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Going for e-commerce and brick-and-mortar?

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Abstract

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Background and problem statement: We consider as e.g. Dillon (2012) as well as Lindstedt and Bjerre (2009) express, that the biggest problems and challenges companies within the clothing sector are facing is the increasing demand due to e.g. the technological developments and changes in the behaviour of consumers. Nowadays, we believe as Svensk Handel (2012) states that consumers have a desire and need to feel convenience and accessibility when shopping. Also, we can see that consumers as Berman et al., (2013) indicates want to be able to search for alternatives online before visiting the store and find the best prices for the products. At the same time, the pressure on retailers is getting stronger since they have to know how to manage the new phenomenon e-commerce in order to meet and fulfil the consumers increasing demand as well as preserve their strategies for physical stores.

Purpose: The purpose of this thesis is to explore how and why Swedish companies within the clothing sector determine to expand through a combination of physical stores and e-commerce, on the European market.

Research methodology: We selected a qualitative research method since we considered it the most rewarding to support the theoretical framework and in order to obtain the purpose of the thesis. The qualitative research consists of five interviews with Gina Tricot, Lindex and Bubbleroom as well as interviews with two industry experts.

Analysis and conclusions: To summarise the important aspects from the conclusions made in the research questions we emphasise the importance for companies to be available in multiple channels within the clothing sector in order to become successful and keep up with the high competition on the market. In the future, we believe that the multi-channel strategy will grow across the whole European Union and that the integration between different channels will play a significant role.

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1. Introduction

This chapter will introduce the chosen research area and present important concepts such as e-commerce, location strategy and multi-channel. Later in the chapter the purpose is presented as well as the research questions for this thesis.

1.1 Introduction and Background

One of the most basic fundamental human needs is clothing, but there are also several complex and cultural forces that create a demand for clothing, including people's different expressions in the clothes they wear. Furthermore, clothing can also be seen as a highly symbolic possession and can indicate self-perception and external self-projection. Variables such as age, income, social status, gender and ethnicity therefore play vital roles. To be able to predict and influence what consumers desire and demand is crucial to businesses that produce and sell clothing (Dicken 2011).

To meet and fulfil the demand from consumers, the location of a store can be seen as critical. So the question is: how do companies choose the right store location? According to Craig et al., (1984) the decision for store location can perhaps be seen as the most important decision that must be made, since it addresses accessibility and can therefore attract a large amount of customers. Furthermore they state that since the investment is fixed and long-term, the choice of a poor location can be detrimental.

Who could imagine the changes we nowadays are facing in terms of retailing? The movement from simply visiting a store or shop in a catalogue towards "surfing the Web" to save a trip to the store has had an enormous impact. One thing is for sure, and that is that these activities are here to stay (Berman et al., 2013). According to the National Board of Trade (2012) a new phenomenon has emerged over the last decade, thanks to the development of Internet: e-commerce. The Internet has contributed to a change in how businesses and consumers handle operations such as buying and selling products, as well as services, the search and management of information, and payment methods. Additionally, it has created entirely new sectors within the economy and opportunities to create new products, services, and business models have blossomed and facilitated international trade (National Board of Trade 2012). E-commerce is seen as a new area of trade where goods are electronically traded across borders. In broad terms, it is the production, sale, marketing and distribution of products via electronic

networks (World Trade Organization 2014). E-commerce has grown exponentially, which has enabled the opportunity for businesses to reach consumers in foreign markets in ways they were not able to do in the past. However, according to a study initiated by the National Board of Trade (2012), the cross border trade within the European Union is hindered by several legal barriers such as prohibitions for e-commerce as a sales form, sale conditions, and intellectual property rights (National Board of Trade 2012).

According to Berman et al., (2013), many firms do not just have a strategy for store location respectively e-commerce since they use a combined multi-channel strategy: the use of several channels to reach consumers and sell products, where store and non-store retailing are merged. This creates a customer convenience since customers can use different channels such as stores, catalogues, websites and smart phones when shopping.

In this thesis we will explore and draw conclusions about how and why Swedish companies within the clothing sector determine to expand through a combination of physical stores and e-commerce, on the European market, and what strategies those decisions are based upon. To gain a deeper insight we have chosen to study three international companies that all were founded in Sweden: Gina Tricot, Lindex and Bubbleroom. Furthermore, to obtain a better understanding of the market, especially the Swedish and European markets, industry experts have also been interviewed in this thesis.

1.2 Problem Statement

This thesis focuses on the clothing industry in Europe and more specifically the balance Swedish clothing retailers must consider in their strategies when expand on the European market through a combination of physical stores and e-commerce. According to Svensk Handel (2012), it is crucial to know what the consumer expects and demands. Today, a visitor wants to maximize their experience according to their own preferences. They want accessibility, both in real life and online.

According to Lindstedt and Bjerre (2009), it is becoming more and more important for companies to be available online, not only in terms of sales but also for marketing purposes. For traditional retailers; that are retailers that sell from physical stores, it has become a challenge to compete with online retailers in terms of queuing and time delays. On the other hand, online retailers cannot compete with the customer service that consumers can receive in

a physical store. Berman et al., (2013) state that some retailers remain uncertain as to how to relate or behave towards the development and changes Internet has caused. They are struggling with how the concept as to preserve and strengthen their brand image, control information and feedback from customers, as well as how to handle online sales transactions. The rapidly growing social media concept has also been a challenge for many retailers to be able to adapt to their strategies.

Throughout the history, shopping for fashion has been associated with a certain idea of how consumers buy products: A customer visits a store, select an item, make a purchase and bring it home. However, with the development of e-commerce the way consumers purchase a garment has changed dramatically and the digital technologies are now challenging the original concept of selling fashion. As a result, the pressure on traditional retailers has increased since they have to adapt their way of marketing and selling products to the changes within the clothing industry (Dillon 2012).

Berman et al., (2013) also state that it is not easy for a retailer to plan and obtain a well-integrated multi-channel strategy since it requires an infrastructure that enables a link between the different channels. Furthermore, there is also a need for a well-functioning information system as well as a logistics and distribution system. A customer should be able to search for products on the Internet or in a catalogue and then pick it up in a store. It is important that the retailer is aware of the fact that in most cases a multi-channel approach requires more resources and competences than a single-channel strategy.

Previous research that we found before our study was mostly divided into either e-commerce or location strategy, meaning not much research has been done about how companies are handling the combination of strategies for e-commerce and physical stores. We found a thesis that concerned a similar area; “Strategies for e-commerce” (Berntson and Norling 2012). However, in our thesis we want to study not only the strategies for e-commerce but also include the aspects of a physical store and how the determinations of those two strategies are being made on the European market. We also found former studies about the location selection where one example is the thesis: Entry, Competition and Productivity in Retail (Orth 2012). We want to study the entry and location strategies for companies within the clothing sector when expanding within Europe but not as a stand-alone strategy, rather in combination with the companies’ strategies for e-commerce.

We consider as e.g. Dillon (2012) as well as Lindstedt and Bjerre (2009) express, that the biggest problems and challenges the companies are facing is the increasing demand due to e.g. the technological developments and changes in the behaviour of consumers. Nowadays, we believe as Svensk Handel (2012) states that consumers have a desire and need to feel convenience and accessibility when shopping. Also, we can see that consumers as Berman et al., (2013) indicates want to be able to search for alternatives online before visiting the store and find the best prices for the products. At the same time, the pressure on the retailers is getting stronger since they have to know how to manage the new phenomenon e-commerce in order to meet and fulfil the consumers increasing demand. Furthermore, they need to preserve their strategies for physical stores, since physical stores still is an important part of the shopping experience for a consumer e.g. to be able to try the clothes or feel the garments. With this thesis we want to contribute with a wider understanding of how Swedish companies within the clothing sector conduct the balance between physical stores and e-commerce. Furthermore, we hope that we can complement previous research by complementing the theories of e-commerce and physical stores for Swedish companies expansion within the clothing industry on the European market.

1.3 Purpose of the Study

The purpose of this thesis is to explore how and why Swedish companies within the clothing sector determine to expand through a combination of physical stores and e-commerce, on the European market.

1.3.1 Research Questions

- *How do Swedish companies within the clothing sector conduct the balance between physical stores and e-commerce when expanding on the European market?*

- *Why do Swedish companies within the clothing sector use a multi-channel strategy to reach their customers on the European market?*

1.4 Limitations of the Study

The following section contains the boundaries of the thesis due to the limited time frame, and the selected research area; International Business. Furthermore, it shall give the reader an

understanding of the choices made for the theoretical framework and method. First, a boundary was made in terms of sector since we chose to only focus on companies within the clothing sector in Europe, instead of exploring the general image across sectors. An alternative could have been to explore e.g. both the clothing sector and electronic sector and make comparisons between the two. However, we considered that it would have given a too wide perspective and that it would have been difficult to compare the sectors since there are some similarities but also differences between them. Additionally, our personal interest in the clothing sector and the assumption that the sector is one of the most rapidly growing ones in terms of e-commerce contributed to the decision taken.

There was also a boundary in the choice of companies being interviewed since the companies all are founded in Sweden and had to be international, meaning having operations across Europe and not only on one market. Therefore, the companies that not were considered sufficiently international were excluded from the process of selecting companies. Also, it was crucial that the companies chosen had a combination of physical stores and e-commerce, not just one or the other. To easily communicate and search information about the companies we considered it most suitable to explore companies founded in Sweden that today are operating not only in Sweden but also in other European countries.

Another boundary was the choice of only interviewing a few companies and industry experts within the clothing sector. If there had been more time, a more depth study could have been done with several different perspectives, e.g. both the firms' perspective and consumers' perspective. Furthermore, interviews were only being held with the persons responsible for location strategies and expansion. An alternative could have been to interview persons at different positions within the companies to obtain a more wide view of the opinions regarding the selected area. However, we believe that persons responsible in other positions such as sales could not provide the same insight in the chosen area as those responsible for the companies' expansion and location strategies could.

1.5 Outline of the Study

This thesis will firstly present the literature review, which starts with the contextual background including the clothing industry, e-commerce, the Internet, directives and legislations. Thereafter the theoretical framework is being featured with strategies about store location, internationalisation, e-commerce location, multi-channel, logistics and distribution,

brand as well as shopping attitudes and behaviour. Chapter three includes the research methodology where different approaches to collect data and information are presented followed by a discussion about which method that was chosen and why. The following chapter consists of the empirical findings and a presentation of the companies as well as the industry experts being interviewed. Chapter five includes an analysis where the theoretical and empirical data are compared and linked together. In the last chapter we will draw conclusions and answer our research questions to be able to reach the purpose of this thesis.



Figure 1: Outline of the study

Source: Authors own illustration

2. Literature Review

This chapter will firstly present the contextual background that is necessary for the understanding of the clothing sector as well as the e-commerce sector. Thereafter the theoretical background is presented with strategies for store location, internationalisation, e-commerce location, multi-channel retailing, brand, logistics and distribution as well shopping attitudes and behaviour.

2.1 Industry Dynamics - The Clothing Industry

The clothing industry is a part of the concept retailing which involves all business activities that are dealing with selling product and services to final consumers (Berman et al., 2013). According to EURATEX (2012), the textile and clothing industry within the European Union had a total turnover of € 165.3 billion and the clothing sector accounted for € 75.1 billion in 2012. Furthermore, the investments to the clothing sector were € 1.9 billion and the number of companies were 127 457. In Europe, the imports of clothing amounted to € 65, 2 billion and the exports to € 20, 3 billion.

According to Dillon (2012), mass production techniques emerged in the end of the 19th century but it was later, after the war years that mass production became greater than haute couture. Nowadays, designs that are mass-produced can equal high fashion, although the

fabrics usually are cheaper and techniques are modified in order to keep prices for garments low.

At the end of the 90s, a new concept emerged; fast fashion. This type of fashion includes designs that are based on popular trends and ready-to-wear collections in order to ensure that the garments will sell quickly. Spanish retail chains, e.g. Mango and Zara with their vertically integrated organizations showed their flexibility and speed in the production process from design to product to store. In 2012, millions of garments were produced as fast fashion in a short amount of time. Furthermore, due to the constant changes in technology during the 21st century, the clothing industry has had no choice than to become more flexible in order to respond to opportunities and the development of new ideas. Technology is one of the drivers behind the improvements and changes within the industry that occurred in the latter part of the 20th century, including improved garment construction techniques, fabric technology, computer-aided design; the use of computer systems as a tool in the creation of a design, and the Internet (Dillon 2012).

