difficult for competitors to mimic (Saarijärvi et al. 2014). This is especially relevant for retailers who have in the past few years been struggling due to the difficult competitive situation and economic state that has reduced consumer spending power also in Finland. Grewal et al. (2009) state that one key reason for the struggles that retailers are facing is due to a lack of strategic focus on improving the overall customer experience even though it is a simple tool for generating unique competitive advantage. Despite the increased role of price competition, especially in

grocery retailing, recent studies have shown that innovation in retailing is slowly increasing even though retailing is traditionally seen as less innovative than other industries (Reynolds & Hristov 2009).

In recent years, many retailers have been forced to change their strategy from a passive buyer-seller relationship to a more customer centric approach in order to tackle changes in the industry. The most successful customer centric strategies, also form a source of competitive advantage for the retailer (Mitronen & Lindblom 2015). In retailing the communication between the firm and the customer has evolved substantially during the past decade, with the increased involvement also facilitating the personalization of the shopping experience (Puccinelli et al. 2009). Social media platforms and retailer apps also allow for direct communication and engagement in order to manage the customer relationship also outside the store (Saarijärvi et al. 2014). The mobile services extend the traditional buyer – seller relationship through the increased interaction.

In retailing, creating and delivering customer value is crucial as modern shoppers are looking for more than fair prices and convenience (Rintamäki et al. 2006). Customer value is the added value that the retailer is able to deliver to the customer through the customer experience and the in-store concepts. Retailers need to put more effort on designing the entire customer experience and store environment to suit the needs of modern customers (Grewal et al. 2009). However, in order to be successful retailers need to also know what adds value to their customers and what destroys the value they receive (Mitronen & Lindblom 2015). Retailers need to also understand the potential barriers in the customer experience that may actually drive the customer away.

When retailers are forced to continuously engage in aggressive discount campaigns they generally lose their customer focus and are more concerned at cost efficiency rather than on upgrading the existing customer experiences to meet the needs of modern customers. In order to foster customer loyalty, firms need to focus on improving customer loyalty and offering high product/service value for their customers. According to Yang & Petersen (2004) this means offering a product portfolio and value-adding services that are in demand and

increase their competitive advantage such as free shipping and 24/7 customer service. Value-adding services and loyalty can also arise from the retailer's employees. Sirdeshmukh et al. (2002) show that in retailing a customer's trust towards the store employees creates value for customers and also facilitates the creation of long-term loyalty with value an important determinant for loyalty in the case of services. In grocery retailing, the increased rivalry with hard-discounters has meant that retailers have started to put more emphasis on service and understanding what kind of new technology can be created in order to better serve their customer base (Saarijärvi et al. 2014). This means that emphasis should be put on developing a superior customer experience. Grewal et al. (2009) also states that engaging with their customers is necessary in order to create loyalty rather than only competing on low prices.

Retailers have also been forced to change their supplier relationships in order to create new ordering, delivery and logistical systems (Mitronen & Lindblom 2015) in order to match the needs of modern customers. As stated by Grewal et al. (2009) retailers need to *create easier interactions between the customer and the firm, consistent messages across all of firms' channels and be responsive to the needs as well as feedbacks of customers across different channels* in order to adapt to the new ways of doing business. For example, modern customers are able to search for information real-time during the shopping process and are also able to share their experiences or opinions immediately across social media platforms (Mitronen & Lindblom 2015). This puts more pressure especially on the large retail players who need to also keep-up with the changing needs of consumers and the fast paced digitalization through offering new channels as well as services in order to keep up with this trend. Generally, consumers who tend to search for information on the products prior to purchasing prefer purchasing from local retailers as they believe that they have superior product information through, for example more informed sales staff compared to the national retailers (Noble et al. 2006).

While today an emphasis on adding value for customers and delivering superior customer experiences is important, traditionally pricing and store format have been seen as the basis

for the competitive advantage of retailers (Gauri et al. 2008) with retailers adding value to their customers through the additional service features at the store. The value generated through the store characteristics and concepts in place also serves as a competitive advantage when it is not imitated by other players (Gauri et al. 2008). In their study Gauri et al. (2008) mention banking services and in-store restaurants as one example of services that provide added service elements and convenience to customers with supermarkets generally having better additional features incorporated into the store design than supercenters or hypermarkets. Furthermore, stores with improved service features, in higher income neighborhoods and with greater distance to competition tend to follow the HiLo (high to low) pricing strategy rather than EDLP (everyday low prices) strategy (Gauri et al. 2008). However, this is not the case in Finland, where the hypermarkets serve as the flagship stores for the retailers and include a number of services to complement the generic offering. The two largest hypermarket chains in Finland: Prisma and K-Citymarket have lower prices than other chains and are generally located in lower income neighborhoods adjacent to each other with superior service features compared to other chains.

2.5 Motivations for Customer Purchases

Customers make purchases in order to fulfill different needs and motives that are important for them. Individual purchase motivations of customers are directly related to the research question, as they influence their perceptions of the customer experience as well as facilitate value creation. The customers' evaluation of the overall experience at the store depends significantly on their mood and purchase situation.

Regardless of the individual as well as subjective purchase motivations that consumers have, they also follow different hedonic and utilitarian value dimensions with their purchases (Babin et al. 1994). Utilitarian value is created by minimizing the consumers' sacrifices for example by reducing the prices, saving time and effort as well as providing help

in making the purchase decision (Rintamäki et al. 2007). Instead of only making rational purchases all the time, consumers also seek to have fun and enjoyment by fulfilling more personal needs. Rintamäki et al. (2007) also define hedonic motives as more subjective and abstract with the store atmosphere stimulating the senses of consumers and providing means for consumers to express their personality. Generally functional value is associated as a utilitarian motivation and social or emotional value as a hedonic motivation in shopping (Sheth et al. 1991). Thus, it is important to understand the purchase motivations of consumers as they influence the consumers' decision making process and purchase behavior.

2.5.1 Customers Satisfy Different Values at the Store

The shopping motives of customers vary significantly (Babin et al. 1994) with customers perceiving both utilitarian and hedonic customer values in retailing. For customers that primarily realize hedonic motivations in shopping, the customer experience is more important than the products or services that they purchase (Bloch et al. 1994). Babin et al. (1994) use the definition "*personal shopping value*" in order to define the subjective shopping motivations of consumers. A key finding in their study is that the two value dimensions realized by consumers (utilitarian and hedonic) have an important role in influencing consumer purchase decisions while shopping.

The study by Babin et al. (1994) states that customers do not only try to satisfy functional, physical or economical needs as hedonic values are equally important determinations for purchase behavior. Consumers look for pleasurable products and experience in order to be able to enjoy the entire shopping process both in-store and in product use (Holbrook & Hirschman 1982). Hedonic consumption is also defined by Holbrook & Hirschman (1982) as "*consumer behavior that relates to the multisensory, fantasy, and emotive aspects of one's*

experience with products". The customer experience is formed through the images, fantasies and emotional arousal that the product or service is able to generate for the customer.

In retailing the consumer is both intellectual and emotional (Babin et al. 1994). The study defines hedonic values as consisting of *enjoyment, excitement, captivations, escapism* and *spontaneity*. While hedonic value is created by several aspects in the shopping experience, utilitarian value is primarily related to the consumers' ability to complete the shopping task as effectively as possible, minimizing the monetary and non-monetary sacrifices they have to make in the process. The following table (table. 6) lists the dimensions of hedonic value and its benefits in more detail as identified by Babin et al. (1994).

Table 6. Dimensions of Hedonic Value in Retailing (Babin et al. 1994)

Enjoyment	Shopping is enjoyed for the experience and not just because of the items purchased
Excitement	The customer enjoys the excitement of search for information and products
Captivation	Shopping immerses the customer with the new products and services on offer in the stores
Escapism	Shopping allows the customer to escape from routines and daily life
Spontaneity	The customer enjoys being able to make spontaneous purchases

Sheth et al. (1983) define two classes of motivations for consumers': *functional* and *non-functional*. Functional motives are formed through attributes including convenience, variety, quality and price while nonfunctional motives are related more to the retailer such as perceptions of other customers, promotions and reputation. Furthermore, Eastlick & Feinberg (1999) describe a strong influence of nonfunctional motives on purchases with the reputation of the retailer proving an especially important influence. Overall, when customers decide on their retailer preference they match their functional/nonfunctional needs against the attributes of the retailer (Sheth et al. 1983).

2.5.2 Hedonic and Utilitarian Values Influence Purchase Decisions

While traditionally marketing researchers have explored utilitarian shopping motivations, there are several hedonic reasons for consumers to shop as well (Arnold & Reynolds 2003). According to their study, customers who value the hedonic motivations of shopping are primarily interested in the experiential aspects of retailing such as the in-store environment. Arnold & Reynolds (2003) also argue that the emotions that these customers experience in the store will affect their product or brand preference and overall purchase behavior. Customers whose emotions are strongly affected by the store will take into account these emotions in their decision making.

The following table (table. 7) lists the six dimensions of hedonic shopping motivations identified in their study. Overall, understanding the motivations of consumers allows retailers to adjust their strategy and marketing communications in order to create a more fitting customer experience (Arnold & Reynolds 2006). While retailers cannot please everyone it is crucial that they are aware that these different motivators exist and that within a shopping process there may be many needs that consumers attend to.

Table 7. Six Dimensions of Hedonic Shopping Motivations (Arnold & Reynolds 2006)

Adventure shopping	Shopping for stimulation or the feeling of adventure
Gratification shopping	Shopping for stress relief and to alleviate a negative mood
Idea shopping	Shopping to keep up with new trends
Role shopping	Enjoying shopping for others (for example gift shopping)
Social shopping	Shopping for the enjoyment of spending time with friends or family
Value shopping	Shopping for discounts and hunting for bargains

As the previous research has shown, consumers are influenced by different consumption motivations and retailers need to be able to identify their influence. Okada (2005) finds that while consumers make both utilitarian and hedonic purchases; it is easier for consumers to justify utilitarian purchases than hedonic purchases. Hedonic purchases are rated higher by

the customers due to the associated enjoyment as well as fulfillment of non-necessities (Okada 2005) with Sheth et al. (1991) stating that seemingly utilitarian offerings also provide emotional benefits for individuals.

Okada (2005) argues that when utilitarian and hedonic product or service alternatives are examined side-by-side, consumers tend to prefer utilitarian alternatives. This is due to the guilt associated with making purchases primarily through hedonic reasoning as consumers know that the choice may be unjustified. According to Okada (2005) consumers generally need to justify to themselves irrational purchases made for fun. Thus, retailers need to be able to understand the different decision making situations that consumers face daily and how a product can convey different meanings to consumers depending on what needs they feel that the product meets at that time. At the same time pressure is on the retailers and their suppliers to create packaging and marketing material that reduces the guilt felt with making purchases based on purely hedonic needs.

Besides studies on the individual purchase motivations of customers, there has been research done on understanding the effect of other factors rather than price, quality or recommendations on the purchase decision at the store. In one of the earlier and more prominent studies in the field, Belk (1974) shows that situational factors such as the purchase or consumption situation in the retail store has an effect on the consumer's decision making process. Park et al. (1989) also find that the customers' knowledge of the store and time available for shopping has a significant effect on their purchase behavior as it influences unplanned buying and brand switching. When consumers know the layout of the store, they will be able to locate their preferred products and brands easier. In-store information (for example product displays) are also a critical part of the shopping experience as they allow consumers to trigger new purchase needs during the shopping process and also help consumers to consider alternative brands (Park et al. 1989).

Puccinelli et al. (2009) argue that the customer experience at a retailer is shaped throughout the purchase process from pre-purchase to post-purchase; incorporating background factors such as music. Overall, retailers should design stores with a particular consumer in

mind rather than mass-customizing the experience (Turley & Milliman 2000; Noble et al. 2006). At the same time Park et al. (1989) state that attention should be paid towards creating a familiar environment in order to minimize the time spent and help consumers find preferred products with ease. This also includes creating a co-ordinated customer experience throughout the store and preferably across the entire chain in order to make sure that customers are familiar with the layout wherever they shop.

2.6 Measuring and Translating Customer Value and Customer Experience

So far in this literature review customer experience in retailing has been described as a tool that can add value for the customers with customer value defined as a subjective evaluation of a products attributes that cannot be directly measured. Butz & Goodstein (1996) adopt the concept of “*Customer Understanding*” to measure customer value and define how companies can collect data about their customer’s as well as use this data to maximize customer value. The process starts from customer identification i.e. understanding all of the parties involved in influencing the purchase decision and also collecting data from all of the individuals who use the product. Overall, this allows the company to understand the usage situation and also learn from the customers' experiences with the product (Slater & Narver 2000). Generally, grocery retailers have not actively tried to understand the values of their customers in practice or in marketing academia.

Customer experience measurement on the other hand includes understanding how the customers' expectations of the service are formed through interactions with the company. Firms are able analyze the “touch points” that make-up the contact between the customer and the product itself or other representations of the brand either directly or through some third-party (Meyer & Schwager 2007). Different touch points in the consumers' customer experience have different value, with points that advance the customer to a more valuable

interaction such as the point of sale more important to understand. Meyer & Schwager (2007) argue that the touch points are constantly changing for customers depending on their specific needs at that specific time.

Companies need to be able to listen to their customers actively in order to generate information for decision making and be able to create more value for them. Woodruff (1997) proposes that value-based companies need to develop a translation process in order to understand their customers and make sure that this information is learned throughout the organization. Companies that are able to listen to their customers and translate this knowledge effectively into practice will be able to gain competitive advantage as customers learn through all the cognitions, emotions and behaviors they experience during their customer relationship (Payne et al. 2008). As a result, Payne et al. (2008) imply that organizations should take into account all the experiences and processes taking place rather than only relying on the hard-data they have gathered. Thus, the translation or learning capability of organizations is related directly to its ability to develop an understanding of customers through all the information they have gathered during their relationship.

An important part of developing the overall customer experience is the ability to understand and listen to the needs of customers. Communication between the company and the customer is integral for knowledge sharing and for facilitating the interactive relationship, with value co-created and co-produced in product use (Ballantyne & Varey 2006). Basically, this means that companies need to extend their view beyond the pre-purchase and purchase situations that traditionally have been studied. This is further examined by Mascarenhas et al. (2006) who state that in order to generate long-term customer loyalty, the firm will need to move beyond a customer orientation and make sure that the customer focus is implemented across the firm. When customer orientation has been incorporated across the firm, it can have “*direct customer contact, collect information from customers about their needs and use this information to design and deliver products that continue to facilitate positive experience*” (Mascarenhas et al. 2006).

Day (1994) distinguishes between the different capabilities of market-driven organizations in order to understand what capabilities deliver the greatest competitive advantage. While listening to the company's customer base is important, it also requires an understanding of the capabilities that a company has and how these factors allow a company to gain competitive advantage. There are two capabilities that are crucial, according to Day (1994); *the market sensing capability* and the *customer linking capability*. Companies that sense the market are able to react to market changes and anticipate competitor reactions better than others. Furthermore the customer linking capability is related to the skills, abilities and processes that the company needs in order to be able to have collaborative customer relationships where the individual needs of its consumers are taken into account (Day 1994). Thus, more valuable customer interactions are generated when the capabilities are in place to allow this information to flow across the firm.

As customer value has mainly been defined as linear tool for competitive advantage, some of the pitfalls have been ignored by earlier academic research. It is not a stable term as it is a customer's subjective evaluation of the product or service and it is constantly re-evaluated (Zeithaml 1988; Parasuraman 1997). For example, the customer may in the post-purchase phase reassess the product's true value to the customer after knowing the actual indirect costs also involved. When the customer reassesses the product's overall benefits in the post purchase stage, they also compare this to the anticipated benefits they were expecting prior to making the purchase (Parasuraman 1997).

