

# Save water, drink champagne!

A case study of how a luxury company can use a digital customer interaction to enhance value.

Lisa Sahlin & Maria Olsson in collaboration with Hatt et Söner.

Master's Degree Project Spring 2019  
Supervisor: Daniel Ljungberg  
Innovation and Industrial Management  
Graduate School



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**





Save water, drink champagne! A master thesis by: Lisa Sahlin and Maria Olsson

© Lisa Sahlin and Maria Olsson

School of Business, Economics and Law, University of Gothenburg

Vasagatan 1, P. O Box 600, SE 405 30 Gothenburg, Sweden

Institute of Innovation and Entrepreneurship

All rights reserved.

No part of this thesis may be distributed without the consent by the authors.

Contact inquires: [lisasahlin.94@gmail.com](mailto:lisasahlin.94@gmail.com), [maria.medsea@gmail.com](mailto:maria.medsea@gmail.com)



# ABSTRACT

This study examines the implications of digitally involving customers into a luxury company, through capturing the dynamics of user innovation and value co-creation. The purpose of this research is to bring clarity in how a luxury company digitally can integrate their customers to maintain and improve customer value. In the era of digitalization and in an increasingly internet based society, the evolvement of user innovation as a co-creation process has rapidly increased. Thus, digitalization provides opportunities for companies to constantly engage and directly connect with their customers in order to develop and innovate their offerings. The empirical data of the study consists of interviews with the case company Hatt et Söner and a self-completion questionnaire with their customers. The results are structured around several main themes; opportunities, barriers, and customer values in a digitalized customer integration. Finally, it is concluded that a luxury company can maintain and improve value creation through building a digital members community. The study contributes to the research areas of digital innovation and organizational customer involvement, through the establishment of potential connections between the two subjects, and sheds light on an observed, yet uninvestigated topic.

*Keywords: user innovation, customer involvement, community, digital user community, digitalization, luxury industry*

# ACKNOWLEDGEMENTS

We would like to express our gratitude to a number of people who has made this master thesis obtainable. A special thanks to the case company, Hatt et Söner, who has been highly involved in this thesis and in different ways have contributed with valuable information and guidance. We would like to thank all respondents that have participated in interviews as well as customer who have answered the survey. Thank you for dedicating your time and showing great interest in our thesis.

Lastly, we send our gratitude to our supervisor, Daniel Ljungberg. Thank you for your time, valuable advices and support throughout this master thesis project.

*Gothenburg, June 9th, 2019*

*Lisa Sahlin*

*Maria Olsson*





# CONTENTS

1. INTRODUCTION	13
1.1.BACKGROUND .....	13
1.2.THE LUXURY INDUSTRY.....	15
1.3.THE CASE COMPANY.....	16
1.4.PROBLEM DISCUSSION.....	17
1.5.PURPOSE AND RESEARCH QUESTIONS .....	18
1.6.DELIMITATIONS.....	19
1.7.DISPOSITION.....	19
2. METHODOLOGY	20
2.1.RESEARCH STRATEGY .....	20
2.2.RESEARCH DESIGN .....	22
2.2.1.CASE STUDY.....	22
2.2.2.QUALITATIVE COMPONENT .....	24
2.2.2.1.INTERVIEWS .....	24
2.2.2.2.SELECTION OF RESPONDENTS.....	25
2.2.2.3.INTERVIEW GUIDE .....	27
2.2.2.4.INTERVIEW PROCESS .....	28
2.2.3.QUANTITATIVE COMPONENT .....	29
2.2.3.1.SELF-COMPLETION QUESTIONNAIRE .....	30
2.2.3.2.EXECUTION .....	32
2.2.4.LITERATURE REVIEW .....	32
2.3.DATA ANALYSIS.....	33
2.4.RESEARCH QUALITY.....	34
2.4.1.RELIABILITY .....	35
2.4.2.VALIDITY .....	36
2.5.ETHICAL CONSIDERATIONS .....	37
3. LITERATURE REVIEW	38
3.1.USER INNOVATION.....	38
3.1.1.ORGANIZATIONAL IMPLICATIONS OF INVOLVING USERS.....	40
3.1.2.WHY USERS ENGAGE IN INNOVATION.....	42
3.2.VALUE CO-CREATION AND RELATIONSHIP MANAGEMENT .....	43

3.3.DIGITALIZATION - OPPORTUNITIES AND CHALLENGES .....	45
3.4.THE ROLE OF DIGITALIZATION IN THE USER INNOVATION PROCESS .....	47
3.5.DIGITAL USER COMMUNITIES.....	48
3.6.CONNECTING THE DOTS .....	51
<b>4. RESULTS</b>	<b>53</b>
4.1.PART I: INTERVIEWS .....	53
4.1.1.CUSTOMER INTERACTION TODAY.....	53
4.1.2.TRANSITIONING TO A DIGITAL CUSTOMER INTERACTION.....	55
4.1.3.OPPORTUNITIES OF A DIGITAL CUSTOMER INTERACTION.....	57
4.1.4.BARRIERS OF A DIGITAL CUSTOMER INTERACTION .....	59
4.2.PART II: SURVEY.....	62
<b>5. DISCUSSION</b>	<b>69</b>
5.1.CURRENT CUSTOMER INTERACTION .....	69
5.1.1.RELATIONSHIP AND VALUE CO-CREATION.....	69
5.1.2.COMMUNICATION .....	70
5.1.3.WHAT ABOUT INNOVATION? .....	71
5.2.DIGITALIZATION OF CUSTOMER INTERACTION .....	72
5.3.            OPPORTUNITIES AND BARRIERS OF TRANSFORMING TO A DIGITAL CUSTOMER INTERACTION .....	75
5.3.1.OPPORTUNITIES .....	75
5.3.2.BARRIERS.....	77
5.4.CUSTOMER VALUES .....	79
5.5.DIGITALIZED MEMBERS COMMUNITY .....	81
<b>6. CONCLUSIONS</b>	<b>84</b>
6.1.REVISITING THE RESEARCH QUESTIONS .....	84
6.2.IMPLICATIONS FOR FUTURE RESEARCH .....	87
<b>7. REFERENCE LIST</b>	<b>89</b>
<b>8. APPENDIX</b>	<b>97</b>
8.1.APPENDIX A: INTRODUCTORY EMAIL TO SURVEY RESPONDENTS.....	97
8.2.APPENDIX B: INTERVIEW GUIDE.....	98

## LIST OF FIGURES

Figure 1.1 Disposition of thesis.....	19
Figure 3.1 The user and producer innovation and diffusion paradigms. ....	40
(Gambardella et al., 2016).....	40
Figure 3.2 Typology of customer innovation and co-creation.....	50
(Piller et al. 2010) .....	50
Figure 4.1 Online luxury shopping behavior.....	62
Figure 4.2 Online interaction with companies.....	63
Figure 4.3 User community benefits.....	63
Figure 4.4 Reasons for customers of interacting with Hatt et Söner .....	64
Figure 4.5 Current communication channels.....	65
Figure 4.6 Consideration of using of digital tools.....	65
Figure 4.7 Preferred digital channel .....	66
Figure 4.8 Consideration of using website and/or application.....	67
Figure 4.9 Desired features in an application .....	67
Figure 5.1 Visualization of the digital member community.....	83

## LIST OF TABLES

Table 2.1 List of respondents.....	26
Table 3.2 The concept of co-creation (Prahalad & Ramaswamy, 2004) .....	44
Table 3.2 Summary of opportunities, barriers and customer values in relation to involving customers and digitalization .....	52
Table 4.1 Overview of functions connected to a digital customer interaction solution .....	57
Table 4.2 Summary of opportunities and barriers aligned with transitioning to a digital customer interaction .....	61
Table 5.1 Opportunities with a digitalized customer interaction.....	76
Table 5.2 Barriers with a digitalized customer interaction .....	78
Table 6.1 Summary of opportunities and barriers with a digital customer interaction .....	86



# 1. INTRODUCTION

## 1.1. BACKGROUND

The digital revolution has offered organizations immense opportunities and challenges, this has especially been the case in meeting customers' expectations and creating value for them. The speed of digitalization is constantly increasing, fueled by an ever expanding consumer demand and the possibility to use them as innovators to enhance profits (Nylén & Holmström, 2015); Von Hippel, 2009). Here the authors refer to the term value as the relative amount of user value that is subjectively realized by a target user. Thus, the customer is in focus of value creation (Lepak et al., 2007). During many decades, researchers have argued that value can be enhanced by co-creation between actors within an industry (Von Hippel, 2009; Piller et al., 2011; Prahalad & Ramaswamy, 2003). In fact, results from the UK indicates that 3 million users who have engaged in developing and modifying products and services to better meet their requirements, experienced increased value (Baldwin & Von Hippel, 2010). A facilitator to ongoing communication and interaction with customers is, of course, the internet and all the elements that it brings. Despite clear evidence of the benefits of users being involved in a company's business process, some industries are finding it more difficult to use digital elements as a core part of their business processes, one of them being the luxury industry.

Involving users and its effects on innovation has been frequently discussed both in the academic world and by business leaders. Going back to the very basics, companies today are using ways to innovate which contrast to traditional methods, where internal R&D was the main source to foster innovation. The alternative method allows companies to search for valuable knowledge beyond internal boundaries and focus on an open context for being innovative (Chesbrough, 2004). This process is referred to as user innovation, defined as an active and creative co-creation process between producers (companies) and users (customers). This translates into that customers are highly involved in some or several business processes. The concept of user innovation is game changing in the co-creation process and makes out an important component of the wider field of open innovation (Piller et al., 2010). In user innovation, the users typically identify unmet expectations and generate ideas by involving in a co-creation process with the company (Franke, 2014). However, as relevant as user innovation is for companies today, the topic is not new. Adam Smith (1776) first explored the idea of users coming up with innovations to facilitate their daily lives and ever since, the concept has received increased attention due to the value it creates (Schilling, 2017). This manifest itself, for example, in the number of academic articles published, which has exploded in recent years (Franke, 2014).

There to, industry experts share the interest. As a matter of fact, McKinsey envisions that companies are engaging users as a core of their innovation process and delegating management to create networks, allowing interaction between actors (Bughin et al., 2008). One of many motives behind this involvement is to share of ideas between different parties to create new inventions and enhance the collective value, i.e. for the customers as well as the company. As an example, LEGO, profited from co-creation as one of the first companies to invite customers to suggest new models and products, with a reward to the people with profitable ideas (Robertson & Breen, 2013). In this innovation process, the users influenced the company offerings to better suit their need. Ultimately, organizations profit from the co-creation process by strengthening their brand and strategic position, serving as one of the key success factors to survive in a competitive environment, regardless of industry (Bogers et al., 2010).

In the era of digitalization and in an increasingly internet based society, the evolvement of user innovation as a co-creation process has rapidly increased (Von Hippel, 2009). Ongoing improvements in communication and computing technologies allow users to easily interact and share ideas. Consequently, digitalization provides opportunities for companies to constantly engage and directly connect with their customers in order to develop and innovate their offerings (Piller et al., 2011). As McKinsey outlines, following digital development and customer involvement, companies are not only facing great opportunities, but are also struggling with challenges. In particular, the luxury industry is facing high barriers to adopt digital strategies and is lagging behind in the dotcom boom (Achille et al., 2018). While there are several possible explanations to this, the nature and characteristics of the industry is the most obvious one. The following section will further elaborate on the characteristics of the luxury industry and provide insights in how luxury customers and companies need to connect.