In 2005, the regulations for the clothing industries changed dramatically since the international framework Multi- Fibre Arrangement (MFA) that had regulated all trade the last four decades ceased. As a result, the import quotas for trade in the clothing sector were removed. The original aim with the regulations was to create `orderly` development of trade within the textile and clothing industries in order to benefit both developed and developing countries. However, the outcome differed and the effect MFA had on the world trade was huge. The import quotas greatly restricted the growth rate of exports from developing countries, but on the other hand developed countries such as the US benefited from this since they increased the penetration of European textiles and clothing production during the 1970's. The leading economies in Europe; France, Germany, Italy and the UK have also controlled the majority of the clothing production historically, but during the last decades there has been a huge decline and restructure. The main reason behind this is the geographical reconfiguration of the clothing production within Europe. Additionally, the search for low-cost garments led to a movement of production towards Asia, especially China that has had an increased share of the EU clothing market, from 14 percent in 1995 to 30 percent in 2005. Although, nowadays most of the production takes place in Asia, the countries within the EU have continued to be integrated in both the production networks of European clothing manufacturers and the purchasing networks of European retailers (Dicken 2011).

The clothing industries have in many ways illustrated some of the issues facing today's global economy, especially in terms of the trade tensions between developed and developing countries. After the deregulations of the MFA, producers in developing countries saw it as an issue since they had survived in the clothing industries thanks to the quota protection. Furthermore, developed countries feared competition from developing countries in Asia, especially China but at the same time they saw the Asian market as an opportunity to purchase cheaper garments on. The development has given the large retail chains power over the clothing manufacturer. The market demand has shifted from a long production process with standardized garments at low cost to a more differentiated market where fashion changes appears more frequently and where clothing manufacturers have to adapt more rapidly to be able to meet orders and keep the costs low (Dicken 2011).

2.2 The Development of E-commerce and the Internet

According to Nyberg et al., (2010) mail ordering started and gained momentum in the end of the 19th century. The industrialization led to an increase in people's desire for new products and since they were working more they could also afford it. According to Hjelm (2011) there were 850 mail ordering companies in Sweden in 1963 with a total turnover of 500 million SEK. The companies amounted for 3.4 percent of the total retail sector, which was a duplication of the market share for mail ordering over the past decade.

The potential of the Internet as a communication channel was from the beginning seen as a great tool and appeared as obvious with opportunities of global reach, ease in accessibility, enhanced interactivity, flexibility and speed, ability to communicate large amount of information, cost efficiency and ease of maintenance (Doherty & Ellis-Chadwick 2010). However, concerns about the Internet were expressed from governments handling legal issues about copyright, infrastructure and the protection of privacy. For the users of Internet there were also concerns about how sensitive data as personal details and credit card information were handled (Lovelock et al., 2002).

In 1989, the Internet was commercially liberated and thoughts about that Internet could potentially reshape the commercial world were expressed. As the interest and enthusiasm for the new different retail environment that was free from the traditional restrictions of time and

space increased, beliefs were raised that Internet retail would achieve a dominant position on the global market. In the beginning there were speculations that online retailing would have a major impact on, and potentially even replace, the physical stores. This prediction was based upon a mixture between the optimism about the potential of Internet and the positive forecast about the growing Internet sales (Doherty & Ellis-Chadwick 2010).

In the middle of the 1990s, a serious effort to trade online was tried out and started to grow. Even though many obstacles were raised during the emergence of e-commerce, the potential of Internet as an important retail channel was never really questioned (Hjelm 2011). High expectations for e-commerce were raised to convince the retailers and consumers that e-commerce was 'the new future economy and the new world'. At that time, several different companies established themselves on the Internet as retailers, e.g.: Boxman, Doubleclick, Bokus, Boo, Letsbuyit, Sumo, NetOnNet etc. E-commerce became more or less a tool for already established companies and was functioning as a complement to the traditional ways to trade within both the B2C- and B2B-market; trade between businesses.

When e-commerce started to emerge it was assumed that the mail ordering companies had an advantage in comparison to newly started e-commerce retailers since they already were established in a similar trading system, had a structured logistic system, functioning purchasing channels and of course an already existing customer base. Their operations could more or less continue as before since it was just the channel used to communicate with the customers that changed. The customers could feel a different kind of security when shopping online from mail ordering companies since they already had several years of experience of distance sales. Even though there are several similarities between mail ordering and e-commerce there are also differences. Mail ordering includes very little or no personal connection at all with the customers, whereas e-commerce implies that the customer uses a multimedia tool from the company when they both are studying the product as well as ordering it (Hjelm 2011).

However, not every investment turned out the way it was planned to be. In 1998 three young Swedes travelled to the US to convince consulting firms and investors to trust in their idea. The business concept was to sell clothing online at boo.com. They were able to raise \$125 million from different investors and without a dollar in sales the company was valued for \$390 million. The media created the image of boo.com as the hottest e-commerce company in

Europe and `the snowball` was rolling. Boo.com was supposed to be a global company from the start with a simultaneously launch in a dozen of countries. The ambition was even to build a technically advanced platform that would top all others in the industry. However, the development lagged and when the website finally opened sales were only a fraction of what was planned. Even though the company had catastrophically low sales, neither the founder nor the board of directors initiated a reconstruction of the company. Therefore, the company was eventually forced to file liquidation. Expenses of \$125 million had been run up and 400 employees had to be fired (Lindstedt 2009).

Retailers are today enriched with a very well developed and flexible new channel; the Internet. It provides information, facilitates two-way communication with customers, collects market research data, promotes goods and services and ultimately supports the online ordering of merchandise. The Internet is seen as a tool for retailers to widen their target markets, improving customer communications, extending product lines, improving cost efficiency, enhancing customer relationships and delivering customized offers. The last 15 years online retail sales have grown significantly and they are predicted to grow even more in the future (Doherty & Ellis-Chadwick 2010).

The trade online differs in many ways from the traditional trade in a physical store. The most significant difference is the perception of time, online shopping is always available for the consumer and it is a creation of around-the-clock transactions (Lovelock et al., 2002). Through e-commerce, the importance of geographical boundaries disappears since a company can be managed anywhere with customers everywhere. Before the companies could only exist in physical places, but thanks to e-commerce an electronic marketplace has developed. This implies that the companies now have to move between two different places; the physical and the electronic, which sometimes could come with negative consequences. One of the consequences is that the geographical location represents the actual and real while the electronic location represents the virtual and fleeting meaning that it e.g. depending on where the retailer is located different national laws will have to be applied. However, the consumer does not always pay attention to the differences between the national laws. The importance of the physical location of the store therefore becomes complex and important for companies as well as for individuals. When e-commerce emerged the existence of physical stores strengthened the trustworthiness of the company online. As a result, the physical and the electronic location were merged together, became integrated and were complementing each

other through different time, space and techniques. This made e-commerce something that was coexisting with other ways to trade instead of replacing them (Hjelm 2011).

2.3 Directives and Legislations

2.3.1 Single Internal Market

One of the main reasons for establishing the European Union was to create a society that would be characterized by peacefulness, prosperity and sustainable independency. This should be accomplished through political, economical, financial, social and cultural harmonization. By this harmonization in Europe business partners and competitors, originally from many different countries, with lots of different market conditions, regulatory frameworks and cultures have been able to become linked together. Integration and cooperation between the European nations are according to Europe the most effective way to strengthen peaceful relations and welfare. Using the same standards within EU is one of many parts of the integration process that makes EU's members more harmonized and it also helps to establish a well-functioning Single Internal Market. Studies have concluded that standardization is acknowledged to have a positive effect on coherence-raising, cost-saving and improved planning and control. Standardization has also played an important role for the dynamics of the Single Internal Market by removing technical barriers to trade. Although there have been many accomplishments, the single market is up till now not yet complete. The lack of certain legislation and enforcement are obstacles that will prevent the Single Internal Market from blooming to its full potential (Suder 2011).

2.3.2 E-commerce

In 2000, The Electronic Commerce Directive was adopted that provides a framework for electronic commerce on the internal market in Europe. The directives set up legal certainty for business and consumers. The establishment of the harmonized rules for online services providers, commercial communications, electronic contracts and limitations of liability of intermediary service provider are now regulating problems as the transparency and information requirements. The internal market clause ensures that the internal market in e-commerce is functioning by making the information society services subject to the law of the member state in which the service provider is established. When making a cross border purchase, the consumer has to accept the national laws in the country the product is being purchased from. As a result, consumers can become dissatisfied and the cross-border retail is

therefore not as large as desired in Europe. Through the directives, administrative cooperation between the member states has been enhanced as well as the role of self-regulation (European Commission 2014).

According to Kroes (2012), the vice president of the European Commission, there are several issues with e-commerce; how products can be purchased safely, if the products will be delivered in time and what a customer can do if there is a problem with an order. Furthermore, to not be able to find the content lawfully could possibly lead to purchases of illegal content. These kinds of problems are some of the reasons why many people do not feel comfortable to buy products online, particularly when it comes to cross border trade. If e-commerce will gain a higher share, up to 15 percent of the European retail trade, EU citizens would gain huge benefits and have € 400 extra in their pockets. In 2012, The Commission launched their action plan with the aim at duplicating the volume of e-commerce in the EU by 2015 meaning doubling sales online and the share of the Internet economy. The plan is to make it easier, more transparent and trustworthy to buy products online. Furthermore, by integrating it as a part of the Single Internal Market consumers can buy products across national borders with the same confidence as on their domestic market and can benefit from an average of 16 times more choices. In the future, the boost of e-commerce can create opportunities such as higher value and options for consumers and businesses as well as provide more jobs.

To trade cross-border through Internet is as mentioned for many consumers associated with a risk, the national laws for consumer rights are significantly different across Europe and many websites ignore to follow existing consumer laws. In June 2014 a new directive from EU will be introduced with the aim at strengthening the consumer's rights. The major changes are that every member state in EU will have to follow the same laws concerning information to the consumer, right to return and right to withdraw the purchase. This makes the agreement with a supplier in another European country more evident for the consumers about what is right and wrong. The consumer is not supposed to have to search for information about the right to return or right to withdraw the purchase. Overall, the new directive will simplify e-commerce within the European Union. The new laws will however not make the e-commerce within Europe totally safe for the consumer; if a product would be damaged or other disputes would arise the national rules will still be applied (Forsström 2014).

2.4 E-commerce in Europe

According to Ecommerce Europe (2013), the total turnover for e-commerce in Europe during 2012 in B2C was € 311 billion and according to Online Retail Industry Profile (2013) the retail sector for e-commerce accounted for € 179.4 billion. An average e-shopper in Europe spent € 1450 and of the total population of 820 million living in Europe, 204 millions are e-shoppers and more than 500 million people use the Internet (Ecommerce Europe 2014).

According to Online Retail Industry Profile (2013), the e-commerce within the retail sector in Europe has had a strong growth recent years despite the fact that Europe has faced financial difficulties. An effect of the crisis is that consumers started to search for the most cost-effective way to purchase undifferentiated products, which naturally explained a growth within e-commerce during that time. The growth can also be explained by the increased Internet penetration among the Eastern European countries. Furthermore, the European Multi-channel and Online Trade Association (2013/2014) state that the European e-commerce market has and is still growing faster than North America's and is still the largest e-commerce market in the world. In all the European countries the online retail sector is increasing at high double-digit rates, particularly in Germany and Eastern Europe where it has had a growth rate of over 20 percent per year. The international expansion represents an extraordinary opportunity for web merchants since cross border turnover is estimated to grow twice as fast as domestic sales. Today only 11 percent of e-commerce consumers shop online across borders and the biggest concern is the long delivery times. At the same time, only 25 percent of European retailers sell across borders since legal, tax and payment issues deter many retailers. As mentioned earlier, an upcoming EU legislation will focus on harmonizing the consumer's law across Europe and distance sales rules will be standardized in all European countries by June 2014.

Retailers who enter the e-commerce sector can either be brand new companies or already existing brick-and-mortar retailers; retailers with physical store, that are diversifying their operations to also offer e-commerce. The concern of the security of the transaction has led to that consumers create a loyalty towards well-known and trusted retailers. Being available online has for many retailers become a necessity rather than an opportunity since there is a demand from the consumers due to cost savings as well as convenience to buy more products online (Online Retailer Industry Profile 2013).

2.4.1 E-commerce in Sweden

In 2013, the Swedish e-commerce for the retail sector generated 37 billion SEK, which was an increase of 17 percent from 2012. This could be compared to the overall turnover for the retail sector in Europe that only had an increase of 1.9 percent. The Swedish consumers are today among the most connected in the world where both the use of smart phones and access to mobile broadband is widely spread across the country. As a result, the Swedish consumers are in the top worldwide when it comes to buying products online and many Swedish retail companies are in the forefront in the development of e-commerce. One other major reason for the strong growth of e-commerce in Sweden during 2013 was the fact that many retailers that only were available in physical stores started to sell their products online too. At the same time, companies that originally were only available online, have now started to meet the consumers demand by opening physical stores (PostNord et al., 2013).