2.7 Overview of the literature view

As the literature review shows, customer value theory has been actively researched in the 1990's and early 2000's by several academics. The main argument from the literature review is that the customer experience that retailers offer serves as a competitive advantage with a customer centric strategy creating value when it is imbedded into the store concepts of the

retailer. However, there is a clear gap in research related to how customer value and customer experience are linked in the context of grocery retailing as well as understanding how customer value theory is applicable for individual consumers with the purpose of this study to fill these gaps in research. Most of the theoretical frameworks identified have also not been examined with the use of qualitative methods. The following table (table. 8) lists the key studies that have been discussed in the literature review and highlights what has so far been studied by academics about the topic.

Table 8. Summary of Key Studies on Customer Value and Customer Experience

Reference	Title	Study Aims & Objectives	Research Method	Key Findings	Theoretical Contributions
Belk (1974)	An Exploratory Assessment of Situational Effects in Buyer Behavior	Understand how and to what effect situational factors influence purchase behavior	Quantitative consumer research in the business context	- Situational factors have an influence on consumers preference of food products - Attitudes, personality and brand loyalty can influence purchases	A thorough analysis on the effects of situational awareness on consumer product preference
Zeithaml (1988)	Consumer Perceptions of Price, Quality and Value: A Means-End Model and Synthesis of Evidence	Define the concepts of price, quality and value from the consumer's perspective	Qualitative consumer research using mixed methods in the context of beverages	- Customers make a lot of different sacrifices when using the product - Value is a highly personal idiosyncratic term with value defined in many different ways - Firms can add value to products and service through many different ways	Drafting a framework for understanding the relationship between price, quality and value as well as their influence on consumers
Sheth (1991)	Why We Buy What We Buy: A Theory of Consumption Values	The purpose is to understand product and brand choice of consumers	Qualitative consumer research using mixed methods	- The study shows that the customer values predict purchase behavior and product use	Presenting a theory of consumer choice values and examines how the theory is applicable in practice to consumer choice situations

Butz & Goodstein (1996)	Measuring Customer Value: Gaining Strategic Advantage	Define the concept of customer value and propose an approach to measure it	Literature analysis	<ul style="list-style-type: none"> - Customer value is classified into three levels: Expected Value, Desired Value and Unexpected Value - By understanding their customers' firms can gain insight to the existing values in place 	Providing a framework for measuring and understanding customer value based on the process of customer understanding
Woodruff (1997)	Customer Value: The Next Sources for Competitive Advantage	Understand the organizational capabilities for improving value delivery	Literature analysis	<ul style="list-style-type: none"> - Competing on customer value requires changes in the capabilities of an organization - Customer value is defined as the preference and evaluation of product attributes that facilitate the achievement of the customers goals and purposes in use situations 	Presenting a framework for understanding customer value as well as highlighting how superior customer value can be used as a competitive advantage
Okada (2005)	Justification Effects on Consumer Choice of Hedonic and Utilitarian Goods	Understand how situational factors and the consumers motivation affect the consumption of hedonic and utilitarian goods	Qualitative consumer research	<ul style="list-style-type: none"> - While consumers may find hedonic purchases more appealing it is easier for them to justify utilitarian purchases - The purchase decision is dependent on the presentation and environment in which the choice is made 	Exploring the concept of hedonic consumption as well as understanding the difference between utilitarian and hedonic consumption reasons for consumers
Ugala & Eggert (2005)	Relationship Value in Business Markets: The Construct and Its Dimensions	Understand relationship value in business markets	Quantitative research in the context of manufacturing companies	<ul style="list-style-type: none"> - Relationship value is conceptualized as a complex, multidimensional construct - It consists of 5 benefit and 2 sacrifice dimensions 	Drafting a framework for understanding value creation and relationship value as well as tests how well the model holds in practice

Rintamäki et al. (2006)	Decomposing the value of department store shopping into utilitarian, hedonic and social dimensions: Evidence from Finland	The purpose is to understand the drivers of total customer value and how value is captured in a department store setting	Quantitative consumer research in the context of a Finnish department store	<ul style="list-style-type: none"> - Customer value incorporates utilitarian, social and hedonic dimensions - Social and hedonic value is created through the customer experience such as store design - In order to differentiate from competitors, retailers should develop social and hedonic value 	Creating a framework and conceptualization of customer value in a department store shopping context that incorporates utilitarian, social and hedonic dimensions
Rintamäki et al. (2007)	Identifying competitive customer value propositions in retailing	To develop a framework for identifying the competitive customer value propositions in retailing	Literature analysis in the context of retailing	<ul style="list-style-type: none"> - Customer value propositions are split to four dimensions economic, functional, emotional symbolic value - Emphasizing Emotional and Social value allow for retailers to create competitive advantage 	Developing a framework for identifying competitive customer value propositions in the context of retailing
Grewal et al. (2009)	Customer Experience Management in Retailing: An Organizing Framework	The article seeks to provide an overview of customer experience and the macro factors that affect it in terms of the retailer	Literature analysis	<ul style="list-style-type: none"> - Due to the increasing competition in retailing it is more and more important for retailers - Managing the customer experience provides retailers a tool for engaging their customers and creating loyalty 	Creating an organizing framework in order to understand the macro and firm controlled factors that affect the retail customer experience
Puccinelli et al. (2009)	Customer Experience Management in Retailing: Understanding the Buying Process	The purpose is to show how several different elements in consumer behavior affect the decision making process	Literature analysis	<ul style="list-style-type: none"> - Customer experiences are shaped and influenced by several different factors 	Creating a framework for understanding existing research on customer experiences and distinguishing between the different stages of the customer decision making process

Verhoef et al. (2009)	Customer Experience Creation: Determinants, Dynamics and Management Strategies	Construct a Framework for Customer Experience Management	Literature analysis	<ul style="list-style-type: none"> - Retailers need to manage the customer experience in order to create value for the customer and the firm - Overall, customer experience is the combined cognitive, affective, emotional, social and physical responses to the retailer 	Building a conceptual model of the factors influencing customer experience
-----------------------	--	--	---------------------	--	--

In retailing, understanding the customers is important as their needs are constantly evolving and technology is changing the ways of communication between retailer and customer. For example the adoption of omnichannel retailing meaning that the barriers between physical and online retailing are gradually disappearing (Brynjolfsson et al. 2013). At the same time retailers have been struggling around the world due to increased competition and decreased consumer spending power. This has led to a struggle to maintain profitable customers amidst the pressure to continuously decrease prices (Grewal et al. 2009). While a brief overview was given on the recent developments of retailing both globally and in Finland, the main focus is on the research related to customer value theory as well as customer experience.

In the literature review, customer value was defined as *“a consumer’s preference as well as evaluation of certain product attributes that allow the consumer to achieve certain goals or purposes with the product use”* (Woodruff (1997). According to Day (1994), in order to be successful, companies need to be able to listen to their customer base and also actively react to changes in the market. One example of this is the development of new service solutions such as mobile applications and other technologies that directly enhance the customer experience that retailers are delivering, also creating competitive advantage (Mitronen & Lindblom 2015).

The second part of the literature review looked at how customer experience contributes to a customer's perception of the product or service as well as introduced the role of customer experience in retailing. Customer experience is an important factor to take into account as it is the customer's combined cognitive, affective, emotional, social and physical responses to the overall shopping experience provided by the retailer (Verhoef et al. 2009). As Puccinelli et al. (2009) find, it is important to keep consumers in a good mood during the decision making process as this will allow them to process product information and make purchase decisions faster. Furthermore, the literature review also discussed how consumers make product choices; separating consumer motivations to *utilitarian*, *hedonic* and *social* value (Rintamäki et al. 2006).

Finally, focusing on customer value can provide retailers a competitive advantage when the customer experience is difficult to imitate. Overall, service companies should focus on co-creating the relationships with their customers rather than NPD (Payne et al. 2008). At the same time several different dimensions of customer values affect the decision making of consumers.

2.8 Research Framework

2.8.1 Theoretical Gaps

The key theoretical gap identified in the literature review is the lack of research linking customer value and in-store customer experience. While research acknowledges that retailers add value to their customers primarily through the customer experience this has not been concretely proven and is an intriguing extension to the existing literature. The most relevant study conducted in the retailing context is the one by Rintamäki et al. (2007), however the paper maintains a more strategic perspective on firm-level value propositions of retailers rather than looking at how these propositions meet the expectations as well as

the needs of their customers especially in the context of grocery retailing. Thus, the viewpoint of this thesis is more customer centric in order to understand the motivations of individual customers and whether the customer value dimensions identified in the literature review hold in a qualitative single-case context.

Customer value theory has been researched extensively in the 1990's and early 2000's but these studies generally fail to dig deeper into consumer behavior and are outdated. The existing research on the topic is mainly concerned with firm strategy with the frameworks not tested empirically and with the use of qualitative research methods. The use of qualitative methods in this thesis allows for an in-depth understanding of customer decision making to complement prior studies. Furthermore, as several researchers have pointed out retailing has been through a lot of change recently with the adoption of more technology such as retailer apps, online retailing etc. that have extended the relationship towards the service dominant logic where retailers are able to continuously interact with customers from post-purchase to pre-purchase. This is an important gap in the literature as customer behavior is constantly evolving, especially as spending power across the world has declined in recent years after the recession, which has led to retailers needing to evolve their business concepts in order to continue to survive. For academics it is relevant to understand whether the in-store customer experience and store concepts continue to create value for customers despite the changes in consumer expectations.

2.8.2 Theoretical Framework Adopted for the Research

Based on the assumptions identified through the literature review, this thesis analyzes how the customer experience in grocery retailing is able to add value for customers and identifies the extent of the relationship between customer value as well as customer experience. As recommended as a topic for future research by Rintamäki et al. (2006), customer value determinants should be investigated in the grocery shopping environment through an in-

depth qualitative study focusing on subjective value. Furthermore, Woodruff (1997) also state the effect of the retailer or salesperson in creating value for the customer as a source for future research. The existing research also fails to understand how customer value is related to the needs of customers and how these needs change over time. However, as the retailer's value propositions are a critical part of creating customer value (Anderson et al. 2006) the research conducted in this thesis will also examine how well the retailers' business strategy fits with the needs of the customer and whether the customers' feel that it maximizes their overall utility.

The examination of past research in the field shows that customer decision making process is complex, influenced by hedonistic and utilitarian factors, both in the control and not in the control of retailers. Overall, customer experience is a complex construct that is theoretically challenging to understand. The lack of research in the context of grocery retailing raises the question what kind of values customers actually look to fulfill when they are shopping and whether retailers meet these needs. Thus, the main focus is on uncovering the factors in the grocery shopping experience that add value to customers and the overall value clusters that exist.

The research questions used to address the theoretical gap is:

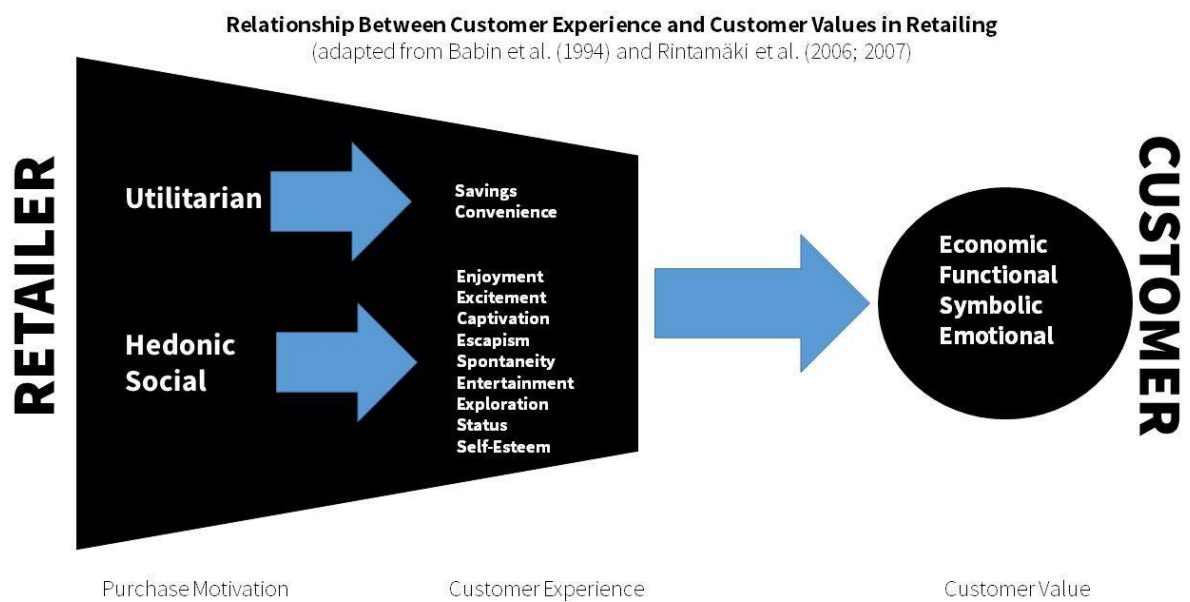
How does grocery shopping add value to consumers through the in-store customer experience?

In the retailing context the most relevant framework on customer value is the one proposed by Rintamäki et al. (2007) that is used as the guiding framework in the research due to it being conducted in the retailing context and the fact that the research is still relatively novel compared to the other relevant literature examined in the literature review. While the literature review identified other value frameworks, the study by Rintamäki et al. (2007) is centered specifically on the retailing context with concrete definitions for the value

dimensions. The framework proposes that customer value propositions consist of *economic*, *functional*, *emotional* and *symbolic* value with the aim of this study to link customer experience to these values as well as extend the nature of the existing theoretical discussion. The main contribution of this study is to understand how well the retailer is able to add value for its customers through the customer experience and what kind of needs make up these value dimensions for individual Finnish customers. The findings also extend previous frameworks to the grocery retail context.

Overall, the framework by Rintamäki et al. (2007) is used as the basis for the focus group discussion with the discussion themes centered on the four value dimensions. The study first of all gains an understanding of how well the framework explains the customer value creation and secondly identifies the different components of customer experience. The results of the study are compared to the existing theory in order to understand the entire in-store purchase process.

Figure 1. Theoretical Framework



The theoretical framework (fig. 1) is used in order to illustrate the link between customer experience with the values and needs of customers in grocery retailing based on the literature review. The retailer has a role in first of all meeting the different utilitarian, hedonic and social needs of customers, with different factors in the store forming the overall customer experience. Based on the literature review, there is a gap in understanding how customer experience adds value for consumers' as well as in empirically exploring the value creation process for customers. Despite the connections in the theory, there have not been any systematic links to understand how well the retailers' customer experience relates to the benefits that the customer receives. Thus, this thesis analyzes how customer experience is linked to the overall utility that the retailer is able to generate in terms of their in-store concepts as well as offering. As it is difficult to predict the behavior of individual consumers, the study is exploratory in nature with the aim of uncovering findings that extend prior research on the topic. Therefore, no specific hypothesis for the research is given as the data is analyzed post-hoc.

3. Methodology

The methodology section focuses on the research design and the justification of the chosen research methods for this study. First of all, the case study context K-Group and the K-Citymarket chain is introduced in order to understand the background in which the research is conducted as well as the direct implications that this context has on the results. Secondly, the research philosophy is introduced together with justification for the chosen methodologies and research design. Finally, the data analysis process is explained in detail.

3.1 Case: A K-Citymarket Grocery Retail Store

The K-Citymarket chain hypermarket store examined in this study is run by an entrepreneur retailer who is responsible for the grocery retail section at the store. The key argument of this section is that the decision making structure of the K-Group affects the results of this study as the entrepreneur retailer has more ability to manage the customer experience than in other chains. The structure of Kesko and K-Group has significant implications for this study as the entrepreneur retailer has a lot more possibilities to modify the customer experience than would be possible at other grocery retail chains as each K-Group store is unique. As a result, some of the factors identified by the study participants are unique to the specific K-Citymarket store that would not be possible to repeat elsewhere. It is also important to understand that K-Group is a complex organization with many different actors that makes the overall management of the company difficult. Thus, conducting this study in another country or another Finnish retailer such as S-Group would provide significantly different results as they are not using an entrepreneur retailer business model.