## 1.2. THE LUXURY INDUSTRY

At its core, the luxury industry accommodates some of the most prestigious and cultivated brands in the world, with a monetary value estimated to 260 billion euros (Statista, 2019). The economic definition of a luxury product is “a good for which demand increases more than proportionally when income rises” (Salehzadeh & Pool, 2017). Luxury products differs from other type of goods, for example consumer goods, since it offers kind of a cultural value, a philosophy that involves creating an identity of the customers. Most importantly, luxury products involve creating a unique relationship with the customers (Okonkwo, 2009). These specific attributes of luxury products create barriers for adopting digital strategies into the industry since much of the value associated with the product comes from the relationship and identity with the brand.

Traditionally, the experience of luxury product shopping has been associated with a personal relationship and a physical store. With the dot-com boom, the industry has been exposed to an increased visibility, but the fundamentals have not really changed. The future of retail is visioned to be a hybrid; strong e-commerce platforms combined with a new type of bricks and mortar experience. Thus, in modern day economies, luxury companies are adopting web services to outsmart competitors and influence shoppers. Despite the fact that these initiatives are inspiring and important, a core challenge when transitioning into an online presence is the industry’s dependency on high-valued exclusivity for buyers and how to ensure its future growth (Bughin et al., 2008). This makes the customer essential in the shopping journey, and when transitioning to a digital strategy, luxury consumers need to be highly engaged. Companies operating in the luxury industry have traditionally made distinct separation between conventional in-store sales, communication procedures, and operating digitally. However, these boundaries are diminishing, and luxury companies have to increase their focus on adopting digital technologies into their business strategy (BCG, 2014). Ultimately, building on digital opportunities will allow companies in the luxury industry to deliver the value that customer require and innovate their value creation.

### 1.3. THE CASE COMPANY

In order to explore digitalization in the luxury industry in relation to innovate value creation, the thesis will examine a case company, Hatt et Söner, which is operating within this particular type of industry. Hatt et Söner is a champagne house, founded in 2011, with the global ambition of producing champagne of the utmost quality. It is the only Scandinavian owned champagne house and their business model evolves around customer collaboration, including them in every step of the journey. One of their main objectives is to be in the frontline of champagne making by breaking traditional conventions and being innovative (Hatt et Söner, 2019). As discussed in the above background, digitalization has changed the way firms think about customers' role in the innovation process dramatically. The customer is no longer a passive buyer, rather it possesses valuable knowledge that can be beneficial for all parties. This is why the company's activities are becoming heavily focused on supporting customers by designing a system of activities within which customers can create value (Wikström, 1996). Hatt et Söner has a unique selling model in which they sell and produce customized champagne to customers who want an exclusive experience. In addition to a personalized vintage, which is what they call the customized champagne, the buyers get to be a part of "the house" by attending organized events and lectures about the production. Further, they have the chance to connect with likeminded champagne drinkers and share opinions on the topic. With an emphasis on community building and a member's club experience, the company's next step is to integrate their customers digitally. With this said, Hatt et Söner would like to investigate what their customers value in a digital customer interaction and how it can provide a sustainable competitive advantage as well as what the challenges are that they must overcome. Thus, a case study of Hatt et Söner offers a unique research opportunity.



## 1.4. PROBLEM DISCUSSION

Digitalization has changed the luxury industry, transforming how customers search for new products and interact with brands (Loebbecke & Picot, 2015; Bughin et al., 2008). The strategies of luxury brands have traditionally focused on relationship building and interacting with their customers in physical stores, and value was created through experiences and product features (Harding, 2017). While these aspects are still important, the era of digitalization forces luxury companies to innovate and engage in new ways to interact with the customers and deliver value (Parise et al., 2016). At the same time, user innovation is a hot topic which has received an immense amount of attention in recent years. User innovation, hereby understood as a co-creation process where customers are involved in a company's business processes, has proven to help companies to be successful (Bogers et al., 2010; Franke, 2014). Clearly, there are previous academic research that examine digitalization and user innovation separately, however, none or very few have previously combined them or tried to apply them on the luxury industry. Thus, there is a twofold need; to clarify the combination of these relationships, and in relation to a luxury company.

What has been recognized is that digitalization and the concept of integrating the customers as in user innovation can be unified, and there are reasons to believe that doing so can help luxury companies can increase or create new value for their customers. Since retail is becoming a digitalized experience, where customers increasingly are using online channels to interact, companies in the luxury industry can benefit from identifying unmet customer requirements that goes beyond the physical factors of the actual products in order to create valuable opportunities (McKinsey, 2018). However, it is not known *how* this could be done, what opportunities and challenges it will provide or what factors customers value in such an integrated process. Albeit, it is understood that in an attempt to digitally involve customers in new ways, there are aspects of a company's current business should be improved or even changed (Borowski, 2015). As with all changes and transformational processes, companies understand the importance of identifying opportunities, however, they also need to recognize barriers along the way before a full transformation can be finalized. Therefore, it is of utmost importance to discover these in order to ensure a successful development of a digitalized customer interaction. Moreover, there are several factors that affect how well a company adjust and adapt to transformations within the industry, for example, customer requirements, a company's capabilities, investments and knowledge affect how well a firm is able to adjust to a new business environment. Moreover the customers play an important role. In order to successfully integrate customers into a company's

business processes the attributes that customers value in a digital interaction with a company need to be explored.

Apparently, many questions are to be answered and it is far from clear how customer involvement could be combined with digitalization and carried out in practice. For many businesses, a co-creation process in digital settings can already be displayed and is no longer looked upon as a future trend, rather, it is happening right now. However, this process has traditionally been applied to large, high-tech companies with intense focus on R&D and developing new products (Spithoven et al., 2010). Clearly, the research gap of identifying how luxury companies can benefit from involving users in a digital interaction has been spotted. In essence, this thesis seeks to explore the influence of digitalization on customer interaction and how it creates value for all parties involved

## 1.5.PURPOSE AND RESEARCH QUESTIONS

The purpose of this master thesis is, through a single case study at Hatt et Söner, to investigate how a luxury company digitally can integrate their customers to enhance customer value. In order to fulfill the purpose, the thesis will also examine what opportunities and barriers are aligned with a digital customer interaction as well as what aspects customers value in a digital interaction with the company. The following research questions have been formulated to reach the purpose of the thesis:

*How can a luxury company maintain and improve value creation through a digitalized customer interaction?*

- › What are the opportunities for a luxury company with a digitalized customer interaction?
- › What are the barriers for a luxury company with a digitalized customer interaction?
- › What do customers' value in digital interaction with luxury companies?

## 1.6. DELIMITATIONS

Despite the main purpose of the research which outlines the focus and direction, several limitations have been conducted which affect the scope of the thesis as well as potential finding related to the research. The research is limited to one case company, which is an incumbent firm, within one industry and as a result many aspects are excluded. Other companies and industries might have different characteristics and the company and industry studied will not be compared to other companies or industries. Moreover, only the formulation of a digitized customer interaction will be investigated. Actual development and implementation into the company's current business processes will not be taken into consideration, nor how it might affect its other business processes or organizational performance. In relation to digitalization, the thesis is limited to explore only the digitalization of customer interaction and not digitalization of the entire company. Lastly, since the case company is providing champagne which is an alcoholic beverage it might be important to mention that specific limitations which refer to businesses involving alcoholic products have not been taken into consideration. This since the thesis does not aim to explore the disposal of champagne.

## 1.7. DISPOSITION

The thesis is composed by the following sections, as illustrated in figure 1.1.

1	2	3	4	5	6
<b>Introduction</b>	<b>Methodology</b>	<b>Literature review</b>	<b>Results</b>	<b>Analysis</b>	<b>Conclusions</b>
Background of research area Problematization Research questions	Research strategy and design Data collection Analysis method Research quality	User innovation Value co-creation and relationship building Digitalization User communities	Comprising of interviews Presentation of descriptives from self-completion questionnaire	Comparison of previous research and current findings	Answers to research question Implications Future research

Figure 1.1 Disposition of thesis

## 2. METHODOLOGY

*The following chapter describes the methodology that has been applied when conducting this study. To properly address the stated research questions, a case study of a company operating in the luxury industry has been conducted. The case data was gathered by interviewing selected executives, and by conducting a self-completion questionnaire to customers of the company. The details and decisions of the mixed methodological choices are presented and argued for, as well as how the analysis has been conducted. Lastly, the quality of the research is discussed.*

### 2.1. RESEARCH STRATEGY

In research, there are mainly two strategies that can be applied, qualitative and quantitative. The strategies constitute of general approaches to conducting research and the chosen one often depends on the purpose, the relationship between theory and research, and the type of questions that the study aims to answer. Nevertheless, these approaches can be combined into a mixed research strategy which has been the case in this study. A mixed method was perceived as the most suitable strategy to fulfill the purpose to explore how luxury companies can maintain and improve value creation through a digitalized customer interaction. Exploratory research is generally used for problems where there are few prior studies to refer to (Bryman & Bell, 2015). As the subject of the thesis is rather unexplored, the thesis aims to generate new ideas and develop theories that could be an addition to existing research. The researchers found that a combination of both qualitative and quantitative methods provided a better understanding of the research problem than either of the strategies alone.

In order to fulfill the purpose of the thesis, the researchers wanted to both get a deep understanding of the opportunities and barriers for a luxury company to develop a digitalized customer interaction as well as to find out what customers' value in a digital interaction with a luxury company. A mixed method allowed the researchers to gather and analyze of different kinds of data. Through qualitative interviews the researchers were able to get detailed knowledge in how the company perceives the process of going digital in the customer interaction (Bryman & Bell, 2015). The interviews were conducted with the aim to answer the two sub-questions that are related to the opportunities and barriers in this process. Since the company is fairly small with only a few employees qualitative interviews were to prefer to get a detailed perspective of the social context of a luxury company developing a digital strategy. The respondents were also able to share information with their own words

from their own perspectives which was preferable since the researchers wanted to find out what executives perceived as important. Ultimately, a profound understanding of the setting was obtained that goes beyond theories presented academic literature. Thereto, a detailed view, also increases the reliability of the study, i.e. the possibility to replicate the study (Yin, 2014). In addition, complementary to the qualitative interviews, and in order to find the factors to include in the formulation of a digital interaction, customer values were essential to investigate. By conducting a quantitative self-completion questionnaire distributed to customers, the researchers were able to reach out to a large group of customers and gather various perspectives on valuable factors.

Moreover, in terms of the relationship between theory and research, a qualitative research strategy is associated with an inductive approach, meaning that new theories are formulated based on the observations and findings from the empirical research. Contrary, a quantitative research strategy often takes a deductive approach where hypotheses are developed based on existing theory (Bryman & Bell, 2015; Patel & Davidson, 2011). Even though a mixed research strategy is taken, the study takes an inductive approach. This is due to that the research questions and the overall purpose in this study is more of exploratory art as mentioned above and not testing hypotheses. The goal was to complement existing theory with new insights and theory from the study, hence theory was the outcome of the research. Further, the research topic is a rather non-investigated subject. Previous literature exists regarding user innovation, digitalization and value co-creation. However, limited research has previously applied these theories to the luxury industry. This implies that the research process has no specific pattern to refer to, and started with observations and explorations in order to generate theory which further strengthened the choice of an inductive approach. The quantitative elements of the methodology served the purpose of gaining a deeper understanding and not to generalize and make definite conclusions of existing concepts.