According to Nielsén et al., (2014) even though e-commerce represents a small part of the market in fashion retail in Sweden, it is actually the sector that has grown most rapidly and during 2012 it grew with 51 percent. Furthermore, in 2012 the e-commerce sector for fashion retail gained a market share of the total fashion industry with two percentages.

2.5 Strategies

2.5.1 Store Location

According to Roslin et al., (2012), a common statement is that retail success is strongly connected to retail location. The strategic advantages that a retail location can bring to a retailer make it difficult for competitors since it prevents them from imitating. Furthermore, a store location can be seen as a long-term strategic investment and when it has been identified it can create a competitive advantage for the retailer. According to Berman et al., (2013), a one-hundred percent location is an expression for an optimum position for a certain store. However, the position for one store is not necessarily desirable for another, e.g. an apparel store benefits from a location closed to pedestrian traffic and close to department stores whereas for a convenience store it would be more preferable to be located in a place with ample parking and vehicular traffic. The importance for the retailer to be able to estimate the market area and use it as a strategic tool in order to attract customers' attention and lead them to the store is crucial since direct contact with customers is highest in the convenience stores.

However, there are several elements; location, store image, size and service levels that combined are essential in guaranteeing the success of the retailer (Roslin et al., 2012).

According to Craig et al., (1984), the decision of store location can be seen as perhaps the most important decision that has to be made since it creates accessibility and attracts a large amount of customers to the store. Furthermore, since the investment is fixed and on long-term the choice of a poor location can be very difficult to overcome. On the other hand, Ailawadi & Keller (2004) state that location as store choice criteria has lost some significance due to suburban sprawl, greater driving distances, establishment of new warehouses and online retailing.

There are three location types for a store; isolated store, unplanned business district and planned shopping centre. An isolated store do not want to have any other stores close by whereas a store in an unplanned business district such as a neighbourhood business district desires to be located among 10-15 other stores and in a regional shopping centre the retailer wants to be surrounded by many other stores. Affinity between different stores can be created through complement and cooperation and leads to increased sales for both stores due to the higher customer traffic in the area. Furthermore, it is more convenient for the consumer since they often want to compare prices, selections, styles and services that similar stores provides as well as purchasing products in different stores on the same shopping trip (Berman et al., 2013).

Turhan et al, (2013) presents a model with factors affecting the store performance and the model was developed as a guide for retailers to evaluate the location decisions. Figure 1 below shows the criteria's related to store location based on store performance.

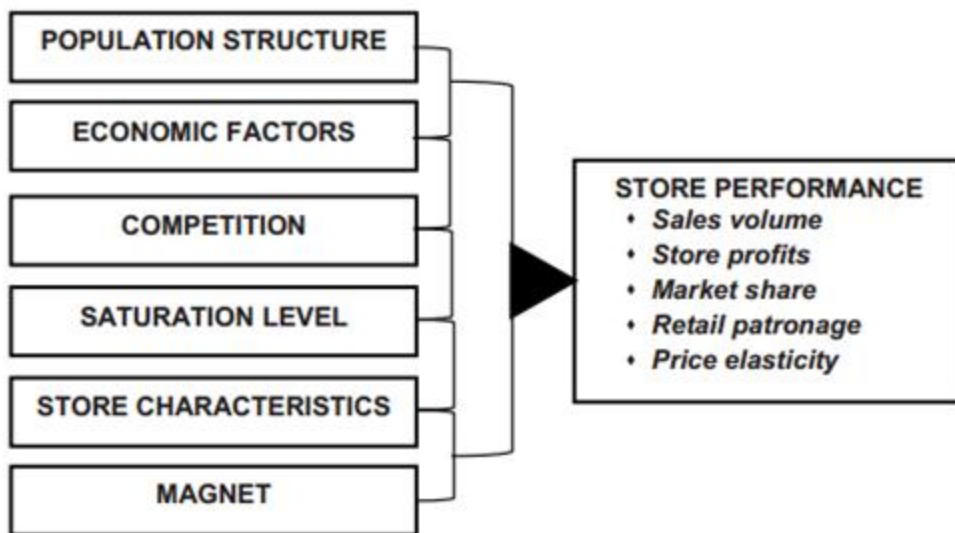


Figure 2: Criteria's related to store location based on store performance

Source: Turhan, Akalın & Zehir (2013)

There are seven categories taken into account; store performance, population structure, economic factors, competition, saturation level, store characteristics and magnet. First, the most commonly used factors to measure store performance are; sales volume, store profits, market share, retail patronage and price elasticity. By using multiple measures the determination of whether a new store will gain a high utility becomes facilitated. A population characteristic such as the demographic features (age, gender, income etc.) and other features such as shopping habits and travel time also improve the decision process of choosing the right store location (Turhan et al., 2013). Economic factors including household income, willingness to spend money in a store and rentals etc. further have to be taken into account (Ingene 1984; Karande & Lombard, 2005). Another factor is competition and a number of factors should be considered in terms of achieving a successful location among competitors including: distance between stores, the competing stores number and size, shopping alternatives, relative competitive strength and competitor's sales volume (Turhan et al., 2013).

An index called index of retail saturation (ISR) can also be used in the evaluation and is a ratio of demand for a product divided by available supply that can show whether a higher profit can be achieved on the market. The features of the store itself are also important and have in the study been divided into three categories; ease in accessibility, store-image attributes and costs. Ease in accessibility refers to people's ability to find the store easily and

quickly and is a well discussed factor stressing that attention should be paid in facilitating transport to stores such as roads, streets and parking facilities (Dune et al., 2008).

According to Berman et al., (2013) the most vital measure when determining the value of a location is the number and type of people passing by the store. It has shown that the location of a store where there is a lot of pedestrian traffic often is better and more profitable, if everything else equal. Furthermore, the availability of public transportations (buses, taxis, subways and trains) is necessary in areas that not are directly accessible by vehicle traffic. The characteristics of the vehicular traffic are important for retailers appealing to drivers such as convenience stores and regional shopping centres since they rely heavily on customers' ability to access the stores. As mentioned before, parking facilities are another vital factor and aspects such as number of parking areas, distances from stores; availability of employee parking should be evaluated.

According to Kou (2002) there are also magnets such as crowd point, education, business, governmental organizations and culture organizations, vehicle maintenance and relaxation factors that could provide a more complete model to be able to evaluate the optimal store location.

According to Turhan et al., (2013) there are several uncertainties a retailer faces in the decision of a location strategy and questions such as how the consumer market will develop and how consumers as well as competitors react to new developments should be considered. Arentze, Borgers & Timmermans (2000) presents a knowledge-based model and investigate if the model can be used for plan generation in retailing. The model is implemented into a knowledge-based system (KBS) where it can be combined with models of system performance and consumer behaviour, see figure 2.

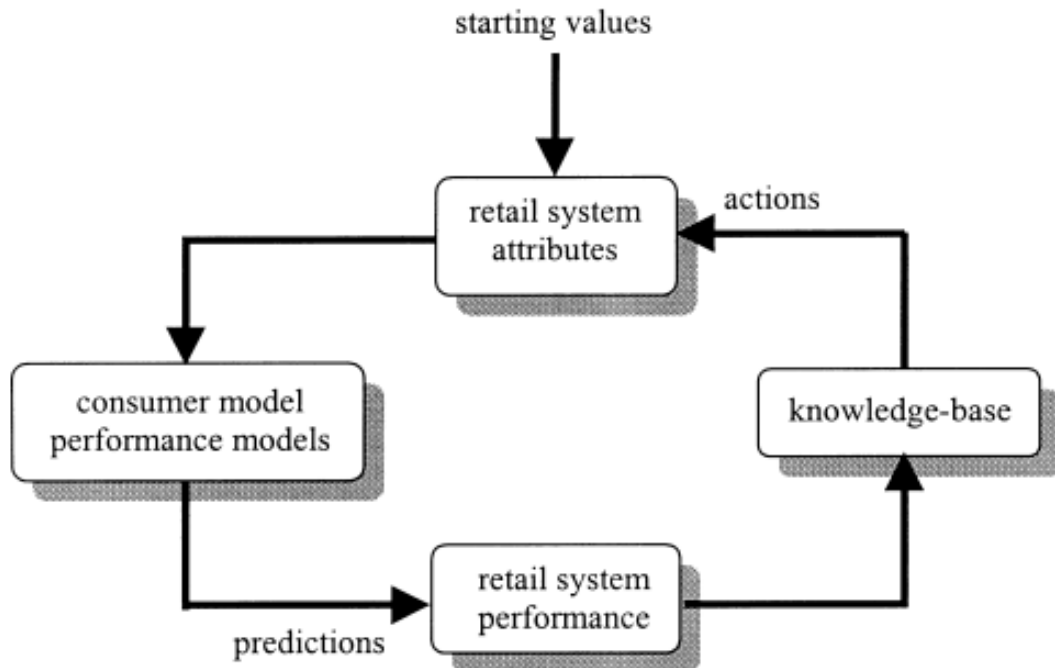


Figure 3: Knowledge-based model

Source: Arentze, Borgers & Timmermans (2000)

The models in KBS aim at predicting consumer flows and analysing retail system operations; accessibility of location, market penetration rates, sales per unit, floor space etc. The function of the knowledge-based model is then to compare performance with planning standards and give proposals in cases when there is a mismatch. (Arentze et al., 2000)

2.5.2 Internationalisation

When doing business in Europe, both European and non-European companies manage strategic decisions, particularly in terms of location and market entry. Since almost whole Europe is a part of free trade agreements, a customs union and the Single Market the decisions for market entry and location can be based upon a range of options as well as market imperfections. Furthermore, trade barriers such as local content requirements and anti-dumping duties function as impediments to companies' abilities to become international. By internationalize, a company can gain benefits from market scale and operations beyond the domestic market that depend on the company's criteria's (nature, organization, sector) as well as the degree to which the company owns its resources. Therefore, choosing a location on the European market is a crucial decision and can be an important experience for companies in

their internationalization process when entering the European market for the first time. Furthermore, a successful location can bring competitive advantages such as; new opportunities for growth, development of new strategic strengths and optimization or reduction of costs. For a company it is a dynamic challenge and opportunity to do business on the European market, characterized by its deep and vast economic integration. A company that can be seen as the best adapted is a networked, born-global and flat organization with a workforce that is highly diversified (Suder 2011).

According to Mucchielli & Puech (2004), two approaches are used when determining firms' internationalization. First, an identification of the possible incentives behind the firms' decision to produce abroad is made ('why do firms internationalize their activities?'). Secondly, the decision referred to choice of location is considered ('where do firms locate?'). When a multinational firm chooses a location, several geographic scales must be considered. It appears to them that multinationals first select a geographic area in the world, followed by country, region and finally the definite site for their investment.

The Uppsala model shows how companies often develop their international operations in small steps, instead of making a single large investment in a foreign country. A commonly pattern is that companies start by exporting their products to a country through an agent, later on they establish a sales subsidiary, and finally in some cases production is getting started in the host country. Exporting is a way of reducing costs of market development, and helps the company to understand the nature and size of the market. When the market develops the establishment of stores come naturally. An important problem for international operations could be the lack of knowledge due to differences between countries e.g. language and culture. These differences are the main obstacles for international operations in comparison to domestic ones (Johansson et al., 1977).

2.5.3 E-commerce Location

The choice of locating a company on the Internet provides retailers with several benefits such as e.g. cost reduction since a website often is less costly than a physical store. Furthermore it gives the retailer a huge potential marketplace where customers can visit the website at any time and there is also an opportunity to target information to certain customers. However, there are also some disadvantages e.g. people's unwillingness to buy products online and the

importance to be accessible since customers otherwise perhaps not are able to find the website (Berman et al., 2013).

According to Chaffey (2011), the strategy to develop an e-business involves a mix of already existing approaches to business, supply chain management, marketing and information systems strategy development. Companies have been exhorted by commentators to use innovative techniques as a means to gain competitive advantage in addition to the more traditional strategy approaches. In articles around 2000 statements were written, urging CEO's to `innovate or die`. However, that has not necessarily been the case since many companies have been successful through applying more traditional approaches and used a more gradual approach to e-business practices. Chaffey defines an e-business strategy as: the approach by which internal and external communications are used as a support and influence to the corporate strategy; the overall direction of a company's strategy to reach the company's goal. However, he also claims that it is not always clear at which level e-business strategy should be incorporated since it can be involved in functional strategies such as marketing plan or information systems (IS) strategy as well as being an element in the corporate strategy. Leading companies within e-commerce such as Dell and easyJet implement the latter. There is also an important aspect of e-business strategy in the sense that it creates new e-channel strategies; approaches and objectives for using electronic channels. Furthermore, a multi-channel e-business strategy is used to compare how electronic channels are used in conjunction with other channels.