The hypermarket for the case study has been chosen in order to best represent the Finnish population by taking into account social measures such as income level and location. While

the study is qualitative in nature and quantitative measures are not recorded as a part of the analysis, in order to generate generalizable insights it is important that some of these issues are taken into account in the case selection. As most of the customers that visit the hypermarket are from the surrounding metropolitan area, picking a store that is located in an average income area increases the likelihood that its customers represent an average sample of the population. Thus, the context of this study has been chosen as it is a fairly average representation of Finland ranking and is one of the best K-Citymarket chain stores according to basket size. The store is located in an averaged sized city, ranking as approximately the 20th largest city in Finland (Statistics Finland 2015). The average taxable income level in the city is around 900 €/resident/month higher than the national average (Verohallinto 2013). The grocery and food section at the store has around 40% of the floor space and the rest of the store is occupied by non-food items with 60% of the floor space, managed by the K-Group appointed store manager.

3.1.1 K-Group grocery chains the second largest in Finland

The K-Citymarket hypermarket chain is a part of the K-Group, a Finnish retail company based in Helsinki with operations across the country and a subsidiary of Kesko Oyj. K-Group grocery chains are the second largest food retailers in Finland with a market share of 33.1% (PTY 2015). K-Group retail chains are run by independent entrepreneur retailers (K-Retailers) who are responsible for the grocery retail at their store and in-charge of store operations together with K-Group. This has some key repercussions on the management of the stores and concepts at the company as decision making is strictly divided between the parent company, the retail chains and the K-Retailer.

During the past decade K-Group has been rapidly losing market share mainly to S-Group and Lidl in grocery retail. During 2014 and 2015 both S-Group and K-Group have reduced prices of food products in order to compete with Lidl and also increase basket size amidst the

struggling economy (Helsingin Sanomat 2015b). As a response to the difficult competitive situation, in May 2015 K-Group launched a new strategy that focuses on neighborhood markets with the opening of new K-Market and K-Supermarket stores across the country as well as improvements in the customer experience (Helsingin Sanomat 2015a). The aim of the new strategy is to stop the decrease in market share and reduce the dependence on the K-Citymarket hypermarket stores for revenue. This strategy is also complemented with the purchase of Suomen Lähikauppa in November 2015 that will see K-Group’s market share and regional coverage further extended once the deal is completed after regulatory approval in early 2016 (Kesko 2015 c). Already around half of the Finnish population lives less than one kilometer away from a K-branded retail chain (Kesko 2011) with the new strategy aimed at increasing this figure. The following table (table. 9) lists the different grocery chains of K-Group as well as their respective market shares and financial data prior to the potential inclusion of Suomen Lähikauppa chains Siwa and Valintatalo to the portfolio. While the K-Citymarket hypermarket stores compete in terms of the service offering, the K-Market and K-Extra stores play a key role in providing local services through small neighborhood grocery stores (Kesko 2015b.). With its superior selections and service the K-Citymarket chain is the flagship of the retailer that also delivers the highest revenues due to the store size with both non-food and food items on sale.

Table 9. K-Group Grocery Chains (Adapted from PTY 2015)

Chain	Type	% of K-Group Market Share	Number of Stores	Avr. Sales per store (million €)
K-Citymarket	Hypermarket	35,9%	81	24,5
K-Supermarket	Supermarket	36,3%	218	9,2
K-Market	Neighborhood market	24,8%	445	3,1
K-Extra	Small neighborhood market	3,0%	185	0,9

Raijas & Järvelä (2015) study the differences between the loyal customers of K-Group and S-Group as well as the effect of the loyalty programs on their purchase behavior. According to their study K-Group customers mainly consist of childless families and single adults who appreciate in-store offers as well as location. On the other hand S-Group customers consist mainly of childless families who are very loyal and who concentrate their purchases to S-Group chains due to the superior loyalty benefits (S-Bonus). K-Group customers, especially prefer the service counters and the cleanliness as well as the attractiveness of the overall store environment (Raijas & Järvelä 2015). Interestingly, only around half of the customers studied by Raijas & Järvelä (2015) listed the K-Plussa program as important for their store choice, with the loyalty program members identifying the customized discounts and promotions as more relevant than the direct monetary benefits that they receive through K-Plussa.

3.1.2 K-Groups Competitive Advantage

“Retailer: We are a life enriching purchase agent. Your life specifically and not someone else’s life. We enrich your life, with the 20,000 products we have on offer in food and then the 110,000 products we have of non-food items so out of them we are building a package together with the pricing and all the other factors so that we can say that “live your life, we take care of the rest”. This is the angle that can justify our existence compared to a hard discounter where if you are ready to sacrifice time, the selection of food, also the taste of the food in some aspect then that is for you. Welcome, it is great that you have hard discounters who take care of the price but don’t promise anything else. You get ok quality, but they take care of the price. You sacrifice time and you don’t learn how to eat better products, but if it’s for you that’s great. In the other end you have to have us, are you ready that we help your life. Are you ready that we help with your life? Do you live to eat or do you eat to live? If you love food, you want to have the health aspect there as well then we can take care of it for you.”

- Interview with Retailer

K-Groups competitive advantage comes from its emphasis on superior service and selections with decision making across the company split between the head office and the K-Retailers (Kesko 2015b). The K-Retailers are able to gain a deeper understanding for its customers that would not necessarily be possible in a traditional chain based model that is

used by its competitors. For example, the retailers are able to conduct their own market research and complement the country wide market research that K-Group generates with specific research on its customer base for example through customer interviews and panels. The in-depth knowledge that the retailers have of their customer base allows them to offer more customized services that meet the needs of its customer base and allows them to provide customer experiences that are not comparable to the existing market offering. Already the retailer contract gives K-Retailers the ability to modify the customer experience within some constraints (Mitronen 2002). Thus, the K-Retailers are also able to respond quicker to changes in the market and fulfill some of the niche needs of its customers.

“Retailer: If you remove the entrepreneur retailers, you can’t research a big group of customers, a big group of events from where you are. You are trying to find things to fix in a place where they don’t occur. They occur at the store so you have to go and research the phenomena at the store. You can’t find the data from your desk because that’s not where the customers are. You can’t only analyze reports because they lack life and the people. Especially the customer experience occurs here.”

- Interview with Retailer

K-Group and the chain management are responsible for the chain-specific product selections and the regional chain marketing. The chain managers also draft store concepts together with the K-Retailers (Tamminen & Parpola 2012). Each entrepreneur retailer is a member of the K-Retailer’s Association, which is responsible for developing the retailer cooperation and adhering to the interests of the retailers. The K-Retailer’s Association is also the largest single shareholder of Kesko Oyj (Kesko 2015a.).

The K-Retailer’s Association has an important role in managing the relationship between the K-Retailer’s and the chain management as well as making sure that the interests of the K-Retailers are taken into account in the decision making bodies. As stated by Tamminen & Parpola (2012) the role of the K-Retailer’s Association is mainly in improving and strengthening the position of K-retailers in the K-Group through direct influence in the K-Group. The cooperation between the K-Retailer’s Association and K-Group is evident from

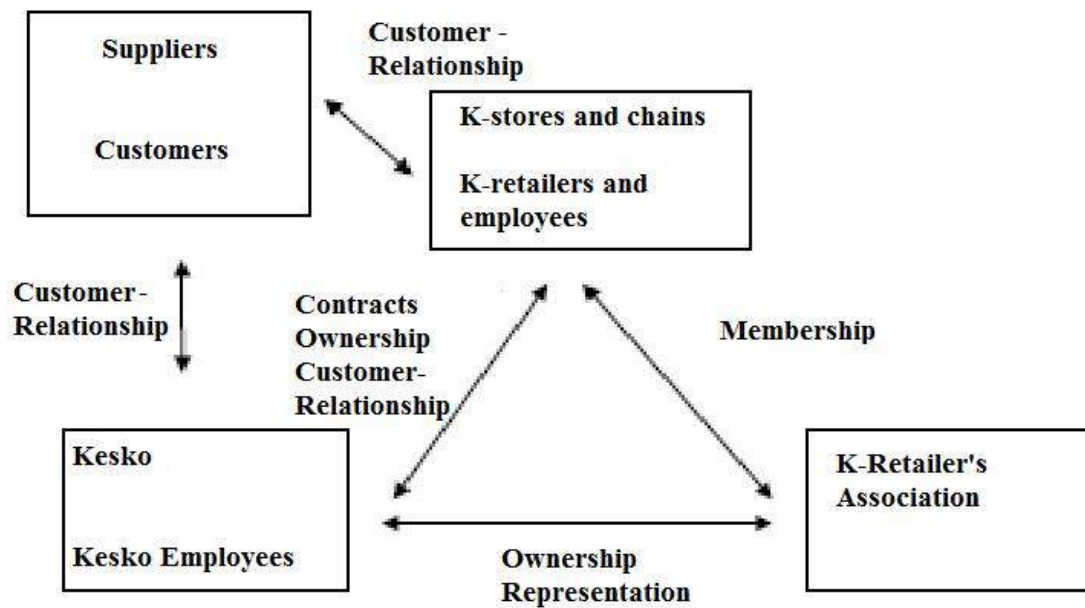
their presence and influence in the K-Group chain management, planning and strategy boards (Tamminen & Parpola 2012). For example, the CEO of Kesko sits in the board of the K-Retailer's Association and the K-Retailers have their own representative in the board of Kesko Oyj and also in the boards of K-Group subsidiaries. Furthermore, the direct ownership stake in Kesko Oyj makes sure that that association has its say in important decisions such as the board member elections (Tamminen & Parpola 2012).

3.1.3 Kesko Oyj as a Hybrid Organization

Mitronen (2002) describes the decision making structure at Kesko as a hybrid organization made-up of several different customer and contractual relationships between Kesko and its partners. A hybrid organization is defined by Mitronen (2002) as one that is built on mutual trust through *long-term contracts, excessive investments in the business and relationship as well as a multitude of managerial practices that are aimed at creating joint operations and flexibility*. As Kesko Oyj operates across the country and with many different subsidiaries and partner companies to handle the support functions such as logistics there are several control systems in place that makes managing the company challenging. For the entrepreneurial retailers, the relationship with K-Group is essentially a contractual relationship based on the retailer contract that dictates the obligations of both parties (Mitronen 2002).

The hybrid organization model means that within the organizational structure, there is a network of different kind of relationships between the various stakeholders. In terms of the relationship between K-Group and the K-Retailer, the relationship is a customer and contractual based relationship, as the retailer has an ownership stake in Kesko Oyj both directly and indirectly. Their relationship is already defined in the retailer contract between the two parties, which states that the *“retailer is in an open and confidential chain co-operation with other K-Retailers and Kesko”*. The following figure (fig. 2) shows the hybrid structure of Kesko Oyj (Mitronen 2002).

Figure 2. Hybrid Organizational Structure of Kesko (Translated from Mitronen 2002)



3.1.4 Relationship between K-Group and the K-Retailer

While Kesko and its subsidiaries make up their own company Kesko Oyj, the K-Retailers have their own companies that cooperate with each other in many different ways. However, in principle each K-store is independent and it competes against other K-stores in the same geographic region as well as nationally. Even though there is a strong relationship between the K-Retailer and K-Group, due to competitive law K-Group is only one supplier for the retailer and the contracts are tendered out in the same way as with other companies (Mitronen 2002). While previously the entrepreneur retailer had a lot more autonomy in decisions, the change in K-Group strategy and the competitive law have meant the retailer is now only an independent chain retailer with K-Group having a lot more decision making power on chain-related matters (Tamminen & Parpola 2012).

In general, managing a company that is made up of hundreds of independent retailers is difficult and requires strong organizational capabilities. In order for K-Group to be able to

control the retailer it needed to be able to build trust and appreciation between the two parties (Mitronen 2002). The responsibilities in the chain are clearly defined in order to outline the role of the retailer. In food retail, K-Groups subsidiary Ruokakesko is responsible for the centralized product purchasing, selection management, logistics and the development of the chain concepts as well as development of the store network across the country (Kesko 2010). The K-Retailer on the other hand is responsible for the implementation of the chain concepts, local marketing efforts, store management, customer satisfaction, personnel and profitability (Tamminen & Parpola 2012).

While the chain dictates certain details of the stores, the actual implementations and choices in the store are left to the entrepreneur retailer. According to the K-Retailer interviewed, the retailer has full responsibility for the actual customer experience in the store while the chain is responsible for some of the general guidelines related to the store concepts. Crucial for the success of the store is also a good working relationship between the K-Retailer and Kesko's store manager as they are jointly responsible for the operations of the store and providing seamless service for the customers.

“Retailer: Basically the chain gives us some general guidelines that if we should have black coolers, what type. Are the shelves grey or brown, some of the core aspects and then the visual aspects are also more and more researched by the chain. So how do the basic visual features look like? If we talk about percentages in my point of view then 80% is how much I affect and then 20% is what comes from the chain. However practically the responsibility over the customer experience is 100% with me. It is so much more than just the products but how they are installed, where the lights as well shelves are in the store and the points of purchase, everything. -- Responsibility is split so that the store manager from Kesko is responsible for the non-food items and then for the cashiers. I pay the most of the bills related to the cashiers and the rest is paid by Kesko. The cashiers, he takes care of the basic management and main principles, but what is our level of customer service at this store is decided between us together. We try to create some rules together about how we treat our customers. – We have agreed that in the eyes of the customer we try to do everything as well as possible. But then if there are some problems, we will sort them out after. – I like working together because we have a joint vision how to run this store, so then we don't have to argue together.”

- Interview with the Retailer

In each K-Group food retail chain, a part of the selection (incl. the pricing) is dictated by the parent company and the rest is up-to the retailers' discretion (Tamminen & Parpola 2012). As a result, the K-Retailer has a lot of possibilities to tender to the needs of its own local customer base and create loyalty. For example, many K-Retailers purchase products from small local producers in order to meet the needs of its own customer base (Kesko 2010). The K-Retailers put a lot of effort into planning the selection and establishing relationships with the producers in order to be able to offer high quality products. The daily job of the retailer also includes thinking ahead and trying to find signals as well as trends that shape consumer behavior now and in the future.

“Retailer: In K-Group stores we actually go out and hunt for the products. If we talk about vegetables, fruits, certain meats, fish, breads, certain small milk producers. We actually do a lot of research. We find out who really knows about these products. – There is a lot of knowledge in these companies, in a way we are the purchase agent for these products besides all the other things that we do. We create the whole selection for you and we know how to bring the quality to you. When customers shop at our store, they choose a certain solution and the level that we offer to them and that costs X amount. Then there is another store that doesn't offer this to them and that costs X minus something and our job is to research the market constantly, so that we don't make mistakes. Is that we invest in the research, make contracts with suppliers, is it something that customers value? When our sales increase the customers are happy and we can accept that we are in the right direction.”

- Interview with retailer

In terms of marketing, the retailers' conduct joint chain-level marketing campaigns locally in addition to their own store-level campaigns and promotions. The reason that K-Group is not able to conduct national campaigns is due to the competitive legislature (Mitronen 2002) as the law limits K-Groups and S-Group's ability to use their dominant market position in their national marketing. Besides the joint marketing campaigns, there are also a wide range of possibilities for store-specific campaigns designed by the retailer. For example, retailers are able to use customer data for targeted marketing programs at the retail level. All Kesko Oyj companies are part of the K-Plussa loyalty scheme, with 3.8 million members (Kesko 2015a). With the K-Plussa loyalty card, customers accrue bonus from their annual purchases

complemented by other discounts and offers at K-Group retail chains as well as partner companies (Tamminen & Parpola 2012). Each K-Retailer is able to use the real-time customer data generated from the loyalty program in order to develop targeted and customized marketing communications.

3.1.5 K-Citymarket Chains Competitive Advantage

“Retailer: There are small differences between the stores. Each Citymarket is a little bit different. -- Then we have some great stores that have an excellent selection, a lot of knowledge that make good combinations. Then we have some Northern stores where there is a lot of ski sales and they look for more fresh products. Each store is a little bit different and then what is interesting is that we are a little bit different. The stores that do well have retailers who make the business a little bit different according to their knowledge and experience. The retailer brings a small angle, a store that doesn't sell meat because people don't buy it there can have a retailer who is passionate about meat and it can start to sell a lot of it after two years because of the contacts. The retailer brings their own angle and style to this which I enjoy a lot. My colleagues are really great.”