Albeit, the information required to conduct the study is not completely structured, rather it is unstructured. The research process hence is iterative as it involves going from data to theory, and from theory to data. When theoretical findings have been achieved from the data collected, it is possible that there is a need to further develop the theory and so on. Just as Bryman and Bell (2015) argues in their discussion about research strategy, this inductive process also involves some deduction. As a result, the approach in this study will be of inductive nature even if elements of a deductive approach will occur.

There are limitations with an inductive approach in this thesis that are important to consider. An inductive approach is limited in its scope since conclusions

are drawn from a very specific situation from the case study. Hence, the findings might not be generalized, and the observations might never be 100 percent certain. Also, the empirical findings are not quantifiable which also confirms that the results are not generalizable. Though, the researchers are aware of the limitations and since the main purpose of the thesis is not to be able to draw generalized conclusions, an inductive approach was adequate. To further build on the mixed approach taken in this study, the choice of research design is motivated below.

## **2.2. RESEARCH DESIGN**

The research design is a structure that guides the execution of a research method and the analysis of the subsequent data. The choice of research design should be guided by on what is perceived as most appropriate in relation to the overall purpose of the research and the research questions (Bryman and Bell, 2015). To address this exploratory study in relation to the research questions, a single case study came across as the most adequate research design.

### **2.2.1. CASE STUDY**

A case study includes a detailed exploration of a specific case, which can be a community, an organization, or a person and is suitable when the research questions address how or why something occurs (Bryman & Bell, 2015; Yin, 2011) which is the case in this thesis. In order to fully understand the luxury industry and the role of digitalization, it was perceived preferable to study a single case company and its customers since a case study allowed to intensively examine a current company setting. Hence, the nature and complexities of a single luxury company developing a digitalized customer interaction hence could be explored.

The choice of a single case design was further motivated by the goal of this study which is to find out how a luxury company, selling a traditional product, can create more sustainable value through a digitalized strategy. For the purpose of this thesis, the company Hatt et Söner, a French-Swedish champagne house was selected. The case company was specifically interesting to study since developing digitally is currently in their pipeline. Hence, the willingness from the company side as well as the timing in their development phase was a strong reason for the collaboration. Hatt et Söner gave the researchers the opportunity to investigate how selling a traditional, prestige product such as champagne can benefit from a digital strategy in terms of customer interaction. This also goes in line with one of Rowley's

(2002) strongest arguments of using a case study, that it is appropriate when the case is unique and has something special to reveal.

As in most cases, there are advantages and disadvantages with every research design. According to Siggelkow (2007), a major problem when it comes to case studies is that the researchers might feel that they have a too small sample. In contrast, Flyvberg (2006) argues that the closeness of the case study and precise level of details are important in two aspects; it provides a nuanced view of the reality and for the purpose of the learning process of the researchers. The company, Hatt et Söner, is a fairly small and young champagne house, operating in an old industry with many players. Despite this, Hatt et Söner was perceived as representative for the challenge, i.e. developing a digital customer interaction for luxury products, since they work with an innovative business approach, a concept that has never been deployed in that industry before (Adams, 2018). This concept involves working closely with the customers, involving them in every step of the production process and creating an experience based on something more than just the product champagne. Being a growing company, Hatt et Söner faces the challenge of digitalization and is undergoing a development process of digitalizing the way they interact with their customers. Since the aim of this study was to examine methods for digitalization that applies to an innovative company, rather than finding suitable business models for a whole industry, Hatt et Söner was suitable in order to answer the research questions.

Following the chosen research design, the next sections will describe the data collection process deriving from the case study. Primary data, which is first hand data collected by the researchers themselves (Bryman & Bell, 2015), is collected in two steps that corresponds to the two components that the case study is built upon; a qualitative component and a quantitative component. The two steps of the data collection process were conducted simultaneously. Firstly, the qualitative component will be presented which includes an in-depth investigation of the case company. This component serves as a foundation for answering the subquestions related to opportunities and barriers with a digital customer interaction. Then the quantitative component is presented which includes a survey with the customers of the case company which provides answer to the last subquestion. Combining the two, they are considered to complement each other and provide answer to the main research question. Accordingly, the process of data collection was guided by data saturation, meaning that when the researchers perceived that no new information is gathered through the collection, the process has fulfilled its purpose (Bryman & Bell, 2015).

## **2.2.2. QUALITATIVE COMPONENT**

The first component of the case study of Hatt et Söner is a qualitative component that includes a data collection process of qualitative interviews with case company employees. According to Bryman and Bell (2015) a qualitative research strategy emphasized words rather than numbers in the collection of data. Also, a qualitative strategy emphasizes generation of theories, a so called inductive approach, and focus on individuals interpretation of the social reality as a constantly changing property (Patel & Davidson, 2011).

The main purpose of the thesis is to provide an understanding of how luxury companies can maintain and improve value creation through a digitalized customer interaction. In order to answer this, sub-questions have been developed where the opportunities and barriers are identified in developing a digitalized customer interaction. The issues concerning a company's opportunities and barriers to use this strategy can be enhanced and investigated through an internal perspective of the case company. The internal company perspective puts attention to the specific circumstances where a contextual understanding of the findings is created which is valuable since the aim is to develop a deeper understanding of the use of digital strategy by a luxury company. Hatt et Söner provides the point of direction of the study since it is their view of what is important and significant in the digitalized innovation strategy that will lead this study to develop existing theory on the subject. From these perspectives, the characteristics of this research leads to that a qualitative research component is suitable to apply.

### **2.2.2.1. INTERVIEWS**

First, primary data was gathered through semi-structured interviews with employees holding different positions at the case company, Hatt et Söner. As perspectives might differ internally, it was important to capture several angles in order to understand company-customer interaction. The purpose of the interviews was to interpret the motivations behind moving towards a digital strategy and how it can be developed by the company, as well as finding their perception of opportunities and barriers it can involve. The choice of qualitative interviews as data collection method for the qualitative component was hence driven by the fit to the purpose of the research and the advantages that comes with interviewing. The method is flexible and the researchers have the possibility to gain in depth and detailed insight of research participants (Bryman & Bell, 2015). This was favorable for the research since the purpose is of explanatory art and seeks to deepen the understanding of how luxury companies can benefit from using a digital strategy.



Thus, there is a need to understand the customers behavior in the digital interaction and explore the digital process, its opportunities and barriers from the company's perspective. Qualitative interviewing allowed the researchers to gain insightful knowledge about the perceived obstacles and opportunities by the executives of the company which was necessary in order to set a future strategy. The respondents perceptions in relation to the topic of interest was also obtained which was highly valuable to achieve profound knowledge (Bryman & Bell, 2015). As mentioned above, interviews were one of two components used to answer the research questions of this study. Another important reason behind gaining insight perspectives of the company was to construct questions for the self-completion questionnaire to be sent out to the customers at a later stage in the methodology process.

#### **2.2.2.2. SELECTION OF RESPONDENTS**

The sampling process of selecting interview respondents is important since it links directly to the results of the empirical findings. Accordingly, avoiding biased results by selecting respondents appropriately is fundamental (Bryman & Bell, 2015). Hatt et Söner has 15 employees. Out of them, four key individuals were selected for interviews. From one perspective, since the case company is quite small the researchers did not have so many respondent options. However, the respondents were also selected on the premise to provide different perspectives related to the research topic in order to avoid biased results. This was done by identifying respondents at Hatt et Söner with relevant insights on how a digital innovation strategy would affect the customer interaction at the company. The respondents that were perceived as most relevant to interview was the House Manager, the Founder and Creative Director, one of four Personal Vintage Directors and the Chief Executive Officer. These executives all have different understandings of how to integrate the customers digitally and what opportunities and barriers it might bring. Further, the researchers had a contact person at Hatt et Söner and in order to ensure a representative sample, the researchers collaborated with the contact person to identify suitable interview respondents. The respondents were then asked to participate in interviews. Below, a list of respondents contributing to the thesis is presented. The respondents have accepted that their personal details are presented in the thesis.

Respondent	Position	Interview duration	Interview language	Interview date
A	House manager for the house and production in Champagne	86 min	English	3rd of April
B	Founder and Creative Director	46 min	Swedish	8th of April
C	Personal Vintage Director	42 min	Swedish	8th of April
D	Chief Executive Officer	52 min	Swedish	11th of April

*Table 2.1 List of respondents*

According to the process of respondent selection presented above, the method can be acknowledged as a convenience sampling, but also as snowball sampling which is a form of a convenience sampling method. Convenience sampling refers to a non-probability sampling that involves drawing a sample from the population that is easy to reach for the researchers or a population that are available at the specific point in time (Saunders et al., 2000). This method was preferable due to the time and resource constraints that the research has but also since the method is useful in documenting the researched phenomenon within a particular context and sample, namely luxury companies. Moreover, since only one company is studied the research is highly limited in the number of potential and relevant respondents which also calls for a convenience sampling. It is important to highlight that the results of convenience sampling cannot be generalized due to the potential of biases. Further, a snowball sampling was used. This is described as a repetitive method where the researchers take the initial contact with a small group of people relevant to the research and then these people establish contact with other respondents (Bryman & Bell, 2015; Noy, 2008; Yin, 2011). Using a snowball sampling assisted the researchers in identifying respondents that were most relevant to the research topic. Also, Yin (2011) claims that using a snowball sampling method increase the validity of the research since respondents are identified that can contribute the most with appropriate information in the conducted interviews.

The very first step in the interview process was to hold an open-ended interview with the contact person at Hatt et Söner to learn more about the company and to identify further respondents to guide the rest of the interviews. When potential respondents were identified, the researchers reached out to them and presented the thesis, the purpose of the research and the value of their participation.

### 2.2.2.3. INTERVIEW GUIDE

There are several different interview methods that can be applied. However, in this thesis, the researchers have chosen to take a flexible interview structure due to the benefits it provides in terms of gaining a deep understanding of the situation as well as getting the respondents own perceptions of the phenomenon. Bryman and Bell (2015) then suggests a semi-structured interview approach in order to enhance flexibility. Semi-structured interviewing is a responsive method where the researchers are given the opportunity to have an open discussion with the respondents about the topics, allowing new ideas to be brought up and are able to ask follow-up questions while maintaining focus on the research topic (Bryman & Bell. 2015; Yin, 2011).

Prior to the interviews, an interview guide was created (see Appendix B) including the main questions that were to be investigated during the interviews. The interview guide was also sent to the respondents before the actual interview took place in order to give them insights in what areas will be covered in the interviews. An interview guide is a brief list of topics, issues and question areas that will be covered during the interviews (Bryman & Bell, 2015). According to Yin (2011), an interview guide helps the researchers to both enhance flexibility in the interviews while keeping a structure that makes relevant information to emerge. The interview guide was perceived as highly suitable since it also guides the researchers to establish consistency between the interviews and helps to maintain the focus towards gathering information to answer the research questions. It is also perceived highly valuable that the information gathered from the semi-structured interviews will provide not just the answers, but also the reasons for the answers since the respondents are able to give explanations to their answers.

The questions in the interview guide were first and foremost developed based on the premise that the research questions should be answered. Therefore, themes were constructed in order to fit into the analysis of the research. Firstly, general questions were constructed in order to make the respondents comfortable and get an understanding of the company. Then, questions related to the current customer interaction and the perception of what a digitalized customer interaction strategy means were asked as well as opportunities and barriers of a digitalized customer

interaction strategy. These are sub-questions that aim to help answer the overall research question. The questions are stated in a way that gives the respondents the ability to reflect upon the answers. Also, the respondents could simply deviate from questions which enhanced new insights to emerge. However, the order of the topics and questions covered in the interviews were able to change between the interviews and follow-up questions was added in order to provide the flexibility necessary to answer the research questions. The researchers guided the respondents back to cover the key questions when necessary.