Chaffey (2011) presents in figure 3 below that some of the implications if the e-business strategy is unclearly defined; loss of opportunities due to e.g. lack of resourcing of e-business initiatives, misalignment of the strategy in terms of poorly defined objectives, limited integration at a technical level and duplication of e-business development. To overcome these issues, the strategies for e-business should be incorporated into the overall objectives of the organization.

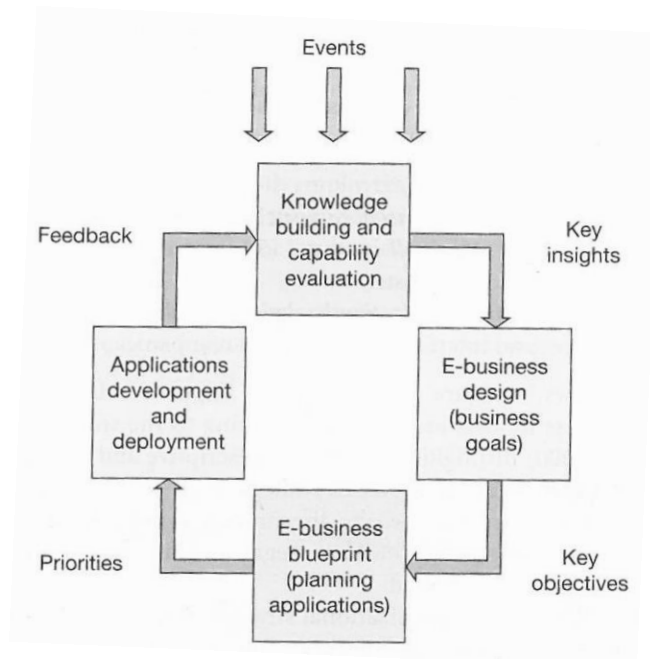


Figure 4: Dynamic e-business strategy model

Source: Chaffey 2011

According to Salehi et al., (2012), in recent years more and more services and products are added to the e-commerce business such as shopping convenience for customers; free delivery during twenty-four hours, online payments and pick up services in a convenience store as a result to the high competition among online retailers. E-commerce researchers state that the concept of convenience is an important factor for online shopping and the behaviour of consumers. Therefore, the website information convenience that retailers provide is also vital and can play a key role in the success of a company dealing with e-commerce, since it can attract customers and create a connection between them and the products or services the company is providing.

2.5.4 Multi-channel Retailing

Many firms do not just have a strategy for store location respectively e-commerce, instead they use a combined multi-channel strategy where store and non-store retailing are merged. This creates a convenience to the customer since they are able to use different channels such as stores, catalogues, websites and smart phones when they are shopping. Shopping in physical stores enables customers to see, feel and try an item that can be brought home the same day without shipping costs etc. A catalogue has other strengths in terms of visual impact and portability in the sense that the customer can bring the catalogue anywhere. Finally, the Internet can provide customers with e.g. video capabilities, a personalized customer interface as well as the opportunity to verify in-stock position and order status. It is also beneficial for

the retailer since the most appropriate channel can be used to reach a certain target market and to sell a particular product or service. Due to the strength of each channel, the retailer has the opportunity to fulfil its customers' shopping demands. The retailer can also leverage both tangible and intangible assets by using excess capacity in the catalogue and e-commerce sales. Furthermore, an intangible asset such as a well-known brand can be used to sell products online in geographic areas where no stores are established (Berman et al., 2013).

Berman et al., (2013) state that it is not easy for a retailer to plan and obtain a well-integrated multi-channel strategy since it requires an infrastructure that enables a link between the different channels. Furthermore, there is also a need for a well-functioning information system as well as a logistics and distribution system. A customer should be able to search for products on the Internet or in a catalogue and then pick it up in a store. It is important that the retailer is aware of the fact that in most cases a multi-channel approach requires more resources and competences than a single-channel strategy. According to Zhang et al., (2010), it may therefore not be suitable for all retailers and it can especially become a challenge for small and medium enterprises (SME: s) that started off as a "brick- and- mortar" enterprise and then added sales through Internet or telephone due to a non-integrated information system.

2.5.5 Brand

Retailers create their brand images in different ways; unique associations, quality of the service, product assortment and marketing, pricing and credit policy. Private label products differentiate the retailer from its competitors and can either have their own brand name or be branded under the retailers name. Furthermore, a successful private label can facilitate some of the other aspects of brand image such as more attractive prices (Ailawadi & Keller 2004). It is also critical to understand how retailers should position themselves and how brand assortment is related to the brand image. Furthermore, some retailers manage their brand more effectively than their competitors, which can be seen in their performance (Ailawadi, Borin & Farris 1995).

Brand architecture is a concept that involves defining both brand boundaries and brand relationships. The aim is e.g. to enhance the brand awareness with consumers and the brand image of products as well as services in order to motivate consumer purchase. The brand architecture has three main tasks; Defining brand potential (what can the brand stand for?),

identifying opportunities to achieve brand potential (‘what products or services are necessary to achieve the brand potential?’) and organizing brand offerings (‘how should products and services be branded so that they achieve their maximum sales and equity potential?’) (Ailawadi & Keller 2004).

There are two factors that are crucial for a fashion brand to consider when entering foreign markets. The first one is the specific assets within the company that distinguishes the fashion retailer from others and enables the establishment of a competitive brand. These assets could be the retail environment and format, product offering and assortment, distribution and supply chain management and the marketing mix. These assets could either facilitate or complicate the establishment of a fashion brand on a new international market. The second factor is the brand equity; this represents the value of the brand in terms of product differentiation and consumer recognition. Given the competitive advantages this factor is associated with and the requirement of sustaining brand equity on the international market, it has a great impact on fashion retailers’ choice of entry mode (Lu et al., 2011).

2.5.6 Shopping Attitudes and Behaviour

According to Berman et al., (2013), considerable research has been made on attitudes the people have towards shopping. For the retailer, these attitudes have a great impact and they are facing challenges in terms of changing some of the negative perceptions that exist.

“No matter how much effort the retailer invests in order to improve store ambience, the effects of those efforts can be tempered by the consumers’ level of chronic time pressure. Therefore, retailers should not only invest more in store atmospherics (e.g., music, colour, lighting, smell, and visual merchandising) but also pay equal attention to the efficiency of store location, parking, and sales personnel assistance that may deactivate shoppers’ chronic time pressure.” (Kim et al., 2008, p. 417)

“Customers derive shopping enjoyment from regional shopping experiences from their assessment of accessibility, atmosphere, environment, and shopping centre personnel. If a shopping centre facilitates a fast, efficient shopping this would appeal to men who would enjoy shopping in that region, and may therefore be more likely to return to the location in the future. At the same time, since women comprise a higher proportion of the shopping population, there is a need to promote aspects of the shopping centre as a relaxing and fun

leisure activity to increase female enjoyment of the shopping location, to retain these customers and increase the likelihood of repatronage” (Hart et al., 2007, p. 599).

When it comes to where people shop, it is crucial for firms to be able to recognize venues where consumers often choose to shop and plan accordingly. Cross shopping is commonly used by consumers where the consumers are buying a product category through different retail formats or search for products in several stores during the same shopping trip. It is especially relevant for e.g. apparel, shoes, and sporting goods (Berman et al., 2013).

2.6 Logistics and Distribution

According to Dicken (2011), the logistics and distribution processes are taken for granted. There is an assumption that the issues of getting products from the production point to consumption point have been solved due to the facilitation transport and communication systems have provided. However, that is not the case and therefore the circulation processes that connect all the components are vital.

Logistics and distribution have the function of intermediating between buyers and sellers at all different stages of the production circuit as shown in figure 4 below. It includes the physical movement of material and goods but also movement of manipulated information involving complex flows of information across geographical distances. Technological developments in transportation and communication have also been revolutionary for the logistics and distribution. Furthermore, there has been an increased outsourcing by manufacturing firms of these types of services due to pressure from retailers and the emergence of new forms of logistics service providers (Dicken 2011).

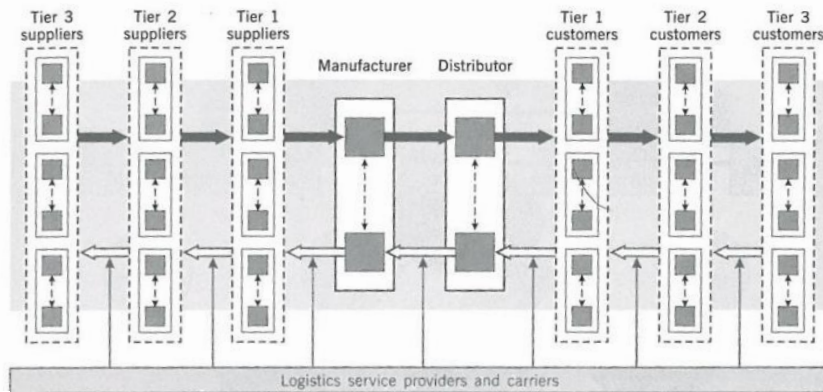


Figure 5: Logistics and distribution in the production circuit

Source: Dicken 2011

There are mainly two barriers to movement; physical conditions in terms of access to land and water as well as political boundaries in terms of tariffs, customs clearance and administration. The actors involved in logistics and distribution are wholesalers, retailers, transportation companies; logistics service providers, trading companies and e-tailers; a retailer that only sell products to consumers electronically. The roles of some of these intermediates have changed, e.g. wholesaler has traditionally played a key role in collecting materials from producers and distributing them to the next step of the production process. Nowadays, retailers who deal directly with manufacturers have bypassed wholesalers. The development of e-commerce has also led to a significant change since the traditional retailer can also be bypassed as an intermediate between producers and final consumers as a result of the creation of a new type of retailer: e-tailer (Dicken 2011).

The market for logistics and distribution has in aggregated terms a growth that is related to the economy as a whole; meaning that occurrences like the financial crisis 2008 had a strong effect on the logistics and distribution in terms of decrease in demand as well as a delay in the construction of new ports, hubs, and routes. The market can also be seen as heterogeneous in the sense that different parts do not grow at a similar rate. The highly competitive retail market also leads to a high pressure from retailers and buyers on the suppliers to deliver more rapidly, cheaper and in greater variety. As a result, the suppliers are constantly are making efforts to provide a faster and more integrated supply system between components of the production circuit (Dicken 2011).

2.6.1 Logistics and Distribution within E-commerce

According to Dicken (2011), the development of e-commerce is one of the most hyped ones in recent years. After an uncertain start, there has been a rapid development with big implications for the logistics and distribution systems, especially in terms of one factor: speed. The two dominating types of e-commerce are B2B and B2C. The B2B websites for instance function as electronic `marketplaces` where firms can buy and sell products and provide services. B2C is when firms are selling products to consumers' directly through Internet and where web-based firms such as Ebay and Dell were pioneers. However, the traditional retailers have also implemented e-tailing and despite predictions that they would be affected negatively by the internet shopping that has not been the case. There are different methods of fulfilling e-commerce orders such as the `Amazon` model and Bricks-and-mortar model. The first mentioned is an electronic version of a traditional model of direct retailing where the products can be accessed via the Internet. Orders from customers are either handled by the seller through their distribution centre or `drop-shipped` directly from the manufacturer. The bricks-and-mortar model combines the traditional retail stores with a website where both channels use the same distribution centres. One problem with this method is that retail orders are require large orders whereas individual orders from the Internet require individual units.

3. Research Methodology

This chapter will firstly present different methods to choose from when conducting a research and thereafter the selection that has been made for this thesis is presented.

Research method is a term synonymous to data gathering techniques and is used by researchers who aim to collect data for a research project. There are different methods that can be used and some of the most well-known are; interviews, questionnaires, focus groups, documents, records, and videos. The researcher must be aware of what kind of data that is required and where the data can be found in order to make a decision about how to gather the data. The collected data is the means by which the researcher accepts or rejects the presented hypothesis in the thesis as well as proves or illustrates the phenomenon in the research project. Therefore, it is crucial that the data is adequate and valid (Quinlan 2011).