- Interview with retailer

The first K-Citymarket hypermarket was established in 1971, with the customer promise of the chain to have the best service and widest selections (Kesko 2015 d). While the hypermarket strategy was successful for K-Group in the early 2000's (Raijas & Järvelä 2015) especially the non-food sales have significantly reduced during the last few years. In order to improve the profitability of K-Citymarket, K-Group has invested in modernizing the hypermarket strategy and focused on improving the customer experience (Helsingin Sanomat 2015a). For example, in early 2015 Ruokakesko made a franchise agreement with Starbucks that will bring the coffee chain to several K-Citymarket stores across the country. It is worth emphasizing that the hypermarkets are jointly run by K-Group and the retailer with K-Group responsible for the non-food products and the retailer responsible for the management of the entire store as well as the food products (Kesko 2015b). As a result this study exclusively focuses on the grocery retail section of the K-Citymarket store.

3.2 Research Methods

This thesis is qualitative in nature in order to understand the subjective thoughts, emotions and feelings of customers that would not be possible at a similar depth with quantitative methods. The research method used is a cross-sectional single case study on a single store with the use of focus group discussions and in-depth interviews. The research paradigm that the research falls under is constructivism as described by Guba & Lincoln (1994) with the research approach falling into the class of interpretivism. The chosen research philosophies allow for the subjective analysis of the topic as interpretive and constructivist research is socially constructed based on the assumption that there exists multiple, contextual realities (Guba & Lincoln 1994). As the research in these paradigms is context specific, it allows for the findings to be generalized to the specific case at hand. Thus, the chosen research methods justify that the research is based on grocery retailing and the single case context.

3.2.1 Qualitative Research

As the research topic is subjective and difficult to quantify, qualitative measures are most adept for research that seeks to understand complex phenomena. The definition by Boeije (2008) describes the purpose of qualitative research as *“describing and understanding social phenomena in terms of the meaning people bring to them”*. In qualitative research the researcher usually does not know beforehand what kind of data is generated through the research as it is built on grounded theory with the frame of analysis only decided after the research has been conducted (Boeije 2009). Generally, qualitative approaches are used to *“explore new phenomena and capture the thoughts, feelings and interpretations of individuals in different contexts”* (Given 2008). The methods used in qualitative research are vast, mainly consisting of methods such as in-person interviews, observation, diaries and journals.

Qualitative data are interpreted through the identification and coding of themes which are applied to practical and theoretical knowledge (bug 2008).

The findings of qualitative research are based on continuous re-interpretation of the meanings attached to the raw-data without one truth (Boeije 2008). While most qualitative researchers fall into the paradigm of constructivism and interpretivism, the field of qualitative research is not restricted to these assumptions and there are no universally accepted boundaries of the research with a wide range of different traditions. It is important to point out that as the qualitative researcher is heavily involved in the data collection the relationship between researcher and the topic is often intimate, especially when compared to other methods (Denzin & Lincoln 2009).

Overall, the main difference between quantitative and qualitative methods is in the world view with quantitative research interested in analyzing causal relationships while qualitative research is generally more exploratory in nature especially in the early stages (Boeije 2008). As this study is intended to investigate what kind of values exist for Finnish grocery shoppers with a lack of existing research in the field, the use of an exploratory method is justified to fulfill this goal. Overall, in qualitative research the emphasis is on examining processes and meanings that are not experimentally measured in terms of quantity, amount, intensity or frequency with individuals having an active role in the construction of social reality (Denzin & Lincoln (2009).

3.2.2 Focus Group Discussion

In order to be able to gain in-depth insights from the customers, focus group discussions are used as the primary research method in this study. The main reason for choosing focus groups is their ability to provide insights into the sources of complex behavior (Morgan 1996) and dig deeper into the consumer behavior than would be possible with the use of other methods. The interaction between participants allows them to bounce ideas of others and

also develop these ideas further which would not be possible in an individual interview setting (Arksey & Knight 1999). Liamputtong (2011) also concludes that focus groups generate a wide range of responses that provide an understanding of the attitudes, behavior, opinions, or perceptions of participants. As the topic is subjective and fairly sensitive for each customer, focus groups are an adequate method to gain an insight to the customers' decision making process and also facilitate conversation about the topic due to the smaller barrier for expressing their opinion. While individual interviews also facilitate an in-depth discussion with the participant, focus group discussion suits the particular topic better as the interaction with other participants will bring more light to the topic and increase the scope of the answers.

According to the definition by Smithson (2007) and Hughes & DuMont (2002) focus groups are in-depth group interviews with homogenous groups consisting of roughly 6-12 participants with an interviewer or moderator asking questions about a particular topic. The main strength of the focus group methodology is that it allows researchers to be able to understand the participants' reality in detail and also enables the participants to be more involved with the research (Liamputtong 2011). Overall, the main rules of thumb for focus groups as stated by Morgan (1997) are the use of homogenous strangers as participants, reliance on a structured interview method with high moderator involvement and a total of 3 to 5 discussion groups as a part of the method.

Focus groups are used in order to understand how the in-store customer experience in grocery retailing adds value to customers and how well different factors in the in-store customer experience relate to these dimensions. In general, Liamputtong (2011) states that structured focus groups are mainly used in market research while social sciences employ the less rigorous type of focus groups. However, as the topic at hand is quite specific, the focus group interviews in this study follow an *American* structure (Goodyear 1996). According to Goodyear (1996) the *American* focus group structure is more cognitive with the purpose of gaining answers to some specific questions while the *European* focus group discussion aims to go deeper into consumer behavior. Overall, the method allows for more structured

questions to be asked from the customers as part of the discussion. Furthermore, a more standardized discussion will also enhance the comparability of the different groups (Morgan 1997). While the themes and questions are standardized in nature, diverse questions are asked to minimize the risk of producing only limited data. In order to facilitate discussion the focus group discussions started by first talking about general shopping routines and slowly moved onto the more complex aspects of customer experience as well as customer value as per the discussion guide in Appendix 1.

The selection of group participants is important to take into account when planning the discussion. Traditionally the participants for focus groups are chosen due to their shared social and cultural experiences based on age, social class, gender, religion and educational background (Liamputtong 2011). In general, this means that the focus groups are homogenous, so that the participants are comfortable talking with each other despite any gaps in social background or lifestyle (Morgan 1997). Thus, the focus groups in this study are homogenous in the sense that the customers are either loyal or seldom customers at the store who share a similar concern for their own local retailer as well as all live within a short distance to the store. However, in order to facilitate discussion in the groups, each group consisted of participants of mixed gender and age groups that were approximately equal. As stated by Morgan (1997) the participant selection is done to minimize the potential sample bias and improve the overall quality of the data. Generally, all focus group participants need to be activated so that no one takes a leading role. In this study this is minimized by using simple questions at the start of the discussion and a group of like-minded customers in order to lower the participants' barriers for speaking in the group. Overall, even though the groups were not directly homogenous the customers all shared a similar concern for their store which allows for homogeneity. Thus, the customers were homogenous in terms of social class and general lifestyle which, according to Morgan (1997) facilitates group discussion and fulfills the purpose of focus group discussions as further elaborated on in the discussion section.

In this study a total of 3 approximately 120-minute focus-group discussions were conducted with the customers of one K-Citymarket store consisting of 3-6 participants per group. Each focus group discussion was recorded and thoroughly transcribed with additional notes being taken over the discussion. The discussions were conducted in Finnish, the native language of each participant, with the key quotations translated into English for this thesis. Each focus group discussion started with a 15 minute walk around the store and proceeded with 60 – 90 minutes of uninterrupted discussion. The focus group participants were invited to the discussion through the K-Plussa loyalty program as well as directly from the store. An email invitation was sent 2 weeks before the focus group discussion complemented with a Facebook invitation as well as direct invites at the store.

The first focus group as well as the individual interview was used as a pre-test in order to understand how well the discussion guide works and allows for modifications to be made for the remaining discussion groups. The use of pre-tests in the study also help to understand how comfortable the participants are in talking in a mixed group about the topic. As the first focus group showed no problems in participant interaction the remaining two focus group discussions were also held in mixed groups. Thus, each of the three focus group discussions consisted of a group of mixed participants who were all either loyal or occasional customers. The discussions were attended by two moderators and the retailer of the store as well as a note-taker. In order to complement the focus group material two 60 – 90 minute in-depth interviews were also conducted: one with the K-Retailer and one with a loyal customer of the store. The following is the order in which the empirical material was collected:

- 1) Group 1 Mixed Group of Customers
- 2) In-Depth interview with loyal customer
- 3) Group 2 Mixed Group of Customers
- 4) Group 3 Mixed Group of Customers

5) Interview with the K-Retailer

3.2.3 Data Analysis

While in quantitative research there are set methods for data analysis, in qualitative research there is no universal or standardized way to proceed with the analysis. Generally qualitative data analysis is difficult due to the dynamic, intuitive and creative process of inductive reasoning involved with researchers usually analyzing their own data (Basit 2003). The main difference between the two methods is that in qualitative research the researcher can move between and enhance the design, data analysis and findings section of the paper during the research process (Caudle 2004). As the purpose of the analysis is to understand the knowledge, attitudes, values, beliefs and experience of the participants the transcription phase is necessary in order to conduct a detailed analysis of the discussion (McLellan et al. 2003). As microphones are not efficient in picking up all verbal behavior and body movements of the participants (Bottorf 1994), field notes were also taken during the focus group discussions in order to take into account the interactions between participants and other verbal behavior. The field notes were used to come up with preliminary findings and facilitate preliminary comparison of the groups.

Overall, in qualitative research the main method used for data analysis is coding which means organizing and making sense of the textual, non-numerical and unstructured data collected (Basit 2003). Basit (2003) define coding as the labelling, categorizing and division of data according to interesting and relevant themes, patterns, commonalities, differences or structures. In this study the content analysis method is used in order to understand the focus group discussions and the data gathered. The content analysis method allows for the understanding of the content and context of the responses in the focus groups (Caudle 2004). Thus, the main method for data analysis is coding with the aim of organizing and interpreting the data according to the distinct labels identified as per content analysis. However, it is also important to note some of the special characteristics of focus group

discussions when doing the coding. When coding focus group interviews the focus should be on discourses and themes produced in the group rather than only looking at the responses of the individual participants (Liamputtong 2011).

The analysis of the focus group discussions in this study started with the recording and transcription of each of the three focus group discussions as well as the two in-depth interviews. Each focus group discussion was recorded and then listened to immediately after the discussion in order to identify each participant and reduce the reliance on field notes. In the focus group discussions each of the speakers was recognized individually with background information on the respondents collected through observations and the field notes. Following the transcription of the empirical data, the data was coded in order to identify key themes from the empirical material. The codes were then arranged chronologically and matched with the Rintamäki et al. (2007) framework with key quotations to elaborate the findings. Based on all the empirical material and findings, the conclusions were generated together with the theoretical contribution, managerial implications as well as topics for further research.

3.2.4 Validity of the Research

As qualitative research is exploratory in nature, accessing the trustworthiness of the research is a crucial part of the research process. According to Eriksson & Kovalainen (2008) in qualitative research the trustworthiness as well as the quality of the research can be understood through the concepts of *validity*, *reliability* and *generalizability*. Validity is related to the accuracy of the research conclusions, evaluating whether the findings in the study truly represent the phenomena studied. Reliability evaluates the repeatability of the study, meaning that another researcher would be able to replicate the study with similar results. Generalizability evaluates how well the results can be extended to a larger audience

and context. Overall, attention is paid to the trustworthiness and quality of the results according to the framework by Eriksson & Kovalainen (2008).

Besides these points, triangulation is also applied in order to assess the reliability of the primary and secondary sources used as well as the material generated from the group discussions. In the focus group discussions all of the factual references from the participants are checked from secondary sources before they are further analyzed. The background information is also triangulated for example, in the case of the case study narrative in order to assure the reliability of the information as it has been gathered primarily from secondary sources.

The limitations of the study and the evaluation of the validity of the research are further discussed in the discussion section.

4. Empirical Findings

This section introduces the empirical findings of the study based on the three focus group discussions and the two in-depth interviews conducted. The findings are organized according to the Rintamäki et al. (2007) framework, identifying factors in the customer experience that fit to the four dimensions of customer value as well as factors that extend the scope of the framework. In order to provide more insights from the empirical material as well as justification for the conclusions drawn, direct quotations are used from the focus groups and the interviews as part of the findings section based on the content analysis. Based on the preliminary analysis of the empirical material it is clear that there appears to be a strong relationship between the in-store customer experience as well as the value added for customers in grocery retailing.

The respondents and study participants are referred to by their individual participant number and the focus group discussion or interview in which they participated in. The following table (table. 10) provides background information on the participants.

Table 10. Participants of the Study

Focus Group 1	Participant 1	Male, 30-50 years old	Loyal customer, family with 4 children
Focus Group 1	Participant 2	Female, 30-50 years old	Loyal customer, family with 4 children
Focus Group 1	Participant 3	Male, 50+ years old	Adult household, recently changed to K-Citymarket from Prisma
Focus Group 1	Participant 4	Female, 50+ years old	Adult household, recently changed to K-Citymarket from Prisma
Focus Group 2	Participant 5	Female, 30 – 50 years old	Adult household without children
Focus Group 2	Participant 6	Female, 50+ years old	Family with children
Focus Group 2	Participant 7	Female, 30-50 years old	Single parent with two teenagers in the household
Focus Group 3	Participant 8	Female, 50+ years old	Retired, adult household
Focus Group 3	Participant 9	Male, 50+ years old	Retired, adult household
Focus Group 3	Participant 10	Female, 50 + years old	Retired, adult household, lived abroad for a long time
Focus Group 3	Participant 11	Female, 30 – 50 years old	Family with 2 children
Focus Group 3	Participant 12	Female, 30 – 50 years old	Family with 2 children

Focus Group 3	Participant 13	Male, 50+ years old	Adult household, children moved out of home
Interview 1	Interviewee	Female, 30 – 50 years old	Loyal customer (top percentile of the store), family with children
Interview 2	Retailer	Male, 48 years old	Entrepreneur retailer at the K-Citymarket store

4.1 Economic Value

Economic value is defined by Rintamäki et al. (2007) as the best tradeoff between price and quality with customers who are motivated by the economic value primarily interested in minimizing their direct monetary sacrifices. In the focus group discussions and the interviews conducted, economic value was mainly related to the discounts offered to the customers both directly or through the K-Plussa loyalty program. Interestingly, economic value is rarely a primary motivator for purchases in the store with other factors in the store important for the consumers. Once the customers had entered the store, they no longer paid that much attention to the price of products, also making some impulse purchases due to the in-store promotions or other marketing efforts at the store.

“Retailer: How this recession has affected during the last 4 years, the turning point came last summer in my opinion. In a way the price has shifted towards a very detailed excel. There are very many stores in Finland that play the game that I don’t believe in anymore. That “our store is very good, we have a very good customer experience, we offer good quality or service so that price doesn’t matter”. This is a statement that has always been at some stores, and to complement the price they have built very expensive service aspects to the store. I see that price has changed so that there are certain products that have to be sold for a certain price. The market demand dictates the price for sugar, coffee, wheat, baby food, and certain types of meat. They are the same thing, same price. – In order to be successful you have to offer a customer experience for the other 20,000 products that you sell so that the customers are ready to pay a premium for it, from which you are able to earn a profit.”

- Interview with Retailer

For some of the consumers, especially for the families with children who participated in the study, the discounts and price level also served as the main driver for coming to the store as they allow the customers to stay informed about what is currently on offer. Customers tend

to make shopping lists based on discounts and marketing communications. As the study finds, the price level is only one specific factor that affects the purchase behavior and the retailer choice in the long-term. Especially the price-quality relationship is more important, with consumers increasingly interested also about the origin of products and the need to support local producers as mentioned in several focus groups. When the differences between the products are small, especially in more basic food items, consumers will attempt to maximize the economic value they are able to gain. This trade-off between price and quality was also identified in the literature review.