Nonetheless, there are disadvantages and risks with semi-structured interviews and using an interview guide. Bryman and Bell (2015) argue that when using an interview guide, the respondents might feel restricted to answering the stated questions and not be able to openly discuss the topics. In addition, there is also a risk that the interviewers might miss out what the respondents perceive as most important in the dialogue. Even though an interview guide was used, it was more used as a guidance rather than a defined set of questions to be asked. The respondents were the ones who steered the interview conversations and the researchers acted more to drive the conversations forward. In the end, the advantages of using an interview guide are perceived by the researchers to outperform the disadvantages. Using an interview guide allowed the researchers to have control over what data is collected and hence the interviews could be directed towards answering the research questions.

#### **2.2.2.4. INTERVIEW PROCESS**

As viewed from the table above, four interviews were performed at different sites and dates. Depending on the availability and where the interview respondents were located, the interviews were either performed face-to face at the production site in Champagne, France, or over the phone. As an initial step, a pilot interview was executed before the actual data collection. This helped the researchers to detect ambiguous or problematic questions, control that time limit was kept and that the interview guide was going to provide answers the research questions.

There are advantages and disadvantages with how interviews are performed. Bryman and Bell (2015) argues that face-to-face interviews are more beneficial since it allows for a personal connection to emerge between the respondents and the interviewers. A personal connection makes it less likely for the respondents to give an avoiding answer. Moreover, in a face-to-face interview, the interviewer can detect body language, expressions and reactions which can be important in analyzing the answers. However, it is time consuming and sometimes even not possible to have

face-to-face interviews due to location differences which makes phone interviews suitable to use in this thesis. Especially since the respondents are located in other areas than the researchers. Hence, both types of interview methods were performed in the data collection process in order to enhance the data collected and overcome obstacles in time and resources.

In terms of language, the interviews were conducted in either Swedish or English. The choice of language was based on what the respondents perceived as most comfortable. The interviews were recorded and transcribed in order to ensure dependability and transparency throughout the research process. However, transcribing is a time- and resource consuming process so it is important that the possibility is evaluated in accordance to the limited amount of time and resources available to conduct the research project. As a result, only the very first interview was completely transcribed which generated many learnings for the researchers. The interviews that followed were recorded and notes were taken during the interviews instead of making complete transcriptions. All empirical material was compiled in English.

The duration of the interviews varied between 42 minutes to 86 minutes. The interviews were conducted by one of the two researchers. The initial plan was that both researchers were to be present during the interviews, but due to several reasons that was not possible. The questions to be asked during the interviews was beforehand divided between the two researchers. This method was chosen since it provided the researchers to both listen actively and ask follow-up questions while the other researcher could take notes and be aware of important details.

### **2.2.3. QUANTITATIVE COMPONENT**

Since one purpose of the thesis also is to explore what customers value in a digital interaction with the companies, the above mentioned qualitative interviews was complemented with a quantitative component. The question regarding customer values is important to gain an understanding of what factors are important to include in order to formula a digital customer interaction. In order to analyze this perspective, a self-completion questionnaire was conducted with the customers of Hatt et Söner. The main purpose of doing a survey was to get a broad understanding of what specific valuable factors that the customers perceive as important. From a company perspective, a questionnaire served as a possibility to involve customers in the future strategies and communication methods. Since Hatt et Söner have approximately 700 customers today (Hatt et Söner, 2019), it was perceived as most

suitable to reach out to as many customers as possible to build a trustworthy base of answers and to be able to describe the characteristics of the population.

Even though a quantitative approach has been taken, the process of collecting data did not involve stating and testing a hypothesis which is common in general quantitative research (Bryman & Bell, 2015). Rather, the purpose is descriptive, to be able to develop descriptive statistics to describe the customers general view in the questions with the aim to get a broad foundation of customer data that will help companies to understand customer values in a digital customer interaction. Moreover, it was also seen as beneficial regarding the time and resource constraints to conduct a quantitative questionnaire rather than perform qualitative interviews with a large sample of customers. More answers were able to be collected through a questionnaire which was perceived as highly valuable for the results of this thesis. Hence, gathering customer perceptions of valuable factors in digitalization is beneficial for strategy formulation.

#### **2.2.3.1. SELF-COMPLETION QUESTIONNAIRE**

In order to collect data with the purpose of gaining an understanding of customer priorities in digital interactions, a quantitative self-completion questionnaire was chosen as method. Hereby, also referred to as a survey. A self-completion questionnaire is defined as a method where the respondents answer questions by completing a questionnaire themselves. There are mainly two ways to conduct a self-completion questionnaire; digitally or via postal services (Bryman & Bell, 2015). Since this study is conducted within a short time frame, the digital solution was to prefer as respondents are easier to reach digitally. Moreover, this method was efficient for the researchers to use since the respondents are geographically dispersed and a digital survey allowed to reach out to the respondents in a quick, cheap and efficient manner (Bryman & Bell, 2015). The questions were developed together with the contact person at Hatt et Söner. The main premise was to be able to answer the research question, in particular the third sub-question related to what customers value. In the major part of the survey, respondents were asked questions about their current behavior in regard to luxury companies, potential future behavior and what they value in a digital interaction with Hatt Söner. Moreover, important to mention is that questions that were used for the purpose of this thesis were combined with questions seek to answer. Hence, all questions will not be presented in this research since all are not relevant in order to answer the research questions.

Using a questionnaire involves several risks (Bryman & Bell, 2015). The largest risk in relation to this study was to ask the questions in an efficient way since there were no possibilities to ask follow-up questions or asking open-ended questions of why the respondents answered the way they did. In order to mitigate this risk, a pilot survey was sent out to a small sample of respondents before the actual survey was distributed to all respondents. The pilot survey allowed the researchers to detect potential problems, misunderstandings or limitations with the survey. From the pilot survey some valuable inputs were gathered which resulted in that three questions were deleted due to their nature of not contributing to the findings. Further, some questions were clarified in order to make it easier for the respondents to answer the questions properly. Likert-scales was added to the question where the respondents were asked to state how often they use digital channels to interact with or to get inspiration from luxury brands. Also, questions involving multiple answer opportunities were included where the respondents could choose all options that was perceived to fit them. Involving these types of questions was done to be able to quantify the data, increase the easiness of processing data and to be able to make more appropriate analyzes. In addition, the above actions taken to improve the questionnaire also has similarities in what Persson (2016) discusses as important when conducting a questionnaire. Persson (2016) highlight that in questionnaires, respondents tend to perceive questions differently which might affect the answers. To mitigate this risk the researchers focused on creating questions that were simple to understand and straightforward. Also, ranking questions were avoided as these tend to be more difficult to answer by the respondents.

The survey was randomly sent out to 200 out of 700 customers of the case company Hatt et Söner. The total number of respondents was 117 which is perceived as a satisfactory response rate. Important to mention is that due to the characteristics of the data, the researchers are not able to determine whether the sample is representative for the entire population. Though, as the aim is not to find any conclusive result, but rather to find several factors important in the customer interaction process, the sampling method was perceived as reliable. The survey was distributed to the respondents by an administrator at the case company. With regard to the short time frame in which this thesis was conducted, this was the most suitable way to distribute the survey since the response rate probably increased when a representative from Hatt et Söner contacted the respondents.

### **2.2.3.2. EXECUTION**

The survey was conducted in the online platform SurveyLegend distributed and owned by Hatt et Söner. The researchers were given access to the platform in order to construct the questionnaire before the actual hand out was completed by the case company. The questions in the survey were formulated based on both what has been collected in the literature review and what was perceived as important from discussions with Hatt et Söner executives. In other words, qualitative data was scaled with the purpose of providing a numeric representation that could be compared and analyzed. Moreover, the questions were divided into different categories in line with the areas of the literature review and the research questions.

The survey was officially sent out to the respondents the 23rd of April. A reminder was sent after a week in order to advance the response rate. This is also a common problem that Bryman and Bell (2015) rises, that the response rate tends to be low in questionnaires. Hence, it was beneficial to send out reminders since it increased the response rate heavily. The total amount of time of collecting results from the survey was two weeks, due to the overall time constraints in the thesis. It is perceived by the researchers that if longer time was provided to collect responses, the response rate would probably be higher. Moreover, a short cover letter that explained the reasons for the research, why it is important and why the respondents have been selected was attached to the survey (see Appendix A).

### **2.2.4. LITERATURE REVIEW**

Apart from primary data, previous literature and theories were also gathered to review existing information, gain a deep understanding of the research subject and generate important insights. Thus, this part of the thesis constitutes the foundation of the research by providing existing knowledge on relevant theories in which additional analyzes can be built upon. As a result, this part was mainly performed in the beginning of the research process.

Specifically, academic articles, literature, scientific reports and consultancy reports were collected, mainly from digital sources and databases. The databases that were used were for example Google Scholar, Emerald, Oxford Handbooks Online and Retriever Business. They are all provided by the Economic Library at the School of Business, Economics and Law in Gothenburg. The data collected from these sources has primarily been used in the introduction and in the literature review but has also been used in the analysis as contributing to the reasoning together with the collected primary data. When collecting and analyzing this kind of data, the



researchers have followed some principles in order to ensure the validity of the data and that the data contributes to answer the stated research questions. Firstly, the researched discussed what the key issues and subjects that should be addressed were since it facilitates the search process of secondary data to have a clear picture of the data that needs to be collected. Secondly, the collected data was critically analyzed in order to ensure that the data comes from reliable sources. Lastly, the researchers put a lot of effort in establishing a correct way to reference to the information gathered so that it is clear where the information comes from.

In this thesis, the following keywords have primarily been used when searching for previous academic research and literature: *user innovation, value co-creation, luxury industry, luxury industry innovation, digitalization, digital innovation, communities, digital user communities.*

## 2.3. DATA ANALYSIS

Analyzing the collected data is a fundamental part of every research (Bryman & Bell, 2015). To be able to build an empirical framework on which theoretical findings and the collected data can be analyzed it is crucial to use a structured method. Also, since the research validity heavily relies on the data analysis it is important that data analysis process is carried out in a structured and appropriate way.

As shown above, the thesis is based on two components; a qualitative and a quantitative, in terms of data collection. These have been analyzed together with the theoretical findings to be able to answer the research questions. Overall, an iterative approach has been applied in the data analysis process. Bryman and Bell (2015) describes an iterative approach as when the researchers go back and forth between the empirical findings, the theoretical findings and the analysis. This approach was suitable to adopt this thesis since the subject of the thesis is perceived as rather un-investigated, and hence, sections in the different parts of the thesis might need further elaboration as the knowledge about the topic increases. Below, it is presented how the data analysis process was performed from the perspective of the two components.