3.1 Qualitative Method

When using qualitative research, information to learn about attitudes and strategies referred to how people understand, experience, interpret and produce the social world is collected. Examples of disciplines that are defined as qualitative research are for example ethics, literary criticism, history, cultural, and material cultural studies. Qualitative research is about understanding different scholars from the sciences, humanities, and practice disciplines. Additionally, they can be in conflict with philosophical and methodological positions. Qualitative research can consist of many different characteristics and is a form of empirical investigation. Furthermore, it usually includes some form of valid gathering for informative cases like: in-depth interviews, open-ended interviews, lengthy participant/field observations, document study, artefact study, and techniques for understanding and interpretation of data that differs and goes deeper than a normal analysis of data. (Sandelowski 2007) According to Holme et al., (1997) qualitative methods are a result of understanding and interpreting of the information. One of the most fundamental characteristics of qualitative data gathering is that it should not be transformed into numbers. One of the strengths of qualitative data is that the researcher will receive a general picture, which contributes to a greater understanding of the social process and whole context. The close contact that will appear during this type of research will also contribute to a deeper perception of the problem and will create a good foundation to the theory construction.

3.1.1 Interviews

A face-to-face interview is a commonly used method that has several benefits. The researcher has the opportunity to describe the research project more in detail to the interviewee and discuss questions and issues. Furthermore, an observation of the responses can be made. However, while interviewing there is a risk that the interviewer intentionally or subconsciously influences or leads the responses. Therefore, the researcher must be empathetic but not try to affect the answers in any way and give the interviewee time to express his or her perspective on the phenomenon. Another method for an interview is a telephone interview. This interview is commonly on a one-to-one basis and can be seen as convenient for both the interviewer and the interviewee since it does not require the two parts to be in the same location. Furthermore, it is a relatively easy and quick way to collect a substantial amount of data. However, a negative aspect is the fact that the interviewer cannot observe the interviewee and whether more information needs to be given or not (Quinlan 2011). In a qualitative interview standardized questions are not used because the researcher is

not supposed to be forced to a number of questions. Beforehand, the researcher should have an idea about the factors that are important. During the interview some new ideas and perception will often occur which could replace or deepen the original questions. This must be taken into account during the interview (Holme et al., 1997).

3.1.2 Case Studies

According to Heath (2005), a case study can be described as a qualitative research method that includes a detailed analysis of a person, organization or event. Case studies can be made in several different areas such as business and marketing and provide the researcher with insight in both practices and tactics. There are both advantages and disadvantages with case studies where one positive is as just mentioned, a detailed insight and analysis of e.g. an organization whereas one disadvantage is that the case being studied cannot be generalized.

Through case studies a real-life event could be studied in its natural settings. Case studies aim to combine theoretical research and at the same time capture a phenomenon: the real life event and its context: the natural settings (Yin 2004).

When concluding a case study in business the issues are often related to industrial and economic areas of life. The interesting topics include human interaction, events, and processes taking place in organizational, business, and company settings. Different goals could be achieved in case study research within business; it depends on the philosophical and disciplinary background, the aim and the research questions of the study as well as the nature of the research design. Single case, multiple case, and comparative case designs could be used, as well as qualitative and quantitative data from various sources as: interviews, observations, statistics, minutes of meetings, annual report, advertisement etc. (Eriksson and Kovalainen 2010).

3.2 Quantitative Method

Using the quantitative method for data gathering is the opposite of using the qualitative method; quantitative data are numerical data as for example statistics. Basic analyses of quantitative data could be done by simply uploading or reviewing the numbers in a data set. If the data is more complex a calculator, a spread sheet or a computer software package could be used for analysing the data (Quinlan 2011). According to Holme et al., (1997) quantitative research advantage is the width that can be received when concluding a data gathering. With

some degree of certainty perceptions and opinions can be expressed thanks to the units based on the selection of the sample group or data collected.

3.3 Data Collection

3.3.1 Primary Data

The primary data consists of five qualitative interviews. Three telephone interviews were being held; one with Per Johan Swartling, Chief Financial Officer (CFO) at Gina Tricot, one with Carin Blom, Consult at HUI Research and one with Svante Tegner, Chief Executive Officer (CEO) at Bubbleroom. We also had one face-to-face interview with Peter Andersson, Director of Finance and Expansion at Lindex. Additionally, we had one interview via email with Patricia Lamotte from the department of Online and Postal Services at the European Commission. The reason that we chose a qualitative research method was because it was considered the most adequate way of getting better insight and understanding in how companies “in real life” work with their location strategies, especially how the balance between physical stores and e-commerce is conducted. Additionally, by interviewing industry experts we obtained a greater understanding of the development within the clothing sector on the Swedish- and European market. Furthermore, the interviews are seen as a complement and support to the secondary data in terms of theoretical framework.

3.3.2 Secondary Data

The secondary data are used to give a literature review consists of literature in printed - and electronic form, scientific articles and industry journals. To gain an overview of the theoretical framework and find reliable sources databases such as Retriever, Business Source Premier, Emerald Insight, Science Direct, Google Scholar, journals and the national library of Sweden, Libris were utilized as a tool. Additionally, all sources have been selected after critical research and evaluation in order to secure the reliability.

3.3.3 Selection Method

The chosen sector for this thesis is the clothing sector with focus on the European market. The selection of the industry has been influenced by several factors. First, we have a personal interest in the industry and after some background research we found that today the clothing industry is one of the most growing ones within e-commerce. To be able to answer the purpose of the thesis it was of great importance that the Swedish companies being chosen both had sales through physical stores and e-commerce on the European market. The original

idea was to compare companies within the retail sector with companies within the electronic sector. However, it became clear that it would have given a too wide perspective. Several different clothing companies that were considered appropriate for the desired criteria were contacted; Lindex, Bubbleroom and Gina Tricot generated a positive outcome. It was seen as interesting for this thesis to select companies with different starting points, meaning that Lindex and Gina Tricot started their business with physical stores and then later on added e-commerce to their strategies. Bubbleroom on the other hand, was founded as a fashion magazine that later took the step towards e-commerce and just recently has established physical stores. Another reason why we chose the retailers Lindex, Gina Tricot and Bubbleroom instead of perhaps more exclusive brands as e.g. Gucci and Prada was simply because we personally could relate more to the first mentioned companies since they all are founded in Sweden.

We selected a qualitative research method since we considered it the most rewarding to support the theoretical framework and in order to obtain the purpose of the thesis. Furthermore, since we wanted to explore the phenomenon from the businesses perspectives, qualitative interviews were the obvious choice in order to gain a deeper understanding in how businesses actually work with expansion and strategies for location in practice. If this thesis had been written from the consumer's perspective questionnaires would perhaps have been more suitable to gain an understanding of the consumer's opinions. Using quantitative data would not have given us an insight in the strategies behind the different location- and expansion plans. The secondary data contributes to the understanding of the information given from the interviews and made it possible to critically analyse the cases.

Based on the problem statement and purpose of the thesis the interviewees were required to have knowledge of the substance in question; expansion and location strategies. We also chose to interview industry experts with knowledge about particularly the e-commerce market and the reason was to get a deeper understanding of the clothing sector on the Swedish and European market and how it will develop in the future.

3.4 Execution

3.4.1 Execution of Qualitative Interviews

We have used a multi-method approach including a face-to-face interview, telephone interviews and an interview via email. First, research in method-books about different approaches to use was made and after considering both advantages as well as disadvantages the selected method was chosen. The next step was to explore which companies within the retail sector that were considered suitable for the research project. Those companies were first contacted over the telephone and then by email in the case when that was requested. However, it was in some cases necessary to contact the companies an additional time in order to confirm that an interview could be conducted. After a brief explanation of the purpose with the thesis the companies accepted to participate in an interview. An email with information such as length of the interview and the main research questions was sent to give the interviewee the opportunity to reflect upon before the interview was being held. The questions chosen were considered most relevant in order to support the theoretical framework and to be able to reach the purpose of the thesis. Additionally, supplementary questions were prepared with the aim at providing the interview with a professional but still relaxed approach and to be able to maintain a constant on-going discussion. Furthermore, time and place was decided based on the flexibility and availability of the interviewees.

To later on be able to reflect and understand the interview better, the interviews were recorded. The first interview was a telephone interview with the CFO of Gina Tricot, Per Johan Swartling. The interview was throughout based on the main questions and complemented with some supplementary questions as well as questions that occurred based on the answers. The second interview was a face-to-face interview with Peter Andersson, director of finance and expansion from Lindex. Since Peter has been responsible for the Czech market, we were given a great understanding and insight into how the process to establish Lindex on a new market has been implemented. This interview was also based on a few main questions that Peter covered with interesting examples and future aspects. The third interview was made with the European Commission and completed by email. Patricia Lamotte was the right person to answer our questions, since she worked on the “Online and Postal department” of the European Commission in Brussels, therefore we wrote an email to her including our questions, which she answered, both fast and detailed. The fourth interview was a telephone interview held with Carin Blom from HUI. During the interview, a few

questions was asked and complemented with some supplementary questions. Bubbleroom was the last company being interviewed and was conducted as a telephone interview with Svante Tegner. The questions was answered in detail and provided us with an understanding of Bubbleroom´s strategies, the current market position and plans for the future.

3.5 Data Analysis

3.5.1 The Validity and Reliability of the Study

To make the research reliable and trustworthy the measurement of the theoretical process is of great importance. In the theoretical framework, concepts could be described in an abstract way. Furthermore, to be able to empirically examine and test a phenomenon empirical indicators of the phenomena are crucial to include. The compound of the theory with its empirical elements is the cornerstone of validity (Carmines and Woods 2007). Originally it is defined that a quantitative research is considered reliable if it can be redone in the same way by other researchers. In a qualitative research the possibility of reproducing is considered to have no importance at all when determining the value. However, some argue that the ability to reproduce the observation is still crucial for the reliability in the theory of knowledge in a qualitative research. To avoid a poorly or invalid judged research, the observation made in a study has to be stable over time and different methods such as interviews and observations should turn out with the same outcome (Smith 2007).

The interviews that have been completed in this research were recorded in order to be able to later on reflect and critical review the interviews, since there is a risk that the people being interviewed are biased. Three out of five interviews were being held over telephone, one by emailing and one interview were held face-to-face where we were both present which made it easier to detect the atmosphere of the interview as well as control the direction of questions. As a result, we consider that the validity increased. Furthermore, all the information by email with the companies was controlled and discussed before being sent to give a professional and cohesive image of us. After each interview was being held a transcript was written down as detailed as possible to make sure that all the answers from the interviewee was interpreted correctly. According to Poland (2007), errors can arise when doing a transcript e.g. errors that stir or change the meaning of what was said could result in misinterpretation and misquote respondents.

Due to the limited time frame, only a few companies and industry experts were being interviewed which may affect the reliability of the study since it can give a too generalized and partial view on the strategies companies within the clothing sector have when conducting the balance between physical stores and e-commerce on the European market. Since the companies being interview all were founded in Sweden, this could contribute to a biased view due to the lack of clothing companies founded in other European countries. Therefore this thesis might not be sufficient enough to understand how and why clothing companies within the whole Europe choose to expand on the European market. In order to increase the reliability additional companies should be chosen for the qualitative research, interviews could be held with persons responsible for different departments within the companies and several industry experts with knowledge and expertise in the research area could contribute to give a more complete view and reliable research.

To secure the validity and reliability in the research of theoretical information, we only used reliably sources from databases presented earlier in this chapter, since those documents are being reviewed before being published. Also, sources found online has been controlled with Google Scholars to see how many citations the source has had, which shows if a source has been used several times before and therefore could be seen as both important and useful.

4. Empirical Data

The following chapter is a result of our empirical findings, including both business information and our interviews with Lindex, Gina Tricot, Bubbleroom, HUI and the European Commission. First a short presentation of each company and institute is presented. Thereafter we present the result of the interviews with the companies, which are divided into five different topics. Lastly the interviews with the industry experts are presented. The empirical data will conduct a part of the analysis together with the theoretical background.

Table 1: Business info
Source: Retriever (2014)

Year 2012	Lindex	Gina Tricot	Bubbleroom
Turnover	3 291 148	2 318 718	113 423
Result	253 277	-10 735	-11 653
Number of employees	1 281	1 080	17

Listed on stock market	Stockmann OYJ ABP	Not listed	Not listed
Number of markets for brick and mortar (2014)	17	5	3
Number of markets for e-commerce (2014)	29	28	5

4.1 Description of the Companies and Industry Experts

4.1.1 Gina Tricot

In 1997 Gina Tricot started their business with a store that was selling commercial and feminine garment. Today, more than fifteen years later Gina Tricot offers women's clothes, cosmetics and accessories on 28 markets within Europe and has grown to become an international fashion destination (Gina Tricot 2013). The business consists of stores that are both their own and franchised. Additionally, a growing share is sold through the Internet and all sales are done under their own brand Gina Tricot (Gina Tricot 2012). The company is a family owned Swedish fashion retailer that in 2013 had about 180 physical stores divided on five different markets: Sweden, Norway, Denmark, Finland and Germany and is through their growing online sales, as mentioned, available in a total of 28 countries across Europe (Gina Tricot 2013).