”Participant 6: Yes, (price) affects a lot. There is always a specific allowance of money that I can use and I always calculate how I can use it. So I use discounts and promotions to plan what food I will cook. – How we will cook that because that is cheap and that’s how we can feed everyone with as little money as possible. It means a lot to me at least.”

- Focus Group 2

The economic value is also associated with the ability to purchase products at a discount and also the ability to be able to make impulse purchases from time-to-time. Customers enjoy coming to the store purely for seeking products at a discount and finding additional products outside of their routines. At the same time the participants mentioned that a larger monetary discount makes them want to buy more products than a small one even if there was no difference in the actual discount percentages.

“Participant 1: They are big enough in my opinion. I don’t think I have missed anything because of it. I’ve noticed that we make a lot of impulse purchases so we notice that here. You didn’t know that you wanted something. – I might think that it’s a good deal here now that the discount is large. I think that I might think so even though it wouldn’t be any different percent wise.”

- Focus Group 1

At K-Citymarket the economic value is also directly aligned with the K-Plusa loyalty program for many customers due to the additional monetary savings that they are able to earn. The customers generally collect bonus from the different K-Group chains. A few of the study participants had also decided to concentrate their shopping to this one store in order to reap more direct loyalty benefits. However, several customers mentioned that even though they have chosen to patronize the K-Plusa program, they would be able to get better benefits from other programs.

“Participant 1: At least in the end of the month, I look through the K-Plusa statement what have been K-Plusa discounts and what have been other discounts. They matter to me. For us, it’s so that the price can be built in many different ways. For example, usually it’s built through the discounts, then what we get through K-Plusa - and the Plus isn’t. It’s nice because now you get bonus from everywhere. – We have the green card from there and all other possible Euromaster loyalty cards, K-Plusa cards and everything else possible in between. There is something in the competitor that I still don’t feel as appealing to me as this store.”

- Focus Group 1

While some customers are happy with the K-Plusa benefits they are able to get through concentrating their shopping to one store, there is also some discontent with the benefits that the loyal customers get. One focus group participant felt that he is not getting enough benefits even though he has concentrated his shopping and is a heavy buyer at the store. However, at the same time despite the role of the K-Plusa benefit, customers tend to prefer convenience over the possible monetary benefits they earn from concentrating.

“Participant 8: For me the price has not affected (my purchase behavior). I pay too much for food already today. If we talk about price, I get too few benefits for the amount I buy. – I buy over €6000 of food at K-chain stores per year. – Totally around 2% is the benefit I get for buying from here and from nowhere else. I think that’s it’s too little. That depends on Kesko. I also don’t run after the discounts. – If coffee has a 30 cent discount, it would make me want to drive from tens of kilometers away to buy it.”

- Focus Group 3

The findings also reveal that customers may not be solely loyal to any specific loyalty program as they tend to prefer to hold loyalty cards from many retailers. This suggests that some customer segments are simply motivated by different loyalty programs and the ability to accrue indirect benefits from their shopping. The participants also mentioned that they would like to be able to gain more personalized discounts that better match their needs through improved analytics and data usage. Currently the discounts may even alienate some customers who are not at all interested in that aspect of consumption, especially if price is not that relevant for their current life situation.

Interestingly, the importance of economic value significantly differs depending on demographics. In the first focus group discussion the families with children found the discounts important and especially “buy 2, get 3” offers were relevant. On the other hand the customers whose children had already moved away from home or who did not have children at all were more interested in minimizing the non-monetary costs involved for example time and effort rather than paying attention to the prices or discounts at the store.

”Participant 5: I don’t buy because of the price or search for discounts. Food offers are rarely something that would get me going. I have something specific in my mind that I go out to buy. On the way I might see something interesting but it doesn’t matter what it says in the advertisements. Even if salmon were on sale, I wouldn’t necessarily change my plans because of it. – I don’t do anything with the kind of offers I get now. I just press delete. I get the newsletters and promotions from all K-Group stores. I don’t even read them.”

- Focus Group 2

4.2 Functional Value

For some of the participants minimizing the sacrifices involved in shopping was more important than price. As sacrifices the customers mentioned aspects such as time and effort that were also identified in the literature review. The responses of the study participants show that the economic value and the monetary aspects of shopping are still important value determinants for consumers together with some of the functional benefits. The

functional benefits include all the different aspects in the shopping experience and service that affect the customers' perceptions of the store. In all of the focus groups the wide selections and ease of shopping were mentioned as the most important determinants of functional value that also affect the shopping behavior at the store.

“Participant 13: I think that one criteria for coming here is how easy it is to shop at this store. You aren't the cheapest option in anyway, it's not my criteria. When you come here, there is good fish and I appreciate a good meat counter as well as good fruits and vegetables section. It's about a combination of those things and also the familiarity. I don't want to think about where I can find the products. The journey around the store is always pretty much the same.”

- Focus Group 3

According to the focus group participants a good grocery store is made up of a lot more aspects than just price or non-monetary costs. The empirical findings show that a good grocery store incorporates a combination of utilitarian aspects such as the prices, quality and selections as well as hedonic aspects that extend the customer experience. The participants mentioned that they value the overall customer experiences on offer as well as the supplementary services at the store as a part of the economic value and the price level. Still a key aspect for development is related to the customer experience and delivering something more to customers than just a standard self-service store that is no different from others.

“Participant 5: We like to go the market hall in the nearby city – If you can bring that kind of atmosphere and the specialties that you get from there, just a little bit to this market environment then you would have a great experience and not just something regular.”

- Focus Group 2

Functional value also includes understanding the different situations that customers are in when visiting the store. For example, one participant noted during the walk-around at the store that when they are tired or just having a bad day they try to avoid human interactions

at the service counters and prefer to buy readily packaged meat. When determining when to shop some customers also plan ahead in order to minimize the non-monetary costs involved.

”Participant 3: Of course you think that you are able to survive as quickly as possible (at the store). On Saturday mornings we go quite early so that we don’t get stuck in the traffic. On Friday’s we go a little bit later.”

- Focus Group 1

The study also showed that time is important for the customers as the time they are able to spend at the store directly affects the amount of money and purchases they make. This includes that when the consumers come to the store to make their weekly grocery purchases they are not affected by traffic or other minor problems with the service even if it is outside the direct control of the retailer or chain. However, when they are in a hurry the issues in the service such as problems with the cashiers will also have a negative effect on their overall perceptions of the store. Customers who visit the store often are also able to use their prior experience to evaluate the effectiveness of the service or the employees in serving them. One focus group participant stated that he picks the cashiers based on his prior experiences of their efficiency.

“Participant 7: Sometimes if there is more time here it’s nice. Even a long time. Even if I don’t need all the time, I’m able to look around and buy a lot of things. – During weekdays I just get something quickly and sometimes I feel that the lines are going to be long because there are so many cars parked outside. I don’t want to go there and then I just get the can of milk from somewhere else. I don’t like the long cashier lines that there are here and I don’t go.”

- Focus Group 2

The benefits for the customer also include the additional services that the retailer offers. Combining more services to the store reduces customers’ time and effort as well as reducing some of their sacrifices. As one participant stated, shopping is also about being able to

survive the grocery store quickly and efficiently. At the same time the addition of supplementary services to the store and the shopping environment also serves as a barrier for switching to a competitor as they would not necessarily be able to find all the same services under one roof somewhere else.

“Participant 10: – The reason why I come here is the supplementary services. When I am busy with everything else in my life, I think about how to combine these things. I don’t like this kind of supermarket maze, so as long as I am able to survive it and combine it with as many other functions as possible then I can survive faster. – For me, it’s clearly important to combine different things to my shopping journey.”

- Focus Group 3

4.3 Emotional Value

Emotional value incorporates aspects of the shopping experience that make the process more enjoyable and extends the customer – retailer relationship. The emotional value is also created for customers through the campaigns and discounts that offer some surprises for the customer that allow them to break their routines. Overall, emotional value for the study participants was created through a combination of factors that extends the scope of grocery retailing at the store.

“Participant 1: That it’s more than just the store. There is something else around. Just all these campaigns and everything. I think it’s important that it’s something else than just that.”

- Focus Group 1

“Participant 5: That is just the kind of experience that a grocery store should have. You need to differentiate from basic box stores in a big way. I think it’s so that the service is good, the selection is clearly higher.”

- Focus Group 2

The participants noted that when there is a campaign going on at the store it brings them in a better mood which as a result makes them buy more. According to the participants the

campaigns provide some excitement for customers that increases their basket size as well as provides memorable experiences that activate them. The participants also mentioned for example free samples and tastings as ways for motivating consumers and improving their in-store experience.

“Participant 2: When you are in a good mood you get more interested in shopping. I will buy that and I will buy that as well. You get a good...

Participant 1: I am making money here.

Participant 2: And also when you are able to get your customers in a good mood, then suddenly you don't just look at the discounted product but you buy more as well. At least I am a little bit like that. Then when I start to buy things. I buy everything.

Participant 1: Shopping mania. You think that now that I am getting all these products so cheap then I can also take something extra as well. Even though you know that the customer is quite easy to fool at that point.”

- Focus Group 1

“Participant 10: Today I was thinking about what separates this Citymarket from the competitors, it is when there are these promoters or tastings that offer you something extra from the outside. You go to the store with your own needs and there are these interventions, “do you want to taste this” or “this could be also nice”. I think that is something extra and good. – I don't easily fall for that. It could be that I do. I think it's more that I am offered something and noticed as a customer.”

Participant 11: Is life too boring nowadays that you also need to have some kind of experience at the grocery store?

Participant 8: When you have these discounts or campaigns at the store, then people know that now there is something extra. We look with a different lens, what is on offer and what do we possibly need. You can already buy something for Christmas. At least I plan a little bit ahead, something that helps life. You don't always have to run around when you have planned ahead a bit.”

- Focus Group 3

The store atmospherics also create emotional value for consumers by offering a greater shopping experience and providing a familiar environment. The participants mentioned factors such as scent, lighting and music as important to them. However, as the literature review shows not all experiential factors in the consumption setting are relevant for all consumers.

“Participant 6: I always look around and I get a feeling sometimes that “hey that looks really nice” or they have done some new decorations that look good. I might think that I want something similar to my home. I get these ‘aha’ moments.

Participant 5: Good looking shelves are something that turn my head around. Stylish and clean, that are done with good taste. I’m not interested in these big piles of products, I don’t want to look there.”

- Focus Group 2

Besides some of the experiential factors in the store, just getting the basics right in the service and the store facilitates shopping. The participants mentioned that when they are in a good mood they will also buy more. However, at the same time some of the participants felt that modern grocery stores do not really offer high levels of service outside the service desks or cashiers which makes it difficult for retailers to create strong connections with customers. There is still clearly room to develop exclusive services that meet the needs of the loyal customers based on the findings.

”Participant 10: You can’t get the service. You just go around with your cart and pick the products. Of course, if there is something that you can’t find, then the employee will come show you – It’s not something that is offered to you but it starts from the customer’s acute need. I can’t find something, I need service. It solves the problem, but it’s not a service. At least the kind of service that I think service should be like. But you can’t get that kind of service at supermarket in Finland – The kind of service that you would be approached in a way to serve. That they would bring something more to the situation than just showing me where the specialty coffee is that I couldn’t find. It would be some kind of service that is exclusive.”

- Focus Group 3

Some participants noted that it is the additional services that K-Group offers that create a stronger relationship with the retailer and extends the relationship away from the purchase situation. The mobile services are also a crucial part of the customer experience even though they are not in the direct control of the retailer as they help interact with the customer before and after the shopping or purchase situation. For example, the mobile applications or other complementary services help drive the consumer towards purchasing from retailer, as they are able to receive additional benefits. The Pirkka (K-Group’s private label brand) recipes

were mentioned a few times in the focus group discussions as one of these benefits that customers get from the complementary services.

“Participant 10: I am really excited about the Pirkka recipes. I found them a few years ago and I think that they are really good – they also guide the steps. My car turns towards K-Citymarket, and I usually have the recipes on my mobile phone. It is something that eases my daily life. They are honestly really good.”

- Focus Group 3

While the customer experience is created through all the functional benefits that the store offers to the customers, several participants stated that when functional elements in the store do not work as expected it creates a barrier for purchasing and reduces satisfaction. Once customers are able to understand and prepare for the possible bottlenecks in the service beforehand, it will have a positive effect on them. For example, focus group participants mentioned that before the holidays they prepare for the potential long lines at the store and when everything works well to counter the prior expectations it has a positive effect on their purchase behavior. The positive experiences are something that they will remember to share through social interactions.

“Interviewee: What destroys the experience is for example when you come to the store and you have pre-ordered a product because you are arranging a big party. I have ordered a specific product, three kilos, I will come pick it up at a specific time. Then you go to the store, the service desk person goes to check and they don’t have them anymore because they sold them already. – If you promise you will deliver it, then you have to deliver. – When everything works then you are happy or otherwise in a good mood even if you are having a bad day and the experience is good as well ”

- Interview 1

4.4 Symbolic Value

The symbolic value was defined through the positive experiences that the customers have had with the store. As a result of the recurring positive shopping experiences, some of the participants have developed a strong attachment and loyalty towards the store. However, even though consumers tend to attach meanings to their grocery store, they are able to form a similar strong attachment to any retailer through repeated positive encounters.

”Moderator: Do you have a special relationship to any store?

Participant 1: Yes, this has kind of become one of those.

Participant 2: Because it has become a habit to come here to shop.

Participant 1: Then when we have been satisfied. That’s where it starts from. If we would not have been satisfied then we wouldn’t come here. But since we have been satisfied with what we have received.”

- Focus Group 1

The participants also noted that for some consumers the decision to purchase from K-Citymarket or other K-Group stores is based on a deep relationship. Their relationship is strong and goes back a long time; with strong meanings attached to it. The empirical material collected showed that the consumers who have a strong relationship to the store were more interested in improving the store as they have some feeling of ownership towards it.

“Interviewee: When we need milk we turn the car around and come here – We have always come here, as long as we have lived in (this city) – The roots to why we come here and why we buy from K-Group is that my mom was a photo salesperson and she told me when I was ten years old, remember always that we don’t go to [Name removed] stores, we always go to K-stores because there is the K-Retailer. Always remember. So we go there, it’s always the first option.”

- Interview 1

However, according to some of the participants the relationship and the symbolic meanings attached to the stores are not relevant for them. Certain customers, especially younger ones, are mainly interested in minimizing their sacrifices without any particular meanings attached to it.

“Participant 5: It would be great if I could but I have lived my life believing that the big box stores lack personality. I can imagine that some elderly people are used to different kind of retailing, where they know all the employees etc. I am used to this kind of self-service retailing, I haven’t known any of the employees so it is faceless in a way. It would be great if I had some kind of relationship to the store or retailer”

- Focus Group 2

The focus groups also revealed that some customers are unable to establish any closer ties to the store or the retailer as they believe that the retailers is too far from away the average consumer. Even though the customers know that a K-Retailer is in charge of the store, they feel that it is not someone they can approach with their concerns or complaints. In order to create a sense of belonging to the store, the service would need to be more personal and customizable.

Participant 7: It would be good that in such a large store (you would know the retailer). I consider this store so gigantic that you can’t see the manager here. I grew up in a small town where everyone knew the K-Retailer, with great service and flexibility. They packed your groceries and all of those kind of things belonged to the service.

Participant 5: Kesko has not used the retailer in their own marketing. They have kept it hidden.

- Focus Group 2

4.5 Trust

The focus group participants mentioned trust and overall trustworthiness towards the retailer as something that is a strong determinant for the relationship and is important to

take into account. In the literature review trust was defined by Sirdeshmukh et al. (2002) as a facilitator of long-term loyalty as well as a long-term relationship. According to the customers that participated in this study, once they lose trust towards the retailer and the store it can end the relationship even if they were otherwise satisfied with the service.

”Participant 5: I am quite store loyal as long as everything works but then when they screw up the first time then it’s so that I will never go there again. It’s about trust and then service, if the service suddenly becomes very bad and even rude. I will definitely tell about it to others that “don’t go to that store” if the service was really bad. Good service will always get good word-of-mouth in the town.”