From the qualitative data collection process, deriving from interviews with executives from the case companies, the data analysis process followed the method of using thematic analysis. Since qualitative data extracted from interviews often is unstructured textual material and hence not always easily analyzed, a thematic analysis method was preferable. This method involves recording patterns, or themes,

within the collected data through coding. Coding is the process of breaking down the data into separate parts with the aim to be able to interpret the data and form categories that are theory building (Bryman & Bell, 2015). Patterns, or themes, in the collected data were pinpointed by using color coding. This process involved giving specific themes covered during the interviews different colors that corresponded to the stated research questions and the topics covered in the literature review. The aim with this process was to form concepts that further could be categorized to generate new theory and make sure that empirical material collected was aligned with the research questions that the thesis aims to answer. This method enabled the researchers to take a structured approach when analyzing the gathered data. Accordingly, the analysis of the data started already during the interviews in which important aspects pinpointed by interviewees were noted by the researchers. This was done by classifying the data into structured concepts as described by Dey (2003). As a result, the data processing was facilitated in terms of that responses were already somewhat classified in relevant subgroups in accordance with the interview guide. However, Bryman and Bell (2015) reveals potential problems with coding. For this study, the most viable potential problem was the risk of losing the context of what is said during the interviews. To mitigate this problem, the concepts deriving from the data collection were approved with the respondents in order to assure that the entire social context was captured.

The quantitative data, stemming from the self-completion questionnaire sent out to customers of the case company, was analyzed through constructing descriptive statistics in Excel. The data was treated and constructed into diagrams and graphs that suited the format of the answers. The descriptives provided an overview of diverse answers and allowed the researchers to draw conclusions on the different themes.

## **2.4. RESEARCH QUALITY**

Potential research quality issues have been discussed throughout the methodology, however this section seeks to further elaborate on quality concerns and how they have been mitigated to ensure the utmost quality of the thesis. Since this research incorporates a mixed method, there are several quality concerns that can be emphasized. Traditionally, reliability and validity are the two most common quality measurements (Bryman & Bell, 2015). However, it is argued that addressing the quality of a mixed study includes several challenges due to its complexity of involving two research methods. For example, there are challenges in how research quality should be appraised and conceptualized (Fàbregues & Molina-Azorín, 2017).

To cope with these challenges and ensuring a high quality throughout the research, the traditional quality measurements have been adjusted to fit the mixed method taken in the study. Though, it is important to bear in mind that even if the research strategy involves a mixed method, the overall character of the study is more of a qualitative sense. This since the purpose of the thesis not is to test hypotheses and draw generalizable conclusions. As a result, the research quality will also be evaluated according to this.

#### 2.4.1. RELIABILITY

The reliability of a study measures the ability for other researchers to replicate the findings if the experiment was repeated (Bryman & Bell, 2015). Leung (2015), differentiate between *external* and *internal* reliability and points to the emphasis of consistency in qualitative research. The external reliability, i.e. how well a study can be understood and replicated, is generally a major concern since qualitative studies, and case studies in particular, often constitutes specific details of a company or setting. To improve this, Bryman and Bell (2015), stress the importance of careful documentation of all details related to the study, i.e. methodological choices and research motivations. Throughout this study, the researchers outlined meticulous descriptions of the different steps concerning the mixed method, and thoroughly documented the data collection and analysis process in transcripts and code descriptions. While the social setting is a key element of a qualitative research, interview respondents play a crucial role in the final result. In this study, interviewees have agreed to be transparent with name and position, which enhances the reliability substantially. Also, the interview guide as well as the survey questions are fully transparent and attached in the thesis which makes it possible to reproduce both the interviews and the survey in the future,

Internal reliability is determined by how well researchers can agree on findings or results from a study (Yin, 2011). A strong agreement indicates a high level of internal reliability. Although the topic of digitalization within luxury companies is rather novel, the internal reliability has been addressed by including more than one researcher through all the phases of this study. Bryman and Bell (2015), mean that having several researchers involved, improves the inter-observer consistency, i.e. more than one observer agree on observations and ultimately how that observation is used in the analysis. As a result, the internal reliability is perceived to be high.

## 2.4.2. VALIDITY

Although the validity aspect is more of a concern in purely quantitative studies, it is an important subject to address since the study involved a mixed method. Yin (2011), distinguish between three main categories of validity problems concerning case studies; construct validity, internal validity and external validity. Construct validity is the degree to which a research, in this thesis the case study, tests the intended research questions. Case studies have been criticized with the lack of ability to develop organizational constructs. In this research, by including both qualitative and quantitative elements with questions in interviews and the questionnaire stemming from literature, the validity issue was reduced. Moreover, to enhance objectivity across data, several interviews were conducted in a semi-structured setting allowing the respondents to emphasize on important aspects. Thereto, survey participants were chosen randomly across the customer base in order to reduce potential biases.

A major threat to the internal validity, the ability for a study to outline explanations for its findings, is the use of interviews as the main data source (Yin, 2011). To address this concern, a survey was used as a method to gather complementary data and reduce subjectivity. Further, to ensure high quality of interview data, findings were matched with research observed in the secondary data collection.

External validity, i.e. the ability to generalize findings, were addressed by conducting a profound literature review. Although the research involves quantitative elements, such as a questionnaire, the goal has not been to test a hypothesis through regressions and is not concerned with statistical generalizability. In fact, since the analysis of this particular case is based on theoretical concepts, the study contributes to the generalizability of the researched topic (Yin, 2011). Despite qualitative consciousness, the findings of this research have not been statistically tested or confirmed and should be generalized with prudence.

## 2.5. ETHICAL CONSIDERATIONS

When conducting a research, it is important to consider the ethical issues that can arise at different stages in the research process (Bryman & Bell, 2015). The most important ethical issue in relation to this thesis are outlined and discussed below.

In terms of the qualitative component that included interviews with the case company, the respondents have clearly agreed upon that the company name, their personal name and title and their opinions are exposed in the thesis. Information about the research and the following interviews was also communicated with the participants before the actual interviews took place so that the interviewees could make an informed decision about taking part in the research or not. Even though it is extremely difficult to present the involved parties with all information regarding the study, it was perceived that the most relevant and important information was revealed for the parties to decide to take part. Also, the subjects that the thesis study are not perceived as harmful in itself, for example, no discussions regarding the respondents personal opinion about their workplace, feelings for other employees etc. is discussed. Consequently, the ethical principles involving harm to participants and lack of informed consent have been mitigated.

Moreover, conducting a study that includes a survey also involves certain ethical dilemmas. Since the respondents are people, their integrity needs to be regarded as well their understanding of the questions (Bryman and Bell, 2015; Panter & Sterba, 2011). To ensure the integrity of the respondents, the survey was conducted anonymously. The only ones that have access to the answers are the researchers and the executives of the case company, which leaves the integrity of the survey high. Moreover, the respondents were clearly informed about the purpose with the survey and how the data was handled. Since the survey was distributed via an online link, no respondents have been forced to participate in the study. In terms of the survey questions, cautious attention was paid by the researchers to not include variables that could potentially exclude some parts of the sample. To illustrate how this was ensured, no limit was set in the multiple choice questions. Hence, the respondents could choose as many answers as they perceived as relevant and there was also an "add other" row where the respondents could type other answers if necessary. Also, the gender variable was not limited to female and male. Instead, the response "other" was included.

### **3. LITERATURE REVIEW**

*The theoretical framework presented below is the foundation of this study and will serve as a tool to comprehend and analyze the investigated case company. The literature review is structured based on the topics related to the research questions and each chapter gives an opportunity for the reader to learn about general perspectives from different authors and scholars.*

#### **3.1. USER INNOVATION**

More often than not, innovation is not a result of only an ambitious strategy set by the company. Rather it is a collaborative process involving different actors in the business environment (Robertson & Breen, 2013). Traditionally, innovation was a phenomenon generated by the producer. This is known as the producer's model of innovation, where the producer simply aims to generate profit from the innovation developed. The innovation activities were mainly performed within the company boundaries and the R&D department was mainly responsible for these activities (Baldwin & Von Hippel, 2010; Bogers & West, 2012). In this process, customers played passive role where they mainly were recipients of companies' innovation activities. This approach to innovation were viewed as firm-centric activities where innovations flew in the direction from the companies to its customers (Sawhney et al. 2005). However, when customers are looked upon as passive users in the innovation process, it is argued that companies' have restricted understanding of customer knowledge and experience in relation to the process. Limited attention was focused towards an iterative dialogue with the customers to clarify and enhance ideas (Baldwin & Von Hippel, 2010; Sawhney et al. 2005). This might lead to that companies miss opportunities to innovate due to lack of understanding of current, and maybe more importantly, future customer needs. In contrast to this perspective, many scholars have recognized that the arrangement of innovation activities are moving outside organizations. As a result, companies are moving towards new organizational structures in relation to the innovation process in order to benefit from the creativity outside the company boundaries. Among many restructuring efforts, the most prominent ones are open innovation and user innovation (Yoo et al., 2012). Open innovation is when organizations systematically search for knowledge and ideas from external actors, and allow internal company expertise to flow outside the company (Lakemond & Tell, 2016). This approach to innovation, can be viewed as an umbrella term for more narrow concepts such as user innovation.

Innovation generated by, or in collaboration with, individual users is described by some researchers as one of the most important adjustments in the innovation process since the industrial revolution. User innovation is broadly referred to the generation of new products and services by individual consumers or users (Von Hippel, 2009). Since the customers' make the final decision on whether to engage with a company and buy its products and services or not, innovations must be based on what the customers truly value (Lindic & Marques da Silva, 2011). Empirical studies suggest that up to 40 percent of the users in different industries engage in modifying or developing products and services. Moreover, surveys of consumers in the UK with a representative sample show that 6.2 percent of the population, which equals approximately 3 million people, have lately modified or developed products and services to better fulfill their personal needs (Baldwin & Von Hippel, 2010). These findings clearly show that users are vital in stages of product and service development and modification. The increasing importance of involving users is also reflected in how new or extended products and services succeed on the market. In order for an innovation to be marketable, it needs to meet the demand and requirement of the customers. As a result, to avoid market failures, companies are seeking market-oriented methods when developing new products and services where involving users in the development phase is increasingly common. The figure below illustrates how the process from user innovation to market diffusion differs from the process from producer innovation to market diffusion. The most important difference between the two processes is how and where the users are involved in the innovation process. As viewed in the top arrow the users often innovate before producers do, hence the left ward is positioned to the left. Further, the central part of the top arrow illustrates the collaborative evolution of the user innovation process. As can be seen, the collaborative process is essential throughout the user innovation, which contrasts to the traditional perspective, producer innovation, where the R&D department was in charge for the innovative activities (Gambardella et al., 2016).

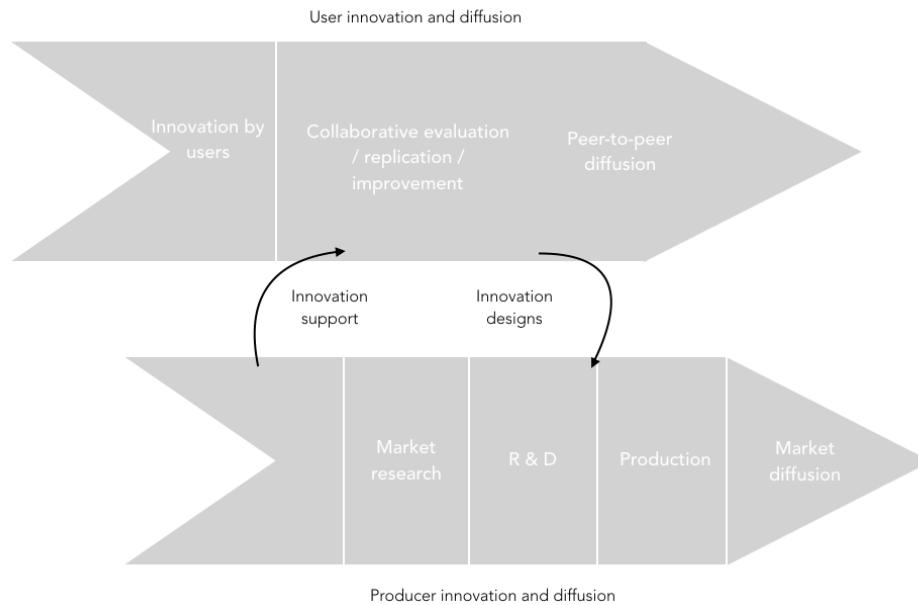


Figure 3.1 The user and producer innovation and diffusion paradigms.  
(Gambardella et al., 2016)

Although the concept of user innovation is mainly discussed in relation to new product and service development, the concept can be applied to other specific contexts. For the purpose of this thesis the aim is to understand user innovation in terms of developing the organizational processes and increase customer value through user interaction. User innovation refers to the process of involving users in organizational complexities, and as in this case, to involve them in the journey of the purchased product, which is why it is relevant to the subject of this thesis.