In 2007, Gina Tricot was on the top of their expansion when they opened 43 new stores financed by the company itself. Gina Tricot launched their online store in Sweden 2008 and later on in 2012 the whole Europe could shop online at their website. In the beginning of the 21st century, Gina Tricot doubled their turnover five years in a row when the growth was more or less explosive (Dalqvist 2012). However, in 2011 a setback for Gina Tricot became real. The turnover fell and the profit decreased by 95 percent and the following year the first loss was registered. As a result, Gina Tricot had to adjust the employments in the company by cutting hours. In 2013, there was also a loss but Gina Tricot has made some changes in e.g. their logistics solution and is therefore not worried about the future thanks to the company's strong solidarity (Hugo 2014).

Representative: Per Johan Swartling (CFO) Gina Tricot.

4.1.2 Lindex

In the 1950's the store Lindex opened as a lingerie shop and during the 1960's they also started to sell women's wear. Lindex has since then expanded through physical stores, first

within the Nordic countries Norway, Finland and Denmark and later on to several countries on the European market such as the Baltic countries. In 2007, Lindex launched their first online shop in Sweden and in 2011 they offered online shopping for their European customer as well. In 2010, the company was one of the leading retail stores within Europe with more than 460 physical stores on 16 markets (Lindex 2010). During 2013, Lindex was growing on every market except Finland where the trade within retail was exceptionally weak. Lindex also made important expansions in the Czech Republic and Slovakia, which strengthened the company's position on the Baltic market. The great results the expansions brought were a strong indicator that Lindex fashion is strong even on the international market (Lyckdal 2014).

Representative: Peter Andersson (director of finance and expansion) Lindex.

4.1.3 Bubbleroom

In 2005 an online store was launched in Sweden for exclusive designer clothes; Bubbleroom. Since then their online shop has grown to a store that offers a big range of different clothes, not only designer clothes but also shoes and beauty products. In 2010, Bubbleroom started their expansion and opened up their online retail to the Danish and Finish market. In 2011, their Norwegian and European site was also launched. Today, Bubbleroom is one of the largest online stores in the Northern countries and their business idea is to constantly offer a diverse and wide range of clothes. Bubbleroom was the first e-commerce company having their own fashion magazine sold in physical stores (Bubbleroom 2013).

In March 2014 Bubbleroom opened their first physical store in Stockholm. During the last years Bubbleroom has invested aggressively in a very tough industry and they had to make their business more effective to become more profitable. To grow on the Internet can be very expensive and it can be difficult to reach the consumers. That is why Bubbleroom choose not to expand more on the European market and instead strengthen their position in the Northern countries (Andersson 2013).

Representative: Svante Tegner (CEO) Bubbleroom.

4.1.4 HUI

HUI Research is an institute that annually produces reports and analysis about different trade areas. Every month a retail index is produced that shows how the Swedish sales have been and four times a year a cyclical about the future economic situation within trade is forecasted (Svensk Handel 2013). HUI Research is offering both consultant operations and research in trade and tourisms. The costumers for the consultant operations are companies within the retail sector, hospitality industry, government agencies, trade associations and municipalities. Clients for the research department are various research foundations and government agencies. HUI Research is helping their customers to make better businesses through enhancing the comprehension of which driving forces that effects the consumption and the national economy (HUI 2013).

Representative: Carin Blom HUI.

4.1.5 European Commission

The European Commission has an important and central role within EU since they provide suggestions about new laws, implements the decisions from the council of minister and are monitoring the implementation of the agreements in the member states. Every member state has one person that represents their country, called commissioners. They are responsible for one area each within the political sector and totally about 40 000 persons are employed to support the commissioners in their work (National Encyklopedin 2014). One department called: Unit E3 Online and Postal Services are in charge of regulations within e-commerce, postal services, gambling, sport related services and media. Their objectives are to release the unexploited growth potential of services markets in Europa by removing legal and administrative barriers to trade (European Commission 2014).

Representative: Patricia Lamotte (Online and Postal department of the European Commission).

4.2 Interviews with the Companies

4.2.1 Establishing E-commerce on the European Market

Lindex is flexible in the decision of entering a new market through e-commerce. Thanks to a great functional e-commerce system and a history of several projects when establishing e-

commerce on a market it gives them the opportunity to enter a new market without establishing a store. In 2011 Lindex launched their European website for e-commerce in English, a few orders were collected and later on the turnover became quite good. However, Lindex has experience that to be really successful through e-commerce the website should be available on the domestic language, which was achieved on the Czech market where the website was translated after a couple of stores were established. In one week, without any marketing for the new website, sales doubled. As Lindex experienced it, the payment was the step that frightened the customers when it had to be done in English. When Lindex started to sell clothes online they saw it as a service tool for the customer. If the customers wanted to meet them online then they should have the opportunity to do that. However, the connection to the physical store is very important for Lindex. When there is a connection to a store and customers trust them concerning size and fitting for clothes, they feel more secure when shopping online. If the customers then feel that they want to collect the package directly from the store that should also be possible. These customers will differ from other customers entering the store since they already are paying customers. The customers also have the opportunity to return the product directly in the store if they want to. For Lindex this concept is great since they will receive a paying customer in the store and for the customer it is a great service. As Lindex experience it, their website is also a part of the marketing since customers can go online to look at their clothes and then make a visit to the store to feel the garment and try it on, or the other way around.

For Gina Tricot, which launched their European website in 2012 it has become more or less marketing to be available in 28 different markets. They thought that the European e-commerce site would result in a greater respond, but as they can see it a French woman wants to shop online in French. Reading how to return a product or how the payment should be done in English makes many people insecure and therefore they will not fulfil the purchase even though they have found something to buy. That is why they are considering creating a French website since France actually is one of the countries where they have the best sales online. That would give Gina Tricot some experience and perhaps in the future transform them into e-tailers instead of retailers, even though that will not happen for many years. Gina Tricot experience that thanks to their European website they can get indicators about which country that are the most interesting when determining where a physical store could be established.

According to Bubbleroom, as several other companies they were originally founded as a company within the media sector in the form of a fashion magazine. Therefore, the step towards e-commerce was not that far and when the website for the fashion magazine was created they also chose to sell the fashion they were writing about online. The e-commerce has grown most on the Swedish market followed by Finland, Norway and Denmark with equal shares. They also have sales in other European countries but in small volumes, whereas Germany and England are the largest markets. However, Bubbleroom are not investing in marketing for e-commerce on the European market right now. They describe that e-commerce is like having a store in the woods on a new European market since a Swedish company is unknown and therefore it becomes expensive to attract German and English costumers to purchase their products. However, on the Swedish market the cooperation with blogs and magazines has helped them to strengthen Bubbleroom's brand online.

4.2.2 Establishing a Physical Store

When entering a new market with a physical store it is important for Lindex that there are opportunities, meaning that there are a couple of malls with a good location and a reasonable cost for the store. The buying power is of course important as well. However, the weak buying power within the Czech Republic when Lindex entered the market was seen as an opportunity to establish the brand while the buying power eventually started to increase. In the Czech Republic Lindex today have about 15-20 stores and their strategy has been to cover the country with stores; nobody is supposed to have longer than 30-35 minutes by car to a store. One reason behind this strategy is that Lindex offer free freight when the customer collects the package from their store. If the nearest store would be located four hours away, their concept would not work. Furthermore, thanks to their e-commerce site in the Czech Republic they can cover the whole country. When Lindex chose to establish physical stores in the Czech Republic they had earlier made investment and established stores on the German market, however it did not result in the way they wanted to so they closed down their stores there. In the Czech Republic the whole country had growth, several malls were getting built up and a few competitors entered the market. Concerning the location it was a great position to reach a great part of Europe. With only a few hours of transportation they can reach the whole Europe, which is great from a logistic perspective. When Lindex is determining the exact location of a store it has to be a very strategic location, e.g. a place where people daily passes on their way to work, people love habits and there is a reason why stores are located where they are.

Gina Tricot is constantly searching for new, great locations. In their strategy they do not decide in advance how many stores to open on a certain market, instead they are constantly searching for the best available stores. Gina Tricot feels that they have to be humble when choosing a new location since they do not have the power to change the shopping streams that people tend to follow. They have to choose the right location; otherwise they will not get any customers. Gina Tricot has one full time employed that is responsible for searching for new location on the five markets they already are establish on. On every market they have real estate brokers that are helping them to find ideas about new locations and then evaluate them. The location always comes in first place, and then a calculation is done about how much the store is worth when it comes to sales. Also a calculation for costs is done and if the result is very good there is a directly positive answer, otherwise they will not take the offer. If they hesitate the management of the company will meet and make a decision. The most important when searching for a new location is that the street is a well-known shopping street and if there is a few competitors already established there. As Gina Tricot can see it, only 50 meters could mean half as much in sales since people are very determined in which streets to shop on. When Gina Tricot started to expand they chose the Northern countries since the consumers are quite similar and there was already some knowledge about Gina Tricot in Norway, Denmark and Finland. Within 18 months Gina Tricot was established on the three markets and then they had a pause for two years before entering the German market. Since Gina Tricot had very little knowledge about the German market a German manager was hired who already knew that market well. He helped them to evaluate and search for great potential locations.

For Bubbleroom it felt natural to open physical stores in Sweden since they have decided to focused on the markets were sales are growing most. In the decision taken, the opportunities to open more channels then just e-commerce were critical when the company developed into being a fashion company instead of a purely e-commerce company meaning, that they started their own production of clothes. Furthermore, since almost 50 percent of the sales nowadays come from their own brands they believe that the combination of physical stores and e-commerce is what the customers demand.

4.2.3 The Physical Stores Importance for the Brand

Lindex thinks that a physical store is crucial for the awareness of the brand, especially on a new market where the brand is unknown. In Sweden Lindex is already well established as a brand and they could even make a few mistakes without having an impact on the brand. However, Lindex feels that they have to keep the physical stores to compete with their competitors on the market. For Lindex, a pure e-commerce established business is not enough since there has to be a strong established brand as well. To be able to distinguish their brand from other brands is of great importance for Lindex and their strategy is to focus on the woman and her children.

For Gina Tricot there is no doubt that the physical store is the fundamental part in establishing their brand on a new market. Peter said: *“Yes, we are retailers”* when we asked him if a physical store was necessary for the knowledge of their brand. As a retailer Gina Tricot thinks that they have to be available in physical stores. However, they are working towards a new model for their company; “multichannel”. Since they are not there yet they feel the security to be available physical. For Gina Tricot it lies far in the future to do a local investment on e-commerce without a physical store.

Bubbleroom states that a physical store to strengthen the brand is not necessary for everybody, and many companies are facing the question of how to determine what kind of company they want to be associated as. There will be many pure and defined e-commerce companies as e.g. Amazon even though they now also have started to open physical stores. Since Bubbleroom no longer is a purely e-commerce company and has taken the step towards being a fashion company with production and design of their own brands, they saw great benefits to be available in all channels. They have chosen shopping malls and e-commerce as their main channels, since that are the places where their target group is. Furthermore, they believe that shopping malls and e-commerce will grow most in the future, especially shopping malls where a lot of investments are being made in building new constructions etc. in order to attract people and make the shopping malls into a destination as well as a weekend experience.

4.2.4 Changes in Location Strategy

Lindex do not feel that their location strategy has changed due to the establishment of e-commerce. E-commerce has developed to become more a service than an element for steering

the physical store. However, Lindex thinks that thanks to the experience e-commerce is bringing about different markets they can feel more secure when entering a new market if they have had some online sales on the market before.

Gina Tricot experienced a change in their location strategy for stores during their expansion in Norway. The plan was to establish about 40 stores on the Norwegian market and they had a rough plan about where they wanted to place them. After the first opening real estate brokers wanted to make business with them and the attention in the media created several other offers. The establishment of the first 20 stores was made in a year, but after that everything continued in a slower pace. The aim was to cover the whole country instead of location every store in Oslo. It became harder to find great locations and the curve, of how many stores being established, was from the beginning high and then it fell even though the plan was to establish the 40 stores in a steadier pace.

From the beginning Bubbleroom's strategy where to only be available online, however their strategy has changed. When they developed into a fashion company instead of a purely e-commerce company they felt the need to open more channels to reach the customer. One reason that has affected their new location strategy is the production of their own branded clothes, which today accounts for almost 50 percent of the total sales. To combine e-commerce with physical store therefore became crucial since the customer more or less demands it. Furthermore, they want to establish themselves as the biggest actor in the northern countries both in terms of e-commerce and physical stores.