- Focus Group 2

Trust is also related to the functional aspects of the store. Customers expect that everything in the store functions appropriately and for example that the products are always available as promised. In the first two focus group discussions, study participants mentioned instances in which they had been so disappointed with a retailer's service that they had never gone back. Once the customers lost their trust towards the store it immediately ended their relationship.

“Participant 1: It’s quite an important factor that you don’t run out of products. You went to Supermarket [name removed] when there was some fish (on sale). They had run out of it even though you went there the first thing in the morning.

Participant 2: So they never had it in the first place.

Participant 2: After that we decided that we would never go there just to prove a point. The feedback was also really negative. Somehow I feel like if you go there the same day that they had the offer, they can’t run out of it already in the morning. I think it’s really important. It goes back to this trust aspect”

- Focus Group 1

Several of the customers mentioned that trust is more than just trust towards the retailer, but also trust that the prices are fair and that everything works the way it should from parking to other supplementary services that are not even necessarily in the retailers’ direct

control. Trust facilitates and builds the relationship as the store takes care of the customers' needs and delivers on their customer promise.

"Participant 10: That you can trust that I am able to get my groceries done there. There is nothing more infuriating than going somewhere in a hurry and you can't find what you are looking for. Then you have to go somewhere else. That is important in my opinion."

- Focus Group 3

"Retailer: Trust builds the relationship. So that you give a face to the store, so that we do more to keep you satisfied. We take care of you. That affects a lot."

- Interview with retailer

4.6 Relationship to the Retailer

The relationship between the customer and the retailer is also more complex than has previously been identified in past academic studies and as acknowledged by Rintamäki et al. (2007). Even though one of the participants stated that each grocery store is similar to each other there is something in the store and the experience that keeps them coming back. The relationship and the loyalty towards the retailer are key value determinants as loyal customers are an asset to the store. It is these customers who have also decided to concentrate their shopping to that store and who have entrusted the retailer to meet their daily needs.

"Retailer: My job is to take care of you. How I see it is that there are people who only come here occasionally. It's great that we can serve them. We will do all that we can and we will smile. However, our core business is that we have people who choose us and we have the honor that they decide to shift the responsibility of their culinary life to us. Our job is mainly to recognize these people, develop personal relationships with them and say that "hey, our responsibility is to take care of your food you're your life". Whatever happens, we are here. You choose by deciding to shift your purchases to us and that you trust us. Whatever happens to you, we will help. – you don't have to do business only for the money, but for the people."

- Focus Group 2

As the study shows, the customers have some level of appreciation towards the K-Retailer and the fact that the entrepreneur retailers are personally invested in the store. The strong reputation of the K-Retailer and their association with the store forms a part of the relationship towards K-Group chains and helps create a long-term bond towards the store.

“Participant 5: That it’s really an important thing for someone. [Name removed] probably has some manager, but it is not their store. They just work at the store and it’s not their life.”

- Focus Group 2

As the participants note the relationship is the sum of several different factors in the shopping experience. The lack of one or two minor factors possibly results in the decision to switch retailers’ especially if the customers’ expectations are not fully met or they are left disappointed with some aspect. Based on the study, the decision to re-patronize the store is the sum of many different factors in the overall customer experience.

“Participant 1: It’s quite interesting now that you ask like this, it’s difficult to pick one specific factor, but the whole is quite different and that’s why I come here nine times out of ten. It’s like a mosaic, it’s formed through many small factors – the sum. If you take one piece of there you notice that it’s not the same. It’s interesting, a lot of small things. If I had to pick three then it would be price, selection and quality that is important. You only have to buy bad fish once that you throw away and you are left with an experience that I won’t buy again from here.”

- Focus Group 1

In the case of one focus group participant, the relationship towards their retailer had radically soured and they had eventually decided to switch retailers despite a long-term commitment to the store. This shows that the relationship to a store can be compared to

human relationships where the long-term future between the two parties is constantly re-evaluated.

“Participant 3: It was a multifaceted falling apart between the two. I don’t know. We used to go to [name removed] a lot, but somehow I just became frustrated with the [name removed] system. Just out of principle actually.”

- Focus Group 1

4.7 Summary of Findings and Revised Framework

The empirical findings show that the retailer has several different tools in place for creating and affecting the values of customers. This study extends prior research by showing that there is a relationship between customer experience and customer value. Thus, several different factors in the customer experience create value for customers in the store with trust and symbolic value created through the overall in-store customer experience also extending the relationship to the store. The most important factors in the customer experience that arose from the focus group discussions and the interviews were the importance of wide selections, exceptional service and in-store campaigns as well as events that extend the relationship from simple self-service grocery retailing to something more fulfilling. Table 11 summarizes the key empirical findings from the study as per the four value dimensions from Rintamäki et al. (2007).

Table 11. Summary of Empirical Findings

Value Dimension	Findings
Economic	1) Price is a sacrifice made already in the store choice and strongly related to the additional benefits gained through the K-Plusa loyalty program

	<ol style="list-style-type: none"> 2) For most customers price is only a motivator for coming to the store through K-Group's advertisements and discount campaigns 3) Price is ignored in-store with experiential factors affecting purchase behavior through the ability to break routines and make impulse purchases 4) The price-quality relationship is more important than the price with the importance of price varying significantly depending on demographics with some customers more interested in minimizing the non-monetary costs involved in shopping 5) Customers expect more customized K-Plussa offers and greater individual benefits especially for the most loyal customers of the store
Functional	<ol style="list-style-type: none"> 1) A good grocery store is made up a lot more aspects than just price or non-monetary cost; combining price, quality, selection and experiential factors 2) Key sacrifices are related to minimizing the time and effort spent during the entire shopping process from getting to the store to making the purchases 3) Customers behave differently in different situations and the service needs to be adapted to meet these different needs as the time customers are able to spend in the store affects their purchase behavior and basket size 4) The additional and supplementary services are crucial for customers and serve as a barrier to switching to a competing retailer 5) Problems in the service will have a negative effect on their overall perception of the store and they create a barrier for purchasing from that retailer
Emotional	<ol style="list-style-type: none"> 1) Emotional value extends the relationship by offering customers something more that allows them to break their routines and makes shopping more enjoyable 2) Campaigns at the store bring customers to a better mood and provide some excitement that makes them want to more and provides memorable experiences 3) Especially the store atmospherics such as music, scent and lighting provide a familiar and enjoyable environment 4) The additional services offered such as the mobile apps extend the relationship also outside the store and provide the customers concrete benefits for example through the Pirkka recipes 5) Emotional value is also created through the retailer and the fact that the K-Retailer is personally invested to the store as well as provides a face to the entire business
Symbolic	<ol style="list-style-type: none"> 1) Symbolic value is created through the sum of positive shopping experience that have resulted in strong attachment and loyalty to the specific store 2) The decision to prefer a certain retailer can be based on a long-term relationship with strong meanings attached to the specific store or retail chain with some sense of ownership 3) The relationship to the store is a sum of many factors with a lack of 1 or 2 important elements for the customer potentially resulting in changing to a competitor 4) Especially for younger customers the relationship or symbolic attachment is not important as they are mainly interested in minimizing their sacrifices and store choice is based on sum of the expected benefits and sacrifices involved

When comparing the results to the Rintamäki et al. (2007) framework, there were several factors listed by the customers that create functional as well as emotional value. Economic value was not listed as a primary or the main motivator in the store, as the economic value was generally associated or combined with other factors. In this study, the monetary

benefits or discounts that K-Group or K-Citymarket is able to generate only brought customers to the store with customers not greatly affected by the prices anymore once at the store. As noted by the study participants, the other factors in the in-store customer experience allow the customer to also make non-routine purchases that were not part of their original shopping list. However, customers who mentioned economic or monetary benefits as key motives for grocery shopping, combined these factors with functional benefits and aspects in the store or other more experiential factors of the service. For example, the quality of the products and the selection was more important for all the study participants than the in-store promotions.

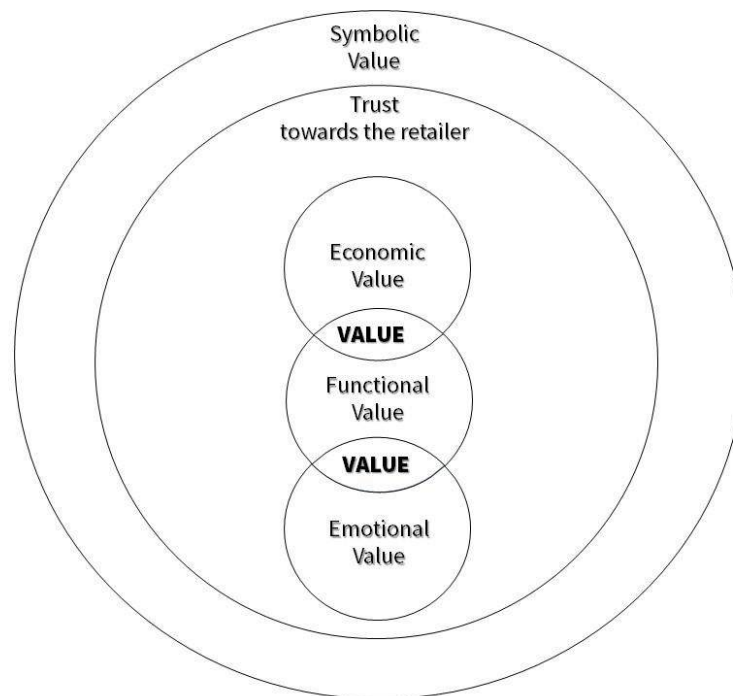
A key finding not identified by prior research is the construct of trust and specifically its relation to the four value dimensions. Based on the empirical findings, trust towards the store and the retailer combines together economic, functional and emotional value. Concretely trust means that the prices of products are correct, the quality of products meets expectations and that all the service factors as well as touch-points meet expectations. It is crucial that trust is maintained by the retailer as once trust towards the retailer is lost it means that the customer relationship will end, especially if several important factors in the customer experience are neglected. As stated by several participants, the customer needs to be able to trust that the retailer is able to get everything right in the purchase process and make shopping as smooth as possible.

The trust dimension was also related to the dimension of symbolic value as it is formed through a long-term relationship. Once the customer has established trust towards the retailer, their relationship is long-term and stronger than a traditional exchange relationship. At K-Group grocery stores the empirical findings show that symbolic value is connected to the retailer who is also the face of the store and is in-charge of the customer experience. Compared to other retailers, at K-Group the customer knows who is in charge and that also attaches some human elements to the store. In this study there were only a few examples of strong symbolic value that did not relate to the other value dimensions. However, the study also shows that there is a small specific group of customers who have a

strong connection to the retailer and to whom the relationship is characterized by more than just the direct monetary or non-monetary benefits they are able to receive from buying from that store. These loyal customers have attached strong meanings to the retailer and hold some sense of ownership towards the specific store. In order to further understand the concept of symbolic, this would have to be examined in the context of another grocery chain where the role of the retailer is less significant.

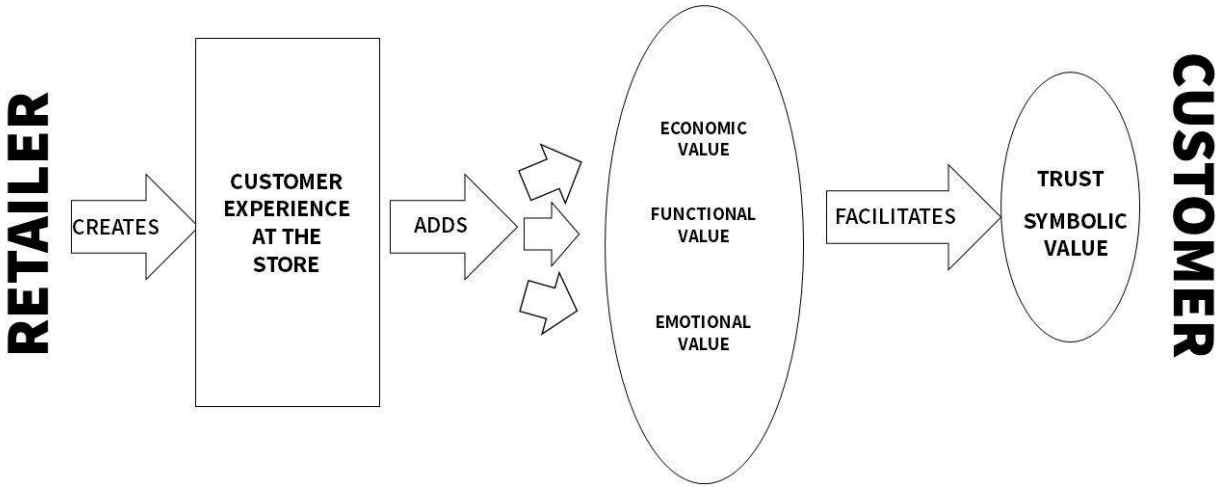
As the empirical findings show, the factors in the customer experience add or create value for the customers according to the Rintamäki et al. (2007) value dimensions. Prior studies had not clearly linked the customer experience and the customer values with each other in retailing. The following figures (fig. 3 and fig. 4) summarize the relationship between customer value and customer experience as well as provide a revised framework of value creation in grocery retailing based on the empirical findings of this study.

Figure 3. Revised Role of Customer Values in Grocery Shopping



The revised framework (fig 3.) shows how the in-store customer experience creates value for the customers with a combination of economic, functional and emotional value facilitating trust as well as symbolic value once the customer has had repeated positive experiences at the store. In this framework trust is a higher dimension that is formed through a combination of economic, functional and emotional value as trust is based on the consumers' evaluation that all the different factors in the store are trustworthy and thus facilitate the relationship for the customers. On the other hand, trust is something that can be broken when some aspect of the customer experience fails to satisfy customer needs or perform according to the customers standards.

Figure 4. Framework for Relationship between Customer Value and Customer Experience



Overall, as the empirical findings of the study show and figure 4 illustrates, value is created for customers through the combination of economic, functional and emotional value.

Participants combined together economic and functional as well as functional and emotional value dimensions in the discussions as neither of these three values was individually important for the purchase process as purchase behavior is based on a combination of the three values. On the other hand, strong trust and exceptional added value for the customer also generates symbolic value that is highlighted through loyalty towards the retailer. The customers who had been satisfied with the stores offering for a long time have also established a meaningful and long-term relationship to the store that was built on a combination of several different value dimensions. Once symbolic value has been created, the customers no longer look at individual value determinants but the sum of the stores offering.

Thus, as shown through figure 4 a key finding in the study is that the retailer is able to add value to its customers through the customer experience that they provide. The customer experience consists of several economic, functional and emotional dimensions that also add value for the customers. Furthermore, the study shows that the combination of the value dimensions is able to create trust as well as symbolic value for the customer. Once the relationship facilitates mutual trust, there is also symbolic value created between the retailer and the customer. Symbolic value is thus a higher dimension than trust in the relationship; with symbolic value created through the sum of all the different value dimensions that are created through the in-store customer experience.

5. Discussion

This section presents the key findings of this study and its theoretical contribution as well as implications. Furthermore, the future research topics and limitations are also discussed.

5.1 Theoretical Contribution

Table 12. Key Findings and Theoretical Contributions of the Study

Finding	Theoretical Contribution of This Study
Dimension of Trust in Retailing	Extending the framework by Rintamäki et al. (2007) in order to include the dimension of trust that combines Economic, Functional and Emotional value dimensions
Relationship between Customer Experience and Customer Value	Several factors in the customer experience create value for customers with functional and emotional value especially important for consumer decision making in-store with price only serving as a motivator for coming to the store
Role of Symbolic Value	Unlike Rintamäki et al. (2006;2007), symbolic value is only created once trust towards the retailer has been established and there is a strong relationship towards the store as well as the retailer
Unexpected Value	Similar to Butz & Goodstein (1996), consumers are motivated by campaigns and other experience factors in the store that allow them to break their routines

As shown through the literature review, customer value is the value added for customers through the customer experience that the retailer provides in-store as well as throughout their relationship with the customer. This study utilized the framework by Rintamäki et al. (2007) in determining whether *economic, functional, emotional* and *symbolic* values exist in grocery retailing and how these value dimensions are added through the customer experience. A clear link between the customer experience and the value added was established with the retailer having an important role in creating the customer experience into one that truly creates value for its customers and facilitates the creation of a long-term relationship towards the store.