### 3.1.1. ORGANIZATIONAL IMPLICATIONS OF INVOLVING USERS

Since many scholars suggest that it is a key success factor for companies to involve customers and users in the innovation process, there are reasons to believe that the development of product and service innovation by users will increase in importance over time (Von Hippel, 2009; Prahalad & Ramaswamy, 2004). Commercial valuable knowledge is widely distributed outside company boundaries. The network of actors, stakeholders, customers and users all have different assets of information which can be of significant value for an organization. The knowledge is often of high quality and can be used by organizations as opportunities for develop and commercialize innovations (Bogers & West, 2012). User innovation further spur the creativity process. In fact, involving users and consumers as co-creators in a service or product innovation process provoke improved ideas in terms of more originality and creativity, in contrast to traditional professional developers (Kristensson et al., 2004). Hence, involving users increases the access to unique resources and information that



otherwise might be missing. There are several examples of companies that successfully have adopted the theories of user innovation. The car brand, BMW, engage their customers in several countries across the globe to participate in developing activities and co-create innovative components in their cars (Kazadi et al., 2016). Also, DeWalt, a leading manufacturer in power tools has created an online user community to engage its customers. The community is used to get to know its customer and their requirements regarding their tools while gathering important feedback. The customers also have the opportunity to submit ideas for entirely new products or modifications of existing products (DeWalt, 2019). Clearly, companies understand the value of user innovation and what benefits it can bring to the organization. What remains is for companies to investigate how to adapt the process into their specific organization.

Although there are a number of opportunities and benefits of involving users and customers in the innovation process, the process also incurs difficulties and challenges that make the process more complex than existing researchers seem to suggest. Braun and Herstatt (2007) argues that there are four main difficulties that can prevent involving users to become a successful process. These are legal, economic, technological and social difficulties. The most vital aspect of these four difficulties is that they all interact, leaving their combination to determine the overall user innovation environment (Braun & Herstatt, 2007). However, for the purpose of this thesis, all of them have not been touched upon due to that some of them are not relevant. The most compelling ones and studied by the researchers are the technological and social difficulties since these are perceived to influence users in the luxury industry.

In terms of barriers of involving users, the technological complexity of involving users constitutes a barrier. For users to be involved in the co-creation process they need to have access to certain tools, for example online communities, and the know-how in how to easily understand and use the tools available (Braun & Herstatt, 2007). This impose challenges for companies since they need to be able to technologically construct these tools and make them available for users in an easy and understandable manner. Moreover, the social aspects involve making the users involved. Prahalad and Ramaswamy (2004) argues that it is essential to establish a continuous dialogue between between the parties. The difficulties in this is to develop and make sure that both the company and its users have a dialogue around the same issues. Hence, a joint understanding needs to be established which requires access to knowledge and transparency of information. Hürlimann and Yakhlef (2013) add on to the social perspective and argues that it does not fit all customers or user to engage via online interaction channels such as communities.

Sometimes a face-to-face interaction is more beneficial which can be lost in a digitalized setting.

### 3.1.2. WHY USERS ENGAGE IN INNOVATION

Not only organizations benefit from involving users in the innovation process. Customers and users are to a greater extent becoming empowered in their behavior. This means that customers make their own judgement, based on their individual perception, of the value created when a transaction or exchange takes place (Piller et al., 2010). Users want to innovate, develop or modify products and services so that they better correspond to their needs. The motivation comes from finding areas of improvement in a product or service that is not yet available (Von Hippel, 2009). When customers are able to come up with valuable ideas, companies can develop superior business opportunities that also are more easily implemented and understood by the customers (Kristensson et al., 2004).

Von Hippel (2009) moreover argues that users engage and innovate because they have the essential knowledge and skills to do so. This includes the particular know-why and know-how of a specific product, service or need. Since this knowledge often is tacit, meaning that it is not easily transferred to the producing organization, users innovate to overcome this obstacle. Often the knowledge includes behavior around a specific company or product and the respective usage patterns (Ming Ooi, 2015). Further, a close interaction with the company allows users to co-create their shopping experiences, strengthen the relationship with the company and enhance the brand perception (Frow et al., 2015). From this perspective, it is argued that the relationship that the customer has to the company is what creates the most value. A further important aspect of the role of users in the innovation process is the incentive for users to engage. It is argued that it is common sense that people in general enjoy having a say in processes, in particular if their requirements can be better satisfied and users might value the process of being a part of the innovation process due to the satisfaction or learning that it brings them. For example, it is known that people enjoy problem solving and that problem solving is a source of power in solving individual problems in many fields (Von Hippel, 2009). As a result, there are two important incentives for users in the co-creation process that needs to be taken into consideration. Both the problem solving itself, and the solution that it brings, are of value when users are considering engaging in the innovation process.

### 3.2. VALUE CO-CREATION AND RELATIONSHIP MANAGEMENT

Just like with innovation, value creation traditionally takes a company-centric approach where companies target their customers with the value they have created in their products and services. The interaction between the company and its customers has in the past not been looked upon as a source of value creation i.e. the communication moved in one direction, from the company to its customer. However, the perspective has changed. The interaction involving high-quality solutions that enable the customers to co-create their unique experience with a company is the key to create and sustain competitive advantage (Prahalad & Ramaswamy, 2004). According to Prahalad and Ramaswamy (2004), co-creation is defined as a joint creation of value by the company and the customer. Thus, it is not the company trying to satisfy the customers' needs. Researchers argue that co-creation provides a valuable network where ideas from internal and external sources are gathered to enhance value for all parties involved. Further, the time invested in this process will result in increased loyalty towards the company and a strengthened relationship between the firm and its customers (Lee et al., 2012; Kahn & Hussainy, 2017). Certain factors are outlined to define what co-creation is and is not. The table 3.2 below reflects these key factors discussed in relation to this concept and highlights how co-creation practices differs from a more traditional view.

What co-creation is not	What co-creation is
<ul style="list-style-type: none"> <li>· Customer focus</li> <li>· Customer is king or customer is always right</li> <li>· Delivering good customer service or pampering the customer with lavish customer service</li> <li>· Mass customisation of offerings that suit the industry's supply chain</li> <li>· Transfer of activities from the firm to the customer as in self-service</li> <li>· Customer as product manager or co-designing products and services</li> <li>· Product variety</li> <li>· Segment of one</li> <li>· Meticulous market research</li> <li>· Staging experiences</li> <li>· Demand-side innovation for new products and services</li> </ul>	<ul style="list-style-type: none"> <li>· Co-creation is about joint creation of value by the company and the customer. It is not the firm trying to please the customer</li> <li>· Allowing the customer to co-construct the service experience to suit her context</li> <li>· Joint problem definition and solving</li> <li>· Creating an experience environment in which consumers can have active dialogue and co-construct personalised experiences; product may be the same but consumers can construct different experiences</li> <li>· Experience variety</li> <li>· Experience of one</li> <li>· Experiencing the business as consumers do in real time</li> <li>· Continuous dialogue</li> <li>· Co-constructing personalised experiences</li> <li>· Innovating experience environments for new co-creation experiences</li> </ul>

Table 3.2 The concept of co-creation (Prahalad & Ramaswamy, 2004)

Prahalad and Ramaswamy (2004), especially distinguish the elements that value co-creation involve in order to create an experience. Co-creation is not only described as a process of developing products or services but to enhance customer experience and involves a continuous dialogue. In this study, where the focus is on luxury products and experience is of crucial importance, the dialogue that co-creation entails is fundamental. It is shown that customers today call for more than just the conventional customer values such as quality, price, customization and speed. Even though these attributes are still important, research suggests that factors that creates an experience, emotional ties and shared welfare and the opportunity to learn new things are becoming fundamental for value creation (Lee et al., 2012; Prahalad & Ramaswamy, 2004). In this sense, customers want to be involved and are essential in the value creation process. The process of customer value creation should be viewed as an interactive, dynamic and instinctive process. Hence, companies need to develop a complete understanding of where and how its offerings fit into the customer value creation process and how to involve them (Payne

et al., 2008). As a result, it is essential to map out what customers value in the interaction with the company. In terms of innovation, customers and users are considered to offer opportunities for generating original, valuable, and realizable ideas that leads to successful innovation (Kristensson et al., 2008). As discussed, co-creation offers immense opportunities in terms of value creation from both a company and a customer perspective. Albeit, there are risks of losing company secrets and important information. Payne et al. (2008) refer to these risks as information leakage, seeking to explain why some knowledge should be kept tacit and only relevant facts should be shared with co-creators.

Another valuable aspect of involving customers in the innovation process is a strengthened relationship. With increased competition, organizations aim at improving interactions with customers by putting effort on relationships with them (Rigby & Ledingham, 2004). The goal of building a lasting relationship comes from the belief that long-term customers can contribute with more than buying company products. When customers interact with organizations in a co-creation process, incentives of coming back are strengthened since their experience is adjusted to suit them better. Building a long-term relationship with customers not only involve providing them with service but also having the chance of receiving valuable input for future development (Brown, 2016). Researchers argue that it all starts with a direct and intimate customer relationship which can be established by personal ties and conversations (Brown, 2016; Lakemond & Tell, 2013). Further, in order for the communication to be valuable for the company, it should be collaborative. Lakemond and Tell (2013), points out that customers are more likely to give honest feedback in a setting where they feel trusted and comfortable. This is why it is important to build trust between company representatives and customers.

### **3.3. DIGITALIZATION - OPPORTUNITIES AND CHALLENGES**

One of the most crucial and significant process changes in the business climate that has transformed and restructured many industries during the last decades is digitalization and the presence of digital technologies (Nylén & Holmström, 2015). While it is essential to define digitalization, the term appears to have different meanings in both different academic and business contexts (Ivang, 2008). As Ivang (2008) points out, it might unquently be assumed that the reader understands what is meant by digitalization, which however is not always the case. For the purpose of this study, the process of digitalization refers to different technologies and tools being integrated into the business environment. Consequently, digitalization is the process that a company initiates when moving parts of its existing business model and operations into a digital (Markovitch &

Willmott, 2014). Digitalization has provided numerous opportunities and potential for companies to create and enhance new business models, functions and concepts (Matt et al., 2015). Therefore, it is no surprise that digitalization and digital product and service innovation have become of major interest for managers, leaders and researchers across fields. Parviainen et al. (2017) summarizes some of the key opportunities that comes with digitalization and has been brought up by numerous authors during the last decades. The authors argue that overall, digital technologies enable new types of, and improved, business processes. This can be divided into two categories, internal and external business processes. From the internal perspective, when manual processes are replaced by digital solutions businesses allows to collect data that can be extracted to better understand business opportunities and performance. Real time views on processes such as organizational data can be provided to improve efficiency. Also, automation of routine work and administrative processes has been proven to lead to greater work satisfaction among employees. This will also free up time for the employees to e.g. focus on more value-added activities such as developing new skills or ideas. From an external perspective, digitalization improves customer service since e.g. response time can be shortened. There is also room for new businesses possibilities to emerge where digitalization can create circumstances where new services or offerings to customers occur (Parviainen et al., 2017).