4.2.5 The Future for E-commerce and Physical Stores

Lindex believes that they have the key elements that are necessary for establishing both e-commerce and physical stores in the future. Their online platform is stable and ready for the future and they believe that the combination with physical stores is a winning concept. Furthermore, they have a unique brand, a well working distribution network and can provide great services to the customers thanks to the combination of physical stores and e-commerce. Lindex will be able to meet the customers through Internet, the mobile phone and wherever the customers want to meet them. Their idea is: "Easy to buy, easy to shop", the convenience for the customer is the most important and that is solved by good marketing and the easiness to send information.

Gina Tricot is right now in the middle of a big IT project where they want to connect every part of the company into a multi-channel company. The customers are supposed to be able to sit at home, make an order and then collect the package from the store. When you are shopping in the store and your size is out you are supposed to have the possibility to order your size directly from the store. The customers should also be able to return the products from the Internet in the store, and every channel are planned to feel merged into one with no boundaries. Gina Tricot is aiming to reach this approach in a couple of years at the markets where they today have established physical stores. If the European market continues to grow and Gina Tricot eventually will reach a certain turnover, they will perhaps also have to consider establishing a new distribution building that is located more centralized in Europe instead of Sweden. So far, Gina Tricot has not done any marketing for their European website in the countries where customers shop from their website. They want the markets to grow naturally when more costumers find them online. Then they can evaluate whether to invest in a website in a domestic language or not and later on a physical store.

Bubbleroom plans to strengthen themselves on the markets where they already exist in, in the future. Their aim is at becoming the largest brand when it comes to exclusive party outfits with focus on trend and affordable clothes. Furthermore, they want to establish themselves as the biggest actor in the northern countries both in terms of e-commerce and physical stores. Bubbleroom also wants to enhance the brand-image even more and invest more in the production of their own brands. Today, they also give the customer the option to return and make orders of clothes in their physical stores which are services they believe can create additional sales in the future. In order to compete on a market where many companies have the same terms and operate in similar ways, Bubbleroom want to do what they today does, but better than their competitors. Furthermore, they explain that the clothing industry today is difficult for smaller companies since they have to niche themselves more in order to survive. Bubbleroom, that are a part of a large concern have the critical mass to produce clothes and gain additional market shares on the market.

4.3 Interviews with Industry Experts

4.3.1 European Commission

As the European Commission is forecasting, the e-commerce sector will continue to grow within EU. In mature markets as the UK, Germany and France the pace will however be a bit slower, but on the Spanish, Italian and eastern markets the pace will be strong. The boundaries between e-commerce and traditional retailing are also expected to become more blurred; the reason is the continuous rise of the multichannel strategies, especially within the clothing sector.

The European Commission believes that one positive development within the clothing sector would be if the standardization bodies could reach an agreement on the labelling of sizes. Today, the coexistence of various systems creates confusion for consumers, in particular for a customer who wants to buy cross border. There are now diverging views, notably on how to link body dimensions with size intervals and how to communicate size information on the labels using either letters or numbers.

According to the European Commission the purchasing power is expected to increase thanks to e-commerce. Studies done by the European Commission shows that it is estimated that buying online across EU consumers could save up to € 745. However, there are so many obstacles that most cross border transactions fail. In 6 out of 10 cases consumer are not able to complete their cross border purchase. If these transactions were completed, consumers could save up to € 1745. Cross border e-commerce is still relatively low, less than 10 percent of e-consumers are buying online and e-commerce represents only 5 percent of the total retail.

Right now the European Commission is implementing strategies and action plans that they have built up concerning payments, delivery's, consumers rights, data protection etc. They think that a growing e-commerce is positive for the EU economy. However, they think that there can be some "victims" of the development of e-commerce. Despite of some very famous cases of traditional retailers closing their doors, e.g. companies within the electronic sector or cultural goods they do not have statistical evidence of the negative impact from the total number of shops in the EU. Some specific sub-sectors have nevertheless been negatively impacted, such as video rental shops.

4.3.2 HUI Research

According to HUI, there has been a shift of sales within the clothing sector; from brick-and-mortar to e-commerce. However, within this sector it is a bit twofold. Generally, it has gone well for almost every Swedish clothing company founded in Sweden until just a couple of years ago. Then the situation changed due to the many, already established companies and the tough increasing competition. The clothing industry also changed in the sense that it became fashionable to buy sportswear and a share of the purchasing power went to both sportswear and e-commerce. Furthermore, when e-commerce started to grow, there was already a habit among some consumers to do distance shopping since mail ordering already had existed for a long time. However, the shopping channels have changed; instead of calling or sending in orders via a catalogue, consumers were now able to order online which has created an easier way to shop.

HUI also explains how they believe that Swedish trade will develop in the future. They stated that e-commerce will not take over entirely, the consumers still appreciate to visit a physical store, since you cannot try or feel the products online. However, there have been some efforts to facilitate the online shopping in terms of virtual fitting rooms and postmen that can wait fifteen minutes until the consumer tries the clothes and decides right away if the clothes should be returned or not. They believe that a multi-channel behavior will be the most successful strategy in the future and the companies that succeed best are those that will be available where the consumers are. There will be a combination of all possible channels; catalogue, e-commerce and physical stores. Additionally, using a multi-channel approach will be important as e-commerce is increasing between countries and there will be an increasingly competition from foreign actors.

To begin with, HUI believes that there can be a variance in the development of different sectors within retail. However, eventually all consumers will end up in a situation where they will get used to buying everything online. E.g. companies like Amazon offers a range of products within different sectors. Also, sportswear within the clothing sector is a segment that often can be bought on a German site as well as a Swedish site. One of the main benefits with e-commerce is that the consumer can access a lot of information and make comparisons.

For the consumer according to HUI, an increased buying power within e-commerce is always positive, both in terms of competition and the increasing options. However, the development has gone rather quickly and there are always pitfalls, such as problems with logistics and hijackings online but as the security increases the problems will eventually disappear. The increased buying power leads to increased competition, which requires the Swedish clothing retailers to have a wide range and assortment of goods as well as right prices. It has become too easy to compare prices and a convenience has emerged among consumers to sit at home, buy products and have them delivered. Therefore, the companies within the clothing sector are nowadays competing with different terms. In a shopping mall, there can be many clothing stores to choose between and online even more stores exist. The challenge is to reach the consumers, for the consumers living in rural areas away from physical stores e-commerce has created opportunities for them to purchase products online.

HUI states that today, the e-commerce is still relatively local but it will become significantly more internationalized in the future. Companies founded in Sweden often establish themselves in the domestic market first, and then they expand to the northern countries and later to the U.S or Europe. The consumers follow the same path through starting purchasing products from established brands and then search for other brands abroad. However, there are laws and regulations that inhibit the internationalization within the clothing sector e.g. customs fees and fees for shipping products. Organizations such as EMOTA are working to enhance these regulations on the entire European market.

As mentioned before, HUI emphasize the importance of multi-channel behavior. It has been a focus on keeping up with the development of e-commerce but now even e-tailers see the benefits of physical stores, e.g. by having a showroom to integrate both channels. Furthermore, the store space might be reduced on the long term with fewer stores and a larger inventory to drive the sales between the different channels. Some retailers also take advantage of locating themselves in shopping malls since consumers now desire a shopping experience. The integration between restaurants, experiences and the traveler sector will attract more consumers.

Within the clothing sector, returns have significant importance in comparison with other sectors and the challenge for the retailers is to handle it in the most cost-effective way. Consumers want to know that products can be returned and it drives sales as well. If a

consumer can go to a physical store and return an item bought online it can create additional sales. Examples of Swedish companies that work effectively with returns are Lindex and Stadium.

5. Analysis

This chapter consists of an analysis of the relationship between the theoretical and empirical findings as well as our personal thoughts. The analysis is divided into four different topics: E-commerce, physical stores, expansions on the European market and multi-channel.

5.1 E-commerce

Doherty & Ellis-Chadwick (2010) state that the Internet is a tool for retailers to widen their target markets, enhancing customer relationships and improving customer communications. When Lindex started to sell clothes online they saw it as a great service tool for their customers, if the customers wanted to meet them online they should have the opportunity to do that and Lindex could also reach new markets without establishing physical stores. As Lovelock et al., (2002) expressed; the most significant difference of a physical store and e-commerce is the perception of time, online shopping is always available for the consumer and it is a creation of around-the-clock transactions. Not only Lindex, but also Gina Tricot and Bubbleroom feel the need to always be available for the consumer everywhere at any time. Hjelm (2011) states that through e-commerce, the importance of geographical boundaries disappears since the company can be managed anywhere with customers everywhere.

As both Gina Tricot and Lindex have experienced it on their European e-commerce site, which both are in English, the consumer often becomes insecure and ends the purchase before the payment is done. Lovelock et al., (2002) expressed that for the users of the Internet there are concerns about how sensitive data as personal details and credit card information are handled. One happening that we believe have had an effect on the consumers trust for shopping online was the boo.com, which created insecurity against companies available online. However, according to Forsström (2014) the new directive from EU that shall be introduced in June 2014 will overall simplify e-commerce within the EU and strengthen the consumer's rights. Every member state in EU will have to follow the same laws concerning information to the consumer, right to return and right to withdraw the purchase. As the European Commission mentioned in the interview there are so many obstacles that leads to

failure of cross border transactions. In 6 out of 10 cases consumer are not able to complete their cross border purchase. We therefore consider that it is highly important that the security and easiness to complete a purchase online within Europe will be enhanced. For the companies to become successful in foreign markets through e-commerce we believe that translating the website into the domestic language is vital. All these factors will facilitate the process when Swedish companies expand on the European market with a multi-channel strategy.

Berman et al., (2013) explains that the choice of locating a company online can bring benefits to the retailer as e.g. cost reduction since a website is often less costly than a physical store. Bubbleroom on the other hand thinks that even though their European website is not that costly, the marketing costs to become a well-known brand on a new market are very high. Therefore they are not marketing their brand right now in any other European countries than the northern ones. As Gina Tricot sees it, their European website is seen as a marketing itself through being available on 28 different markets. Gina Tricot does not as well invest anything in marketing their European website, instead they are letting the market mature in its own pace until the consumers find their website and become familiar with the brand. Lindex also has the same strategy in terms of not marketing until they establish a physical store in a European country. E.g. in the Czech Republic Lindex did not start marketing their online website until they had established a few stores on the market. When that was done they started an aggressively marketing approach as well as adopted the website for the Czech population in terms of e.g. domestic language. We believe that even though all three companies are available on the whole European market online, none of them are willing to use their resources for marketing themselves unless they are certain about the potential of the markets. They therefore use their European e-commerce site as a tool for getting to know the markets and find out where there is a potential big market to invest in.

Gina Tricot that are right in the middle of a big IT project to increase the convenience for their customers believes that if the customers want they should be able to sit at home, make an order and then collect the package from the store. Lindex expressed that it should be “*Easy to shop*” and does e.g. offer free delivery when the customer collects the package from their stores. For Bubbleroom the competition on the market has made them realize that they basically have to do what they do today, but better than their competitors since many companies have the same terms and operate in similar ways. Salehi et al., (2012) did also give

a statement about that in recent years more and more services and products are being added to the e-commerce business to make the shopping experience more convenience for the customer, e.g. free delivery, online payments, and pick up services in the store. Salehi et al., (2012) indicate that this is a result of the high competition among online retailers and the convenience for the customer can play a key role in the success of a company dealing with e-commerce. We can see that there is a strong connection between the companies strategies for e-commerce presented in the interviews and the theories about e-commerce strategy. We agree with the statement that companies are more or less forced to go online and make the shopping experience more convenience for the consumer in order to keep up with their competitors on the highly competitive market. Also as HUI expressed it, in the future more or less everybody will get used to buy everything online.

5.2 Physical Stores

Success in the retail industry is according to Roslin et al., (2012) strongly connected to the location. The strategic advantages a retail location can bring to a retailer make it difficult for competitors since it prevent them from imitating. Gina Tricot is constantly searching for new, great locations. They have one full time employed that is responsible for new locations on the five markets they already are established on. Through local real estate brokers they receive help to find ideas about new locations and then evaluate them. For Gina Tricot the location always comes in first place. For Lindex the right location with the right cost for it is a crucial part of their strategy. When entering a market with physical stores they always want to cover the whole country, nobody is supposed to have longer than 30-35 minutes by car to a store. This is a part of their e-commerce strategy and since they offer free freight to their stores it would not work if people not could reach a Lindex store in a reasonable time. An evidence of that the statement Roslin et al., (2012) claims is a reflection of the reality companies are facing today is the companies effort in finding the right store location.