The key finding of the study is that the customer experience adds value to the customers through a combination of both utilitarian and hedonic factors in the store as per the frameworks by Bloch et al. (1994) and Rintamäki et al. (2006;2007). The empirical findings show that factors in the store design and the in-store aesthetics create value for customers as they extend the customer relationship by delivering customers an offering that surpasses their expectations. While customers expect that certain functional aspects related to the service are maintained such as the speed of the cashiers or the selection; the findings show that it is the emotional and symbolic value that keeps customers loyal. While the prices and certain functional elements in the store are stable for most retail players it is the in-store experience that is unique and difficult for competitors to imitate.

The study extends the framework by Rintamäki et al. (2007) in order to include the dimension of trust. According to the empirical findings of this study, trust combines the economic, functional and emotional value dimensions together meaning that the consumers are able to trust various factors in the store including the pricing, quality and selections. Once trust towards the retailer has been established, the creation of symbolic value is also facilitated in the relationship. Already, Butz & Goodstein (1996) and Sirdeshmukh et al. (2002) defined trust in their value research, however, in these it was defined as a facilitator of the long-term relationship and not associated with individual customers in retailing. While several researchers have studied the role of trust in e-retailing (Walczuch & Lundgren 2004; Mukherjee & Nath 2007) it has not been explored in the offline context. Furthermore, in a wide range of B2B marketing literature, trust is identified as an important determinant in the buyer-seller relationship (Bunduchi 2008) with this study extending the importance of trust also to a B2C setting.

The Rintamäki et al. (2007) framework is continued through showing that symbolic value is created when consumers begin to attach meanings towards the retailer and feel some sense of mutual ownership to the store. Similar to the findings by Butz & Goodstein (1996) once trust is established, an emotional bond is formed between the customer and retailer. However, it is important to note that Rintamäki et al. (2007) define that symbolic value is

important for consumers who are primarily motivated by the self-expressive aspects of consumption with the study showing that most consumers do not attach strong meanings to grocery retailers. Even though it is not supported by this study, it is possible that symbolic value is also created without trust or a combination of economic, functional and emotional value if the consumer strongly relates themselves to the retailer or their values such as eco-friendliness.

Overall, based on the empirical findings, value is created for consumers by combining the different value dimensions defined by Rintamäki et al. (2007). For example, economic value is mainly a driver for the customers to come to the store with functional and emotional value generated through the actual in-store experience. Value is created through combining economic and functional and functional and emotional dimensions. Customers noted that a combination of functional and emotional factors related to the store design, service quality or the experiential factors at the store extend the in-store experience with modern customers expecting more than a self-service retail concept.

Interestingly the study also shows that utilitarian and hedonic shopping motivations (Babin et al. 1994) of individuals have an influence on the purchase behavior and value creation. Families with children were more guided by the utilitarian motives while the other participants such as the retirees were more motivated by the hedonic aspects of the store. Thus, it is important that the retailer is able to maintain a balance between emphasizing economic value such as the amount of promotions as well as the functional and emotional dimensions such as the aesthetics and service levels in order to satisfy these different shopping motives within their key customer segments.

While the majority of the theoretical contributions of this study are related to the benefits that customers get through the in-store customer experience, the findings also identify some of the sacrifices that customers make during grocery shopping which influences their purchase behavior. The key non-monetary sacrifices found in the empirical findings were related to the time spent during the shopping process from pre-purchase to post-purchase and the efficiency of the service both in navigating around the store as well as at the cashiers

with customers interested in solutions that will further minimize the time spent at the store. While customers did not directly state that the non-monetary sacrifices serve as a barrier for shopping they still affect their perceptions of the store. Overall, the findings of this study complement existing literature discussing non-monetary sacrifices (Zeithaml 1988; Babin et al. 1994; Lam et al. 2004; Rintamäki et al. 2007) by showing that minimizing the consumers non-monetary sacrifices will create more value and contribute positively to their evaluation of the store as well as customer experience.

Finally, the classification by Butz & Goodstein (1996) of *expected*, *desired* and *unanticipated* value are also extended by the empirical findings as participants were motivated by factors in the customer experience that allow them to break their routines and explore new products that they would not otherwise have found without direct or indirect influence at the store. The factors in the customer experience such as in-store promotions, campaigns and samples were found to be important for the creation of unanticipated value. While customers expect that certain utilitarian aspects related to the functional value dimensions are fulfilled in the store for example related to the cleanliness, quality, or selection of the stores offering, it is the unanticipated value that customers look for and are motivated by. This unanticipated value establishes the actual nature of the customer – retailer relationship and facilitates the forming of a stronger emotional bond as well as the creation of emotional value.

A revised customer value and customer experience framework (fig. 3 and fig. 4) was created based on the empirical findings of the study that shows the retailers' ability to create value to the customers through the in-store experience that they provide. The framework was created based on the empirical findings of the data with the use of abductive reasoning in order to create a theoretically relevant framework from the findings that fills in the theoretical gap that this study focused on. Overall, the two frameworks created from the findings show that there is a relationship between customer value and customer experience, with the customer experience created by the retailer a tool for delivering and adding value to their customers. The customer experience thus has an effect on the purchase behavior of

consumers as it facilitates the creation of a relationship towards the store and allows the retailer to differentiate from competitors. In the empirical findings, consumers were able to gain symbolic value when they felt some level of ownership to the store due to their strong loyalty as well as long-term relationship.

5.2 Managerial Implications

The results of this thesis are relevant for K-Group as they have launched a new strategy in early 2015 and are currently revising the customer experience in their chains. Based on the empirical findings, the customer experience is an adequate way of competing against competitors following the EDLP strategy and hard discounters as the price level in-store is already at an adequate level. As the empirical findings show, the customers are generally motivated by a combination of economic and functional value offered, with a focus on creating emotional value a way to differentiate from its competitors and a tool for drafting an unmatched in-store experience. While the empirical findings show that customers primarily list price, quality and selections as the main strengths of the store; it is the additional offerings such as the campaigns, exceptional service as well as trust that creates the additional value for the customers that also keeps them loyal to the store.

The study also shows that the aspect of trust is something that retailers need to pay more attention to in the future. At K-Group this means that the visibility of the K-Retailers in marketing and communications should be strengthened as customers want to know that there is a human face behind the management as well as decisions. Several study participants mentioned that the K-Retailer as well as the store employees have so far been kept under the shadow in store specific and chain advertising. The empirical findings showed that symbolic value is generated through the entrepreneur retailer, as they attach positive meanings to the retailer who is seen as a more human person than a traditional faceless grocery retail chain where it is not clear who is the actual store manager. This can be also accomplished at other retail chains by emphasizing that despite the lack of an

entrepreneur retailer, there is still some human manager responsible for all the operations at the store and decisions are not only made at a corporate level far away from the average customer. In general, trust towards the store or the retailer is a sum of many factors and it includes managing the coherence of all the different factors in the store and making sure that the customer is not left disappointed with the service they receive. While it is tough to accomplish this in practice, it is worth noting that loss of trust will end the relationship with the retailer especially when the disappointments occur often.

The feedback from the customers also showed that customers appreciate being able to voice their opinion about the grocery retailing and are happy to be listened to. While in this study the use of focus groups and interviews was research motivated, there is also a marketing application through the use of these methods. The use of focus groups or in-depth interviews with customers is a useful tool for marketing communications as it allows the retailer to directly interact with customers as well as gather useful information at a substantially lower cost than would be possible through an external market research agency. Thus, it would be viable, especially in light of changes at the store or chain to gather insights from the customer base and also activate the loyal customers of the store by showing that their opinions are respected.

5.3 Topics for Further Research

Based on this study there are several topics for further research that are relevant for academics. As prior to this study there has been only a limited number research conducted on the topic are still a lot of research themes left for academics to uncover based on the findings of this study. In general the key themes for further research identified are related to expanding this study to a wide range of retail applications that verifies this study's empirical findings.

The first interesting topic for further research is to compare the findings to different K-Citymarket stores by conducting focus group discussions with the customer bases of different stores. At the particular store examined in this thesis the retailer is active in studying his customers and adapting the experience, which means that it would be worthwhile to analyze customers at a different context where the retailer does not take such an active role. As the study shows, the role of the retailer means that the customer experience is different in each store, also reflecting the needs/expectations of the customers. The customer base of the store strongly reflects the demographics in that region which will influence the in-store experience. It would be interesting for academics to understand the effects of different customer bases and groups on customer value in order to generalize the results further both in Finland and abroad.

Secondly, this study can be extended to other retailers such as S-Group in order to generalize the findings to different store types. In this study a K-Group chain was chosen for the study due to the role of the entrepreneur retailer in creating customer experience. S-Group is the market leader in grocery retail in Finland and it would be worthwhile to be able to compare the findings of this study to a retailer that uses a different business model.

Thirdly, it would be interesting to understand the different combinations of customer value dimensions that consumers gain through the overall customer experience. As this study shows, economic value was generally combined with functional value for the customers with price serving mainly as a tool for coming to the store. For academics it is relevant to understand whether this has been just a contextual trend or something that is relevant for other retailers as well also outside the context of grocery retailing.

The fourth interesting topic for further research is related to the construct of trust that this study introduces as a combination of economic, functional and emotional value in retailing. It would be interesting for academics to examine the determinants of trust as well as understand the implications for retailer choice. Future research should also focus on understanding symbolic value and whether it is possible to have symbolic value towards a retailer even if they were otherwise not satisfied with the in-store offering as well and lack

trust. Based on this study, symbolic value was created when the relationship towards the retailer was long-term and trust had been generated through a combination of the different values. While this study primarily focuses on the relationship between customer experience and the added value in-store and during the shopping process, the findings can be extended to the concept of retailer choice.

Finally, this study used mixed groups in the focus group discussions which limited the data gathered. In order to be able to understand the differences between the demographics of customers it would be worthwhile to conduct a study that seeks to understand how the life situation and other subjective demographics of the consumers influence the added value they are able to gain in-store. In order to achieve the collection of more widespread data on the motivations of customers the use of quantitative methods may also be justified.

5.4 Limitations of the Study

In this thesis the main research method was focus group discussions which has some repercussions for the findings of the study. In each of the focus groups there was 1 to 2 participants who were not able to speak as much as the others which meant that some participants' views are over emphasized in the analysis. Another factor to take into consideration is that the retailer attended the discussions which may have had some effect on the participants' willingness to discuss or disclose negative feedback about the store. Despite each of the focus groups eliciting a lot of discussion and good interaction between the participants, due to the small group sizes the full potential of the focus group method was not realized.

The findings of the study need to be critically examined as they represent the viewpoint of individual customers. While focus group discussion and the in-depth interviews facilitated a lot of discussion around the topic, the sample was still relatively small. The topic of customer values is quite difficult for customers and asking directly about these issues would not be

possible. In the focus group discussions the framework by Rintamäki et al. (2007) was used as a starting point which may have had an effect on the results, despite effort made to not distort the answers of the participants and guide the responses to a certain direction. As a result the findings and analysis are the subjective understanding of what the customers said about the topic.

It is also worth pointing out that this study was conducted in only one store and in the context of grocery retailing which limits the generalizability of the findings. In order to examine the topic further it would be necessary to conduct this examination in other stores and with both non-customers as well as loyal customers. In the case of this study most of the customers were loyal or at least occasional customers of the store who each had something to say about the store as well as customer experience. Due to the context of the study and the fact that the customers were mainly loyal to the store the discussions centered mainly on the positive aspects in the customer experience. It would be worthwhile to extend the scope and compare the results to stores located in smaller communities or towns in Finland or abroad. Finally, it would be interesting to extend the scope outside of grocery retailing towards other forms of retailing where the exchange relationship relies less on self-service.

6. Conclusion

“We see our customers as invited guests to a party, and we are the hosts. It’s our job every day to make every important aspect of the customer experience a little bit better.”

- Jeff Bezos, CEO of Amazon

As grocery retailers have started to compete primarily on price after the recent recession, they have failed to look at what customers truly want from their retailers. While online retailers have been able to generate competitive advantage through their superior customer experience, the majority of grocery retailers have continued to compete on price and selections. As this study shows grocery consumers are primarily motivated by the customer experience and the in-store aesthetics when making their grocery purchases rather than price. A key finding that extends the previous research on the topic is that grocery retailers are able to create customer value through the customer experience that they offer with an apparent relationship linking the two constructs. The main theoretical contribution of the study is the concept of trust as an extension to previous research as it combines the economic, functional and emotional value dimensions. While trust has a strong role in B2B relationships, there is less research done on its role in the B2C context and especially retailing. The research question is answered by defining how the factors in the customers experience add value for the customers’ and influence the shopping process in the store. A framework is also established for understanding the relationship between customer experience and customer value in grocery retailing, based on the empirical findings generated through this qualitative study.

The customer experience that the retailer offers serves as a way of differentiating from other players such as hard-discounters and creating long-lasting loyalty between consumer and retailer that is difficult to mimic. Overall, the study contributes to the existing research on the topic by linking customer value and customer experience together through a theoretical framework as well as understanding how previous value frameworks hold through in the

case of individual customers. In terms of research context, this thesis also clarified the previous lack of academic studies in the grocery retail sector and used qualitative methods to understand the topic.

The customer experience has several implications for the purchase behavior of grocery consumers. As the study shows, in grocery retailing customers look for more than price as they are primarily motivated by the hedonic or experiential elements that the store provides them. Price is mainly a motivator for coming to the store through the promotions or advertising; with other factors in the store more important for value creation. The purchase behavior is a sum of the value that the customer gets from the total in-store customer experience. Thus, the retailer has an active role in creating an overall in-store experience for the customer that facilitates the creation of a long-term relationship and extends the relationship towards co-creation from just the routine act of grocery shopping.

This study shows through the literature review and the empirical findings that customer value is a complex construct that is unique for each customer. Each customer has an individual relationship with the retailer that is formed throughout all their interactions. Trust was identified as a determinant of the relationship that determines whether the relationship will continue or diminish in the long-term. Thus, based on the findings the value that the customer experience creates for the consumers consists of a combination of the value dimensions defined by prior research.

The key limitation of this study is that it is based on the context of a single grocery store in Finland which limits the generalizability of the findings across stores and customer bases. Overall, the findings of this thesis need to be extended to a wider context in both Finland and abroad in order to be able to understand the true components of value in grocery retailing as well as further elaborate on the relationship between customer experience as well as value creation for individual customers.

References

- Aalto-Setälä, Ville. "The effect of concentration and market power on food prices: evidence from Finland." *Journal of Retailing* 78.3 (2002): 207-216.
- Anderson, J., Narus, J., & Rossum, W. Customer value propositions in business markets. *Harvard Business Review*, 84(3), (2006): 91–99.
- Arksey, H. & Knight, P. T. *Interviewing for Social Scientists: An introductory resource with examples*. London: SAGE Publications. (1999).
- Arnold, M. J., & Reynolds, K. E. Hedonic shopping motivations. *Journal of Retailing*, 79(2), . (2003): 77–95.
- Babin, B.J., Darden, W.R. and Griffin, M. Work and/or Fun: Measuring Hedonic and Utilitarian Shopping Value. *Journal of Consumer Research*, 20, (1994): 644-656.
- Ballantyne, D. and Varey, R.J. Creating Value-in-use Through Marketing Interaction: The Exchange Logic of Relating, Communicating and Knowing *Marketing Theory* 6(3). (2006): 335-48.
- Ballantyne, David, and Richard J. Varey. "The service-dominant logic and the future of marketing." *Journal of the Academy of Marketing Science* 36.1. (2008): 11-14.
- Barney, J., Firm Resources and Sustained Competitive Advantage, *Journal of Management* 17, (1991): 99-120.
- Basit, Tehmina. "Manual or electronic? The role of coding in qualitative data analysis." *Educational research* 45.2 (2003): 143-154.
- Belk, Russell W. "An Exploratory Assessment of Situational Effects in Buyer Behavior," *Journal of Marketing Research*, 1 (2), . (1974): 156-63.
- Belk, Russell W "Possessions and the Extended Self." *The Journal of Consumer Research* 15.2 (1988): 139-168.
- Berry, Leonard L., Lewis P. Carbone, and Stephan H. Haeckel. "Managing the total customer experience." *MIT Sloan Management Review*, (2002).
- Bloch, Peter H., Nancy M. Ridgway, and Scott A. Dawson. "The shopping mall as consumer habitat." *Journal of retailing* 70.1 (1994): 23-42.
- Boeije, Hennie. *Analysis in qualitative research*. Sage publications, 2009.
- Brynjolfsson, Erik, Yu Jeffrey Hu, and Mohammad S. Rahman. "Competing in the age of omnichannel retailing." *MIT Sloan Management Review* 54.4 (2013): 23-29.
- Bunduchi, Raluca. "Trust, power and transaction costs in B2B exchanges—A socio-economic approach." *Industrial Marketing Management* 37.5 (2008): 610-622.
- Butz, H.E. and Goodstein, L.D., "Measuring customer value: gaining the strategic advantage", *Organizational Dynamics*, Vol. 24, Winter, (1996): 63-77.
- Chandon, Pierre, Brian Wansink, and Gilles Laurent. "A benefit congruency framework of sales promotion

effectiveness." *Journal of marketing* 64.4 (2000): 65-81.