However, even though digitalization proposes superb opportunities, digitalization is not an easy process. In fact, according to McKinsey, many digital strategies developed by companies actually fail (Bughin et al., 2018). There are several examples from the business world of companies who have made attempts to incorporate digitalization into their business. For example, Procter & Gamble aimed to be “the most digital company on the planet” in 2012 but ended up in growth problems due to a difficult economy at that time. Ford faced cost and quality issues after spending huge investments in digital initiatives and Burberry lost performance when transitioning into a digital strategy (Davenport & Westerman, 2018). This thesis focuses around the luxury industry and possible digitalization efforts for a company selling luxury products, hence, attempts have been made to find specific examples of luxury companies failing to incorporate digitalization into their business. This in order to get important insights in specific challenge that luxury companies face when transitioning into digitalization processes. However, few clear examples have been found but some general important challenges can be displayed, and it is of value to bring up to discussion why digital strategies are complex. A key challenge brought up by BCG that especially appears to the luxury industry is the risk of losing personal customer communication when customer interactions become increasingly digital and virtual. Even though customers might still want to maintain the personal contact by e.g. physically visit stores or attending events, the customers seek digitalized

experiences as a way to receive more immediate satisfaction. As a result, companies need to face this risk and motivate development of digital technologies to extend the personal interaction beyond physical meetings (Abtan et al., 2016). Moreover, Abtan et al. (2016) argues that digitalization of all processes connected to luxury products and services are facing a hard reality. This since luxury companies cannot control what is being said about their brand and when due to the rise of social media. Hence, companies need to face the possible tension between the traditional world of exclusivity and the very accessible, digital web world.

Lastly, general for all companies in terms of digitalization and the challenges that it involves is that it is an ongoing process that needs to be holistic and understood by a whole organization. It requires investments in projects, infrastructure, business processes and skills which all are ongoing processes and needs to be managed according to that (Davenport & Westerman, 2018). Since the definition of digitalization is often fuzzy, many companies lack a coherent, holistic view of what it means to them. It is important that companies have a clear definition and concept of what digitalization it means and should involve (Bughin et al., 2018). Moreover, it is important to adjust the digital initiatives to the readiness of the industry. This means that there needs to be a fit with the existing business strategy and there need to be a clear purpose and value of the investment (Davenport & Westerman, 2018).

### **3.4. THE ROLE OF DIGITALIZATION IN THE USER INNOVATION PROCESS**

Relating back to the interpretation of digitalization in this study, which is different technologies and tools being integrated into the business environment, digitalization is surpassingly connected to the role of involving the customers in a company's business. Eric Von Hippel (2009), highlights that the role of user innovation especially applies to several product and service areas. He points out that the trend of user innovation is notably viable in, and driven by, the technical movement in the role of digitalization and internet. The force that drives user innovation in the context of digitalization is the ability of users to in an improved manner coordinate and combine their innovation-related offer through new communication media, such as internet. Due to ongoing improvement in communication and computing technologies, users can more easily create and share their innovative ideas.

Internet provides a powerful platform to enable collaborative innovations between a company and its customers. Internet enables companies to reach a broader customer base in more effectively than they traditionally would have been

able to, which increases the likelihood of recognizing interesting opportunities. It also supports the collaborative interaction between a company and its customers by allowing an ongoing dialogue between parties where communication can occur directly, in both directions. Further, as internet, and especially platform-based communities, allow customers to engage with each other in different forums, companies can absorb valuable social customer knowledge that takes place in specific contexts. By participating or simply observing the ongoing dialogues that takes place on these platforms and communities, companies can easily get insights in what customers, users and other actors' value. Another perspective of advantages that internet offers in relation to the innovation process is the access to different kinds of valuable knowledge at a low cost. Direct, continuous and interactive dialogue between a company and its customers as well as between customers can occur without major effort in comparison to more traditional methods such as surveys. (Sawhney et al. 2005).

When analyzing how internet could be used in order to spur customer involvement and user innovation, Sawhney et al. (2005) suggest that internet should be used as a integrated platform with the aim to engage customers in multiple ways and for various objectives. For example, user community is one suggested tool that effectively can be used to enhance idea generation by motivating and engaging users and customers to interact and collaborate through platforms. This argument is also strengthened by Yoo et al. (2012) who suggests that one of the tremendous number of opportunities that comes with digitalization is to build a user community. By integrating customer experiences in shared forums, companies can define new innovative ideas and best practices that generates the most value for both the company itself and its customers (Sawhney et al., 2005; Robertson & Breen, 2013).

### **3.5. DIGITAL USER COMMUNITIES**

Continuing with what Yoo et al. (2012) pinpoints, that one of the tremendous number of opportunities that comes with digitalization is to build a user community, it is essential to define the concept of digital user communities. In a business setting, it is described as when customers interact with the company or other users of the product or service. The underlying motivation behind communities goes hand in hand with the concept of user innovation, namely to co-create value, and it can be integrated into a part of a company's strategy. Online communities evolved more than 15 years ago as a novel approach to understanding customers and since then, companies are having ongoing conversations with them (Trevail, 2016). The value for the customer is first and foremost a sense of enjoyment and opportunity to connect with individuals that share interest in the same product (Bughin et al., 2008). In



parallel, the exchanges and ideas within this community often contributes to the creation of an identity and culture, an aspect that has been valued by humans over centuries (Lakemond & Tell, 2016). For organizations, having access to customers in communities is a central aspect to understand them, and retain them. By understanding the key factors that the customers value, i.e. a community of users, the chances of loyalty are higher. Consequently, the overall impact will be revenue from product- or service improvements impacted by the community of users (Yoo et al., 2012).

There are many examples of companies that successfully have managed to engage in user communities. One of the first and most famous examples is the toy brand LEGO. As a response to decreasing profits, the company invited customers to come up with new bricks with a monetary reward to the ones with successful ideas. Not only did they create incentives for customers to be creative and communicate what they were missing, but more interestingly, they gained loyalty since buyers were satisfied (Robertson & Breen, 2013). Fichter (2009), builds on this argument and stresses the importance of networking beyond the organizational boundaries in order to let new business ideas take form and be commercialized.

One of the outcomes from user innovation, and user communities in particular, is that articulated needs and perceptions are generated within the community. The company can benefit from these ideas in developing a deeper knowledge of the features valuable for the users. Di Gangi and Wasko (2009), argues that in order for the company to adopt the requested feature or product, the community need to reduce the complexity of the innovation. Hence, the clearer the communication and articulation in the users' community, and the closer they are to reach consensus about a particular topic, the easier it will be for the company to adjust to the needs.

To build upon the above topic of digitalization, companies rely to a greater extent on digital channels to interact with their customer and to give them an all senses on deck experience. Not only, will a digital community allow companies to innovate on users' ideas, more notably, they will give customers a feeling of inclusion and engagement. For instance, the multibillion dollar coffee chain Starbucks, lets the drinkers' manage their loyalty points and place orders in the mobile app, saving them time and effort of lining up in store (Borowski, 2015). Another example is Glossier, a born-digital beauty brand that is mainly operating around its community of users, has seen magnificent success market share gains. The company increase value for users through co-creative product development based on features and needs requested from the user base, all communicated through a digital interface (Danziger, 2018).

Up until today, there are several practices that can be taken into consideration in order to successfully manage a user co-creation process, in particular a community. One of the most detailed frameworks within the field is Piller et al.'s (2010) that consists of a typology based on three dimensions; (i) the customers' autonomy in the process, (ii) the nature of the firm-customer collaboration (dyadic versus community based), and (iii) the stage of the innovation process when the customer integration takes place. This is presented in figure 3.2 below. These dimensions are focused on a specific set of strategies for customer co-creation, with a user community being one of them.

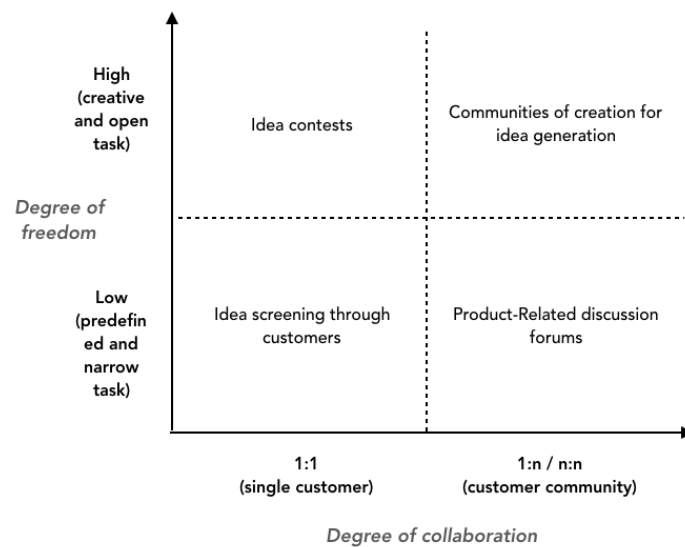


Figure 3.2 Typology of customer innovation and co-creation.  
(Piller et al. 2010)

The perspective builds on the idea that firms can determine the process of customer interaction by acquiring capabilities that allow customer to collaborate. The three characteristics presented in the figure above form a typology of settings to allow co-creation with the customers. When the degrees of freedom and collaboration are high, customer community is an important focus of innovation. Although these communities sometimes are running without involvement of the company, it is important to note that they can also be initiated by the firm. Despite differences in structures, co-creations are to a significant extent a collaboration between users of the community. Piller et al. (2010), goes on and point out that communities are mainly based on a shared enthusiasm and knowledge concerning products or services and can take the form of general product-related discussion forums and communities of creations. The first, is concerned with exchanging usage experiences and shared ideas of how to use the product. The latter, is about creation

and collaboration to come up with a new product or development of a business process or existing products.

### 3.6. CONNECTING THE DOTS

Empowered by increasingly connected users supported by digital devices, luxury good customers are now setting the rules when, where and how they engage with luxury companies. Customers are engaged in providing feedback and demand personalized experiences in the journey while becoming more digitalized. Hence, it imposes challenges for Hatt et Söner and forces them to provide new ways of value creation in a digitalized setting. Motivated by the above presented perspectives of user innovation and digitalization, the researchers aim to combine them in order to explore how Hatt et Söner can be developed to meet future demands. Emerging from the main research question: *How can luxury companies maintain and improve value creation through a digitalized customer interaction?* and the three sub-questions: (1) *What are the opportunities for a luxury company with a digitalized customer interaction?* (2) *What are the barriers for a luxury company with a digitalized customer interaction?* (3) *What do customers' value in digital interaction with luxury companies?* important theories and insights has been explored from the literature review. In the table 3.2 below, these are presented in relation to the research questions.