Craig et al., (1984) claims that the decision of store location can be seen as perhaps the most important decision that has to be made since it creates accessibility and attracts a large amount of customers to the store. On the other hand, Ailawadi & Keller (2004) state that locations as store choice criteria have lost some significance due to e.g. online retailing. Lindex has another view on the importance of store location since they are convinced that the physical store and its location are crucial for the awareness of the brand, and especially on a

new market where the brand is unknown. Their physical stores are, on their strongest market Sweden, also very important since they feel the need to keep up with the competition on the domestic market. Bubbleroom gives an additional perspective since they believe that a physical store not is necessary for every company and many companies are facing the question of how to determine what kind of company they want to be associated as; a pure e-commerce company or a brick-and-mortar company. We believe that even though some researchers claims that they location is becoming less significant the physical store will still in the future play a key role for the majority of the companies within the clothing sector. We consider that to be located and available on the most important shopping streets around Europe will strengthen the awareness and status of the Swedish brands, and result in greater sales and increased growth.

According to Berman et al., (2013) there are three different location types for a store; isolated store, unplanned business district and planned shopping centre. The authors also state that the most vital to measure when determining the value of a location is the number and type of people passing by the store. It has shown that the location of a store where there is a lot of pedestrian traffic often is better and more profitable, if everything else is equal. When Gina Tricot is choosing a new location they feel the need to be humble since they do not have the power to change the shopping streams that people tend to follow. They have to choose the right location otherwise they will not get any customers, 50 meters in a street could mean half as much in sales. Therefore Gina Tricot believes that the most important when searching for a new location is that the street is a well-known shopping street and that there already are a few competitors established there. Lindex share the same preferences when choosing a store location as Gina Tricot since they always want to be located where there is a lot of pedestrian traffic, e.g. where people daily passes on their way to work since people love habits and there is a reason why stores are located where they are. For Bubbleroom on the other hand, shopping malls became their obvious choice of location when they started to establish physical stores. They believe that the shopping malls are the locations where their target group can be found. Furthermore, they believe that shopping malls and e-commerce will grow most in the future, especially shopping malls where a lot of investments are being made today in building new constructions etc. Overall we think that as both the empirical and theoretical data has showed the fundamental parts in order to succeed are to know where the target group is and finding the right location of the store.

5.3 Expansions on the European Market

Suder (2011) explains that a company can gain benefits from market scale and operations beyond the domestic market depending on the company's criteria's; nature, organization and sector as well as the degree to which the company owns its resources. Therefore, the choice of a location on the European market is a crucial decision and can be an important experience for Swedish companies in their internationalisation process when entering the European market for the first time. Lindex experienced this when entering the German market as they after a couple of years realized that the market was not as successful as desired. As a result, they closed all the physical stores that had been established. Later, when Lindex entered the Czech market the country had growth, several malls were established and there were already a few competitors on the market showing the way. Furthermore, the weak buying power was seen as an opportunity to establish the brand. We can identify that when entering a market there are several elements that will become vital in order to succeed, such as the importance of right store location.

HUI states that today, the e-commerce is still relatively local but it will become significantly more internationalized in the future. Companies founded in Sweden often establish themselves on the domestic market first, and then they expand to the northern countries and later on to the U.S or Europe. Johansson et al., (1977) describes the Uppsala model, which shows that companies often develop their international operations in small steps. A commonly pattern is that companies start by exporting their products, later on they establish a sales subsidiary and in some cases production is getting started in the host country. All the companies being interviewed have in some way followed the Uppsala model and all of them had the same approach in their internationalization process. They have first established the company on the closest geographical markets and strengthen their brand there before considering expansion towards e.g. the European market. The companies are through their European e-commerce sites exporting to the whole Europe, which reduces costs of market development, and helps the companies to understand the nature and size of the market.

Lu et al., (2011) describe two factors that are crucial for a fashion brand to consider when entering foreign markets; the specific assets such as supply chain management and marketing mix that distinguishes the fashion retailer from others as well as the ability to establish a competitive brand. These assets could either facilitate or complicate the establishment of a

fashion brand on a new international market. Gina Tricot expressed that they might establish a new distribution network located in central Europe if the European market continues to grow instead of shipping all products from Sweden. Lindex did also, through the establishment on the Czech market, found a great location in the middle of Europe for future development of logistic and distribution centre.

5.4 Multi-channel

Berman et al., (2013) explained that many firms do not just have a strategy for store location respectively e-commerce, instead they use a combined multi-channel strategy where store and non-store retailing are merged together. For the customer it creates a convenience since they are able to use different channels such as stores, catalogues, websites and smart phones when shopping. For the retailer it is beneficial since they can reach their customer with the most appropriate channel that different target markets demand. This theory could be found in Lindex strategy, when they started to sell clothes online they saw it as a service tool for their customer, if the customer wanted to meet them online then they should have the opportunity to do that. However, the connection to the store is for Lindex very important, both in terms of logistic and trustworthiness. Gina Tricot is right now in the middle of a big investment towards increasing their multi-channel approach. They want that the customer should be able to sit at home, make an order and then collect the package from the store. If you instead are shopping in their physical stores and your size is out you should have the possibility to order your size directly from the store. The aim is to create an impression that all channels feel like one. Thus, Gina Tricot also is realizing the importance of meeting the customers in several different channels as Berman et al., (2013) claim. For Bubbleroom the need to reach the customer in more than one channel was raised when their own designed clothes started to grow. The demand from the customer for more than one channel became evident and today the customer can return and make orders of clothes in their physical stores. Not only the researchers and the companies emphasize the importance of multiple channels but also the European Commission that believes the boundaries between e-commerce and traditional retailing are becoming more blurred in the future due to the increase of the multi-channel strategies. HUI also share this view; that the most successful strategy in the future will be the multi-channel behaviour. The institute foresees that there will be a combination of all possible channels; catalogue, e-commerce and physical stores. Additionally they believe that using a

multi-channel approach will be important as e-commerce is increasing between countries and also due to the increasingly competition from foreign actors.

Berman et al., (2013) claim that it is not easy for a retailer to plan and obtain a well-integrated multi-channel strategy since it requires an infrastructure that enables a link between the different channels. A well-functioning information system in combination with a logistics and distribution system is crucial since the customer is supposed to be able to buy products online and then collect the package from a store. To collect packages from the stores has already been implemented by both Lindex and Bubbleroom which mean that they already have a functioning and integrated link between the different channels. Gina Tricot is now reorganising their IT channel and are also aiming at linking the information system to their distribution system, making it possible for customers to easily collect packages in their stores.

According to Hjelm (2011) the existence of physical stores strengthened the trustworthiness of a company online when e-commerce emerged. As a result, the physical and the electronic location were merged together, became integrated and were complementing each other through different time, space and techniques. Together this made e-commerce something that was coexisting with other ways to trade instead of replacing them. This is something that still today is evident since e.g. Bubbleroom has started to establish physical stores to strengthen their own brand and connect it to their e-commerce. Gina Tricot and Lindex do also still feel that there is a need to keep their physical stores even though e-commerce is constantly increasing. We can observe that all the companies being interviewed today use a multi-channel strategy and are constantly working on integrating all the channels with each other through different time, space and techniques as Hjelm (2011) mentioned earlier.

6. Conclusions

To be able to achieve the purpose of this thesis; “how and why Swedish companies within the clothing sector determine to expand through a combination of physical stores and e-commerce, on the European market” conclusions will be drawn based on the analysis that includes both theoretical- and empirical data.

6.1 Research Questions

- *How do Swedish companies within the clothing sector conduct the balance between physical stores and e-commerce when expanding on the European market?*

Our research has shown that Swedish companies within the clothing sector that are expanding on the European market are using a strategy that includes both physical stores and e-commerce, a so-called multi-channel strategy. The companies being interviewed indicates that when they internationalise their operations they start by establishing themselves on the domestic market to later grow on neighbouring markets with similar behaviour of the consumers. Something that the companies also have in common is that they all have launched a European e-commerce site to reach all consumers on the European market. However, they are not marketing themselves on these markets instead they use it as tool to see where they can find potential growth and later on in some cases establish a physical store. A strong example of how to conduct the balance between physical stores and e-commerce internationally has arisen during the research. As mentioned before, it has shown that a company can start by introducing an English website to the whole European market in order to see where they possible could establish a physical store in the future. Later, when the physical store has been established and the brand has become well-known the company can adapt to the specific market by using the domestic language and paying system to overcome the barriers that e.g. a foreign language can bring. There is a constantly balance going on between e-commerce and physical stores, however we can see that there is a need to combine them to reach desirable growth. We can see that there are different approaches when combining physical stores and e-commerce. The transition can either be to have physical stores as a starting point and then add e-commerce or the other way around. Even though e-commerce is the new and growing channel it has shown that e-tailers also have a demand to use physical stores in their strategy.

We have identified a new strategy that has started to emerge within companies in the clothing sector. Due to the use of different channels e.g. physical stores, e-commerce, catalogue we believe that the integration between them today have become vital. From the companies perspective the customers are not supposed to feel any obstacles when combining channels during a purchase. If the consumers make an order online they should be able to pick it up and return the product in the store. In order to fulfil the new strategy it becomes fundamental to

have well functional systems for information and communication as well as for logistics and distributions. In the long-term perspective we believe the system for logistics and distribution will play a key role and distinguish a retailer from its competitors. The faster a package can be delivered, the more convenient it gets for the customer.

- Why do Swedish companies within the clothing sector use a multi-channel strategy to reach their customers on the European market?

It has shown in our research that the development of the Internet and later on e-commerce has been revolutionised for the entire clothing sector. The increasing demand from consumers to have the most convenient shopping experience where they can search, compare and purchase products online anywhere at any time has put pressure on companies within the clothing sector to constantly be available. Therefore, many traditional retailers have a website nowadays to reach their consumers. Thanks to the development many pure e-tailers have also emerged but we can see a tendency that those companies also understand the benefits of using more than one channel to meet the new increasing demand. The research has also shown that even though e-commerce is a growing and important channel today, physical stores still play a key role in strengthening the awareness of the brand. We believe that the importance of physical stores will not disappear in the future since consumers always will feel the need to be able to go to a store, feel garments, try items and receive personal service from the staff. This is one of the reasons why we consider that e-tailers today eventually opens physical stores as well since even though efforts have been made e.g. virtual fitting rooms it cannot replace the physical store.

One of the main reasons for using multiple channels we believe is that the companies can target their different customer segments through different channels. Even though it often is more costly to use a multi-channel strategy than a single-channel strategy since more resources and competences are required. However, we can see that the combination of e-commerce and physical stores can bring several benefits for the companies such as new opportunities for growth and increased sales.

To summarise the important aspects from the conclusions made in the research questions we emphasise the importance for companies to be available in multiple channels within the clothing sector in order to become successful and keep up with the high competition on the

market. However, we believe that the multi-channel strategy is most appropriate for stable and established brands, meaning that a start-up company may have to start with a single-channel approach before adding more channels to their strategy. In the future, we believe that the multi-channel strategy will grow across the whole Europe and the integration of the different channels will play a significant role. As the regulations for e-commerce in Europe becomes facilitated and the barriers for cross-border trade decrease, there will be a growth in both sales and competition. To have a strong position on the market and well-functioning systems that are integrated will play a key role for companies within the clothing sector that are expanding on the European market.

In our opinion, the determination of whether to expand through physical stores or e-commerce has not really been the question, rather the combination of the two. The companies being interviewed have all started with a single-channel strategy in the form of a brick-and-mortar or e-commerce and later when they started to expand they added another channel to the strategy, creating a multi-channel approach.

6.2 Contribution to Research

The research in this thesis has contributed with a deeper understanding of how Swedish companies within the clothing sector conduct the balance between physical stores and e-commerce on the European market. Previous research has focused on strategies for either physical stores or e-commerce instead of combining the two strategies into one multi-channel strategy, including the whole European market. We have also contributed with a greater insight in why companies use this approach even though they originally come from different starting points as traditional retailers and e-tailers. We have also contributed with an identification of that the use of a multi-channel strategy is increasing and that there is a demand for it.

6.3 Suggestions for Future Research

From the beginning we believed that companies within the clothing sector were facing the determination of whether to expand through physical stores or e-commerce on the European market. Our conclusion is that they do not choose the one or the other exclusively; it is rather the combination of physical stores and e-commerce that are being practised today. During our research, a new channel has become evident for us; m-commerce. Due to the technological

developments, new channels are constantly emerging and the companies have to manage of how to combine even more channels in the future. Therefore, we believe a suggestion for future research can possible be to explore how new channels are being included in the companies strategies and the effects it will have on the entire clothing sector. During our research it also has become evident that the perspective from consumers can contribute to a deeper understanding of which channels they are using when shopping and what they consider is important in order to have the most convenient shopping experience. Therefore, we suggest that both perspectives; the companies and the consumers would give an interesting insight. Furthermore, we chose to focus on non-luxury clothing brands but we consider that it would be interesting to research if a multi-channel approach also is implemented in the same extend by more exclusive brands such as Gucci, Prada, Versace etc.

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