Caudle, Sharon L. "Qualitative data analysis." *Handbook of practical program evaluation*, (2004): 417-438.

Cronin, J.J., Brady, M.K., & Hult, G.T.M. Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments, *Journal of Retailing*, 76(2), (2000): 193-218.

Day, G. S. The capabilities of market-driven organizations. *Journal of Marketing*, 58(4), (1994): 37-51.

Denzin, Norman K., and Yvonna S. Lincoln. *The SAGE handbook of qualitative research*. Sage, 2011.

Eastlick, Mary Ann, and Richard A. Feinberg. "Shopping motives for mail catalog shopping." *Journal of Business Research* 45.3 (1999): 281-290.

Eriksson, P. & Kovalainen, A. 2008, *Qualitative methods in business research*, Sage, London.

Findikaattori (2015). "Bruttokansantuote kasvoi 0,2 prosenttia edellisestä neljänneksestä". [online] Available at: <http://www.findikaattori.fi/fi/3> [Accessed 12 October. 2015].

Forbes (2013). "5 Time-Tested Success Tips From Amazon Founder Jeff Bezos" [online] Available at: <http://www.forbes.com/sites/johngreathouse/2013/04/30/5-time-tested-success-tips-from-amazon-founder-jeff-bezos/> [Accessed 24 November 2015].

Gauri, Dinesh Kumar, Minakshi Trivedi, and Dhruv Grewal. "Understanding the determinants of retail strategy: an empirical analysis." *Journal of Retailing* 84.3 (2008): 256-267.

Goodyear, M. Divided by a common language: diversity and deception in the world of global marketing. *Journal of the Market Research Society*, 38 (2), (1996): 105-122.

Grewal, Dhruv, Michael Levy, and V. Kumar. "Customer experience management in retailing: An organizing framework." *Journal of Retailing* 85.1 (2009): 1-14.

Guba, Egon G., and Yvonna S. Lincoln. "Competing paradigms in qualitative research." *Handbook of qualitative research* 2.163-194 (1994).

Helsingin Sanomat (2015 a). [ONLINE] "Kesko siirtää painopistettä". Available at: <http://www.hs.fi/talous/a1432704486947> [Accessed: 21 Sept 2015].

Helsingin Sanomat (2015 b). [ONLINE] "S-Ryhmä mukaan hintasotaan". Available at: <http://www.hs.fi/talous/a1421549978292> [Accessed: 19 Oct 2015].

Hirschman, Elizabeth C., and Morris B. Holbrook. "Hedonic consumption: emerging concepts, methods and propositions." *The Journal of Marketing* (1982): 92-101.

Hughes, Diane L., and Kimberly DuMont. "Using focus groups to facilitate culturally anchored research." *Ecological research to promote social change*. Springer US, 2002. 257-289.

Juntunen, Kristiina. "Päivittäistavarakaupan kilpailussa menestyminen vuosina 1996-2005: K-ryhmä versus S-ryhmä." (2007).

Kesko. (2010) "Kesko vuosikertomus 2009 – Toimialat ruokakauppa" <http://www.kesko.fi/static/vuosikertomus2009/FI/02-toimialat/01-ruokakauppa.html>. [ONLINE] Available at: [Accessed: 24 Sept 2015].

Kesko. (2011) "Kesko's Year 2010." [ONLINE] Available at: http://www.kesko.fi/contentassets/aa4d877fc23d4985aeff5e7e964f80a2/keskos_annual_report_2201.pdf [Accessed: 24 Sept 2015].

Kesko. (2015a) "Kesko's Year 2014." [ONLINE] Available at: <http://kesko2014.kesko.fi/en> [Accessed: 21 Sept 2015].

Kesko. (2015b) "Päivittäistavarakauppa." [ONLINE] Available at <http://www.kesko.fi/yritys/toimialat/paivittaistavarakauppa/> [Accessed: 24 Sept 2015].

Kesko. (2015c) "Kesko to invest in Finland by acquiring Suomen Lähikauppa – Siwa and Valintatalo stores return to Finnish ownership." [ONLINE] Available at <http://www.kesko.fi/en/media/news-and-releases/stock-exchange-releases/2015/kesko-to-invest-in-finland-by-acquiring-suomen-lahikauppa-siwa-and-valintatalo-stores-return-to-finnish-ownership/> [Accessed: 19 Nov 2015].

Kesko. (2015d) "Historia." [ONLINE] Available at <http://www.kesko.fi/yritys/Historia/> [Accessed: 29 Nov 2015].

Kunnat (2015). Kuntien vuoden 2010 verotiedot: <http://www.kunnat.net/fi/tietopankit/tilastot/kuntatalous/verot-valtionosuudet/kuntien-vuoden-2010-verotiedot/Sivut/default.aspx> [Accessed 17 September. 2015].

Lam, Shun, Venkatesh Shankar, M. Erramilli, and Bvsan Murthy. "Customer value, satisfaction, loyalty, and switching costs: An illustration from a business-to-business service context." *Journal of the Academy of Marketing Science* 3, no. 32 (2004): 293-311.

Liamputtong, Pranee. *Focus group methodology: Principle and practice*. Sage Publications, 2011.

Lusch, Robert F., Stephen L. Vargo, and Matthew O'Brien. "Competing through service: Insights from service-dominant logic." *Journal of retailing* 83.1 (2007): 5-18.

Mascarenhas, Oswald A., Ram Kesavan, and Michael Bernacchi. "Lasting customer loyalty: a total customer experience approach." *Journal of Consumer Marketing* 23.7 (2006): 397-405.

McLellan, Eleanor, Kathleen M. MacQueen, and Judith L. Neidig. "Beyond the qualitative interview: Data preparation and transcription." *Field methods* 15.1 (2003): 63-84.

Meyer, Christopher, and Andre Schwager. "Understanding customer experience." *Harvard business review* 85.2 (2007): 116.

Mitronen, Lasse (2002) *Hybridioorganisaation johtaminen. Tapaustutkimus kaupan verkosto-organisaatiosta*. Väitöskirja, Acta Universitatis. Tamperensis 877.

Mitronen, Lasse .& Lindblom, Arto (2015). *Asiakaslähtöiset liiketoimintamallit menestyvät. Kehittyvä kauppa 5/2015 –Kaupan tekijät 2015*.

Morgan, David L. "Focus groups." *Annual review of sociology* (1996): 129-152.

Morgan, David L. *Focus groups as qualitative research*. Vol. 16. Sage, 1997.

Mukherjee, Avinandan, and Prithwiraj Nath. "Role of electronic trust in online retailing: A re-examination of the commitment-trust theory." *European Journal of Marketing* 41.9/10 (2007): 1173-1202.

Noble, Stephanie M., David A. Griffith, and Mavis T. Adjei. "Drivers of local merchant loyalty: Understanding the influence of gender and shopping motives." *Journal of Retailing* 82.3 (2006): 177-188.

Oh, Haemoun. "The effect of brand class, brand awareness, and price on customer value and behavioral intentions." *Journal of Hospitality & Tourism Research* 24.2 (2000): 136-162.

Okada, Erica Mina. "Justification effects on consumer choice of hedonic and utilitarian goods." *Journal of marketing research* 42.1 (2005): 43-53.

Parasuraman, Ananthanarayanan. "Reflections on gaining competitive advantage through customer value." *Journal of the Academy of marketing Science* 25.2 (1997): 154-161.

Park, C. Whan, Easwar S. Iyer, and Daniel C. Smith. "The effects of situational factors on in-store grocery shopping behavior: The role of store environment and time available for shopping." *Journal of Consumer Research* (1989): 422-433.

Payne, Adrian F., Kaj Storbacka, and Pennie Frow. "Managing the co-creation of value." *Journal of the academy of marketing science* 36.1 (2008): 83-96.

Puccinelli, Nancy M., et al. "Customer experience management in retailing: understanding the buying process." *Journal of Retailing* 85.1 (2009): 15-30.

Päivittäistavarakauppayhdistys (2015). Päivittäistavarakaupan vuosi 2015: http://www.pty.fi/fileadmin/user_upload/tiedostot/Julkaisut/Vuosijulkaisut/FI_2015_vuosijulkaisu.pdf [Accessed 17 September. 2015].

Raijas, A., And Järvelä, K. (2015). "Päivittäistavaroiden ostaminen ja kuluttajien näkemykset kaupan kanta-asiakas järjestelmästä." *Kilpailu- ja kuluttajavirasto*.

Reichheld, F.F., and Scheffer, P. "E-loyalty: Your secret weapon on the web", *Harvard Business Review*, Vol. 78, Iss. 4, . (2000): 105–113.

Reinartz, Werner, et al. "Retailing innovations in a globalizing retail market environment." *Journal of Retailing* 87 (2011): S53-S66.

Retailing Management 8th Edition. Michael Levy and Barton Weitz. McGraw-Hill/Irwin. May 2012.

Reynolds, Jonathan, and Latchezar Hristov. "Are there barriers to innovation in retailing?." *The International Review of Retail, Distribution and Consumer Research* 19.4 (2009): 317-330.

Rintamäki, Timo, Antti Kanto, Hannu Kuusela, and Mark T. Spence. "Decomposing the value of department store shopping into utilitarian, hedonic and social dimensions: Evidence from Finland." *International Journal of Retail & Distribution Management* 34, no. 1 (2006): 6-24.

Rintamäki, Timo, Hannu Kuusela, and Lasse Mitronen. "Identifying competitive customer value propositions in retailing." *Managing Service Quality: An International Journal* 17.6 (2007): 621-634.

Saarijärvi, Hannu, Lasse Mitronen, and Mika Yrjölä. "From selling to supporting–Leveraging mobile services in the context of food retailing." *Journal of Retailing and Consumer Services* 21.1 (2014): 26-36.

Schröder, Hendrik, and Silvia Zaharia. "Linking multi-channel customer behavior with shopping motives: An empirical investigation of a German retailer." *Journal of Retailing and Consumer Services* 15.6 (2008): 452-468.

Sheth, Jagdish N. "Emerging trends for the retailing industry." *Journal of Retailing* 53 (1983): 6 – 18.

Sheth, Jagdish N., Bruce I. Newman, and Barbara L. Gross. "Why we buy what we buy: a theory of consumption values." *Journal of business research* 22.2 (1991): 159-170.

- Sirdeshmukh, Deepak, Jagdip Singh, and Barry Sabol. "Consumer trust, value, and loyalty in relational exchanges." *Journal of marketing* 66.1 (2002): 15-37.
- Slater, Stanley F. "Developing a customer value-based theory of the firm." *Journal of the Academy of marketing Science* 25.2 (1997): 162-167.
- Slater, Stanley F., and John C. Narver. "Intelligence generation and superior customer value." *Journal of the academy of marketing science* 28.1 (2000): 120-127.
- Smith, Gerald E., and Thomas T. Nagle. "A question of value." *Marketing Management* 14.4 (2005): 38.
- Smithson, Janet. "Focus groups." *The Sage handbook of social research methods* (2008): 357-370.
- Talouselämä (2015). SOK:n Taavi Heikkilä ennustaa: Vuonna 2024 ruoan verkkokauppa ”yli prosentti”. [online] Available at: <http://www.talouselama.fi/uutiset/sokn+taavi+heikkila+ennustaa+vuonna+2024+ruoan+verkkokauppa+yli+p rosentti/a2260764> [Accessed 9 Sep. 2015].
- Tamminen, Seppo & Parpola, Antti. (2012). “K-100 K-Kauppiasliitto 1912 – 2012”, K-Kauppiasliitto, Hämeenlinna.
- Turley, Lou W., and Ronald E. Milliman. "Atmospheric effects on shopping behavior: a review of the experimental evidence." *Journal of Business Research* 49.2 (2000): 193-211.
- Ulaga, Wolfgang, and Andreas Eggert. "Relationship value in business markets: the construct and its dimensions." *Journal of Business-to-business Marketing* 12.1 (2005): 73-99.
- Vargo, Stephen L., and Robert F. Lusch. "Evolving to a new dominant logic for marketing." *Journal of marketing* 68.1 (2004): 1-17.
- Verhoef, Peter C., et al. "Customer experience creation: Determinants, dynamics and management strategies." *Journal of retailing* 85.1 (2009): 31-41.
- Yang, Zhilin, and Robin T. Peterson. "Customer perceived value, satisfaction, and loyalty: The role of switching costs." *Psychology & Marketing* 21.10 (2004): 799-822.
- Walczuch, Rita, and Henriette Lundgren. "Psychological antecedents of institution-based consumer trust in e-retailing." *Information & Management* 42.1 (2004): 159-177.
- Woodruff, Robert B. "Customer value: the next source for competitive advantage." *Journal of the academy of marketing science* 25.2 (1997): 139-153.
- Zeithaml, Valarie A. "Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence." *The Journal of marketing* (1988): 2-22.

Appendix 1. Discussion Guide for the Focus Group Discussions

Part 1

- 1) What kind of shopping habits do you have? When do you do your groceries and who in your household makes the purchase decisions for example creates shopping lists?
- 2) How do you pick the grocery store? How do you pick the products?
- 3) What distinguishes the K-Citymarket chain from other grocery retailers? What factors are unique for this store?

Part 2

- 4) Does price affect your purchase decisions at the store? How? How does this store compare to other stores or chains?
- 5) What other sacrifices besides price do you have to make when shopping here (e.g. time, effort etc.)?
- 6) How are the price and discounts visible in the store? Do they affect your decision making?

(More questions if needed for example on the effects of advertising on purchase behavior, the use of mobile applications for planning purchases, K-Plussa discounts, price/quality relationship, the selection etc.)

Part 3

- 7) How does the store concepts and layout, service points and other service aspects support the shopping process and product choice?
- 8) Do the K-Group services or channels support the customers before or after shopping at the store? How?
- 9) Is shopping at the store and product search easy? How could the shopping process be developed and simplified?
- 10) What would a future grocery store look/be like?

(Additional questions if needed for example on the selection, parking places, bottle recycling, public transportation, use of space, shelf displays, cashiers, K-Citymarket services such as online retail)

Part 4

- 11) What makes a good grocery store?
- 12) How does the store staff and the environment differ from other stores? What factors create or destroy the atmosphere in a grocery store?
- 13) What kind of experiences does the store offer or it could offer?

(Additional questions if needed on the shopping experience, store environment, the visual elements in the store, additional services etc.)

Part 5

- 14) What kind of relationship do you have towards this K-Citymarket store? What can this store offer that others cannot offer for you?
- 15) What kind of relationship do you have towards other stores? Other K-store, other K-Citymarket stores?

(Additional questions if needed on the customers purchase orientation, why they specifically choose to shop at K-Citymarket, do the customers recommend the store to their friends, what kind of meanings do the customers attach to the store etc.)