	Involving customers	Digitalization
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>· Understanding customer needs</li> <li>· Avoiding market failures</li> <li>· Gain valuable ideas outside the company boundaries</li> <li>· Spur creativity</li> <li>· Access to unique resources and information</li> <li>· Co-create value</li> </ul>	<ul style="list-style-type: none"> <li>· Enable collaborative process between company and customers</li> <li>· Reach a broader customer base</li> <li>· Absorb social customer knowledge</li> <li>· Create and sustain competitive advantage</li> <li>· Allow executives to involve in creative tasks rather than administrative</li> <li>· Low(er) cost to acquire information and knowledge</li> <li>· Motivating customers to engage in forums</li> </ul>
<b>Barriers</b>	<ul style="list-style-type: none"> <li>· Transparency of information</li> <li>· Lack of trust between company and customers</li> <li>· Risk of spreading important internal knowledge</li> </ul>	<ul style="list-style-type: none"> <li>· Technological complexity</li> <li>· Risk of losing human interaction</li> <li>· High initial investment costs</li> <li>· Difficulties of staying up to date</li> <li>· Lack of common perception of what digital interaction means</li> <li>· Fit with existing business strategy and industry readiness</li> <li>· Risk of losing control of brand perception</li> </ul>
<b>What customers value</b>	<ul style="list-style-type: none"> <li>· Being part of the company development process</li> <li>· Finding areas of improvement that better corresponds to their needs</li> <li>· Being part of a community</li> <li>· Co-create experiences</li> <li>· Strengthened relationship with company</li> <li>· Problem solving</li> </ul>	<ul style="list-style-type: none"> <li>· Freedom of choosing communication method</li> <li>· Enjoyment of participation</li> <li>· Connecting with other customers</li> <li>· Creation of identity and culture</li> <li>· Feeling of belongingness and engagement</li> </ul>

*Table 3.2 Summary of opportunities, barriers and customer values in relation to involving customers and digitalization*

With the above outlined foundation, the researchers have reflected on potential links between involving customers and a digitalized setting and what value it might provide for Hatt et Söner. The next step is to further investigate how Hatt et Söner can formulate a digitalized customer interaction process to best suit their needs as well as taking into consideration what their customers value in this process.

## 4. RESULTS

*The following section will present the results from the data collection process. Both results from the conducted interviews with representatives at Hatt et Söner will be compiled as well as the results from the survey with their customers. The section starts with presenting the current customer interaction, then the transitioning to a digital customer interaction is described. Moving on, opportunities and barriers are presented and lastly the results from the customer survey.*

### 4.1. PART I: INTERVIEWS

#### 4.1.1. CUSTOMER INTERACTION TODAY

Hatt et Söner is a company providing champagne to its customers. The customers are private customers, as the company does not operate through retailers, and every single customer is exclusive for the company. The aim is not to have the customers doing a single purchase, rather the aim is to develop a long-term relationship with its customers, which will increase the chances of them to stay loyal and repurchase the products. This has to do with the company's vision of not only being a company that sells champagne, but a lifestyle brand associated with service and exclusivity. The House Manager who is in charge for the visits and tastings following expresses her idea of Hatt et Söner:

*"The development and idea of the brand is to create a house that is completely different from other houses. A brand that strives for innovation while still keeping the traditions of champagne making. Ultimately in 2012, we developed a concept called personal vintage which is based on memberships. When you buy a personal vintage, you don't only buy the champagne, you become a part of the Hatt family and member of us."*

*Johanna Bertilsson, House Manager*

According to all respondents, the customer interaction process is developed with the aim to strengthen the case company's central business idea of a personal vintage champagne, a product which is co-developed during the course of four years. In this process, it is evident that a main focus is to establish and maintain a personal relationship with the customers. To exemplify, personal vintage buyers are called members instead of customers.

Hatt et Söner is a fairly small company. Almost all communication and sales are conducted through a sales representative entitled Personal Vintage Director, each of the four being responsible for different geographic areas. The CEO of Hatt et Söner describes the process as unstructured but with distinctive rules of attitude that is communicated to the customer. The attitude towards customers should make them feel as participants of a process rather than just purchasers of a product or service. The ultimate goal is to involve their members from a new idea of a certain feature or product improvement to a developed concept. In terms of the actual customer interaction and communication process, the respondents pointed at three main areas of communication; email, phone calls and personal meetings. How the communication process takes form depends on the purpose of the contact, for example, one of the respondents mentioned that during initial sales it is important to set up a personal meeting. The company especially highlights the importance of the exclusivity of a new member being invited as it makes the members feel involved and valuable to the company. Karl Gracian, the CEO of Hatt et Söner, articulates the following:

*"We never accept requests from people who are not invited by someone. This provide the members a unique opportunity to be involved in the evolution of the company"*

*Karl Gracián, CEO*

Once the customers are in, means of communication varies from case to case, but in general it is conducted through a phone call or email, and occasionally through events or client dinners. If the company wants to reach the entire customer base, i.e. an invitation or similar, the communication goes through Mail chimp, which is a standardized online program that arranges contacts and tracks email clicks. Customer requests, order status, invoices and the stages of the wine making process are all communicated manually and there are no standardized systems in place. The CEO describes this as rather rigid and would encourage a streamlined, more efficient alternative.

There are certain aspects of the current customer interaction that are valued. All respondents agree that it is important that the culture of the company reflects the values and aims with every customer relationship. These values reflect in how members are treated, through direct contact, personal meetings and invitations. According to the respondents, a majority of the customers also value to be a part of the Hatt family. This is also how they differ from other champagne companies and they envision that high customer involvement will characterize future direction of Hatt et Söner. There is a shared picture of how the communication and relationship

between the company and the customers should be performed. Prevailing among the respondents are the values of having a personal relationship with their customers where receiving honest, constructive feedback is of high importance. This is highlighted by the CEO of Hatt et Söner, as outlined in the citation below. Due to the continuous personal contact, the customers can provide the company with ideas and inspiration for further development of both the company and the relationship.

*“As a company, you have to listen carefully to the customers to be able to take the next step and in the long-term perspective be able to develop the company.”*

*Karl Gracián, CEO*

Moreover, on the list of values comes the ability to satisfy customer needs and delivering more beyond what is expected by its customers. In addition to the product champagne and the service associated with delivery, the value also lies in the experience of being able to take active stance in Hatt’s future. For the company, it therefore crucial to maintain an open dialogue and make the interaction process as collaborative as possible. The very basic premise is then to understand customer needs and translate them into practical actions. One of the respondents convey the importance of understanding customer needs in order to become even better at satisfying their needs.

*“We are not just a company that sells champagne, we are a service company and the personal relationship is as important as the quality of our champagne.”*

*Kristoffer Ruscon, Founder and Creative Director*

#### **4.1.2. TRANSITIONING TO A DIGITAL CUSTOMER INTERACTION**

The current situation is described by the respondents as well functioning but has, however, not been adapted to the changing digital environment. Executives of Hatt et Söner have a future strategy with digital elements in relation to their customers in mind but the process of getting there has not yet been initiated. There are several reasons for this, among them the most obvious are that Hatt is a young and small company with the main focus of establishing relationships with their customers. With a growing customer base and with digital components becoming more and more essential, the digital transformation is acknowledged and is perceived as required for Hatt et Söner.

The interpretation of a digital strategy varies somewhat, but equal among the respondents are the goals of facilitating the purchasing journey and enhanced member experience. The reasoning behind developing digitally has two legs; one is the perks for the company and one being the added value it can bring to the customers - the members of the Hatt Family. The CEO stresses the fact that a digital customer interaction will allow employees to focus on more important things than sending emails about tastings and invoices as all communication today goes manually via the salespersons.

*"I think it is important to be up to date. We already have some kind of community of members, and in an increasingly digitalized world it is very important that our community become digitalized. In my head I have always had this idea that we should create an application for the customers, a kind of social media app but only for Hatt customers, where the members can follow the champagne making process and connect with us and other members. They can also follow their orders and have a profile from where they also can communicate with us. I believe that creating a digital community for our already existing members is be a very important next step for us."*

*Johanna Bertilsson, House Manager*

The digitalization of intra-firm systems and digital features such as websites is costly and above all time consuming. The CEO points to the necessity of building a profound platform that can be easily adapted to future needs and potential expansions. The development further includes re-thinking how the communication is conducted today and helping the customers towards a more interactive approach where they can take more control over the shopping journey and product development. Jonathan Rex, Personal Vintage Director, expresses the following:

*"I think it's important to use omni channels in your business, so while not removing the personal interaction the digital tools will serve as a a complement. In this way, we will adapt to each customer to make them feel important."*

*Jonathan Rex, Personal Vintage Director*

According to the respondents, there are several functions that can be included in a digital customer interaction solution. Below, these are presented. If all functions are incorporated in the digital development, there is a strong belief that the overall customer value will increase.



Function	Application
Calendar	Showing planned events, including a booking function where members can book and share events
Book tastings	Inquire tastings from Hatt et Söner representatives
Place orders	Drive business in terms of ordering champagne
Chat function	Where members can chat with Hatt et Söner employees
Social hub	Where members can share ideas on champagne and trade bottles with each other
"Follow your PV"	An outlook over the champagne making process, from initial tasting to delivered bottle, including pictures, videos and comments over the four years
Personal messages	Where customer can provide direct feedback and follow up on inquiries with the company

Table 4.1 Overview of functions connected to a digital customer interaction solution

### 4.1.3. OPPORTUNITIES OF A DIGITAL CUSTOMER INTERACTION

According to the respondents, there are several opportunities for the company with a digital strategy. As Hatt et Söner is growing rapidly in terms of number of customers and number of orders, the family like feeling that they have created will probably be less viable. This since there is a shared vision that the company needs to create value for its members through digital customer interaction in addition the personal contact they provide today. When the customer base is growing, Hatt et Söner needs to adapt to the growth to be able to create and maintain a relationship with all its members which is possible through developing a digital customer interaction. Digital tools will help them stay closer to their customers more easily while they are growing as a company. Also, developing a digital strategy for the customer interaction will allow the company to grow in terms of number of customers. This since the company will be able to focus on other parts of the business than just maintaining customer contact. Moreover, Hatt et Söner will be able to document and store data much more efficiently and receive payments upon order

instead of collecting through invoicing. Hence, the respondents argue that one opportunity is to digitalize the customer base through introducing a new customer relationship management system. Today, the interaction is handled manually. Developing a digitalized system will facilitate the management of the requirements from the customers and internal from the company. It will also make it easier to manage any requests from the customers as the process will not be handled manually.

From the customer perspective, the opportunities aligned with a digital strategy are also several. The respondents argue for that an increased service level through better interaction will be reached towards their customers with a digital strategy. The increased service level has many perspectives. First, the customer will be able to directly engage with the company through different functions, e.g. chat functions. Hence, they will receive a faster interaction with the company for example when asking questions. Moreover, the customers can order champagne online, which is not possible today. With the current situation all orders are placed by the members via phone, email or during personal events. Making it possible to place online order will give the members more freedom and greater service. The CEO also emphasizes that other services such as booking of events and tastings would be facilitated by a digital strategy. Kristoffer Rucson expresses the following in relation to a digital strategy:

*“The experience of being a family member will be enhanced with a digital strategy. If features like; “follow your PV” is added and online order functions, they will get an entirely new dimension of freedom and service.”*

*Kristoffer Ruscon, Founder and Creative Director*

Additionally, the ability to share ideas for the future will be strengthened by the access to a community of users. As Hatt et Söner is a growing company, with many ideas in the line of sight, a step towards a digitalized customer interaction is perceived as essential among the interviewed employees. Apart from increased service levels, the respondents point out the very importance of connecting the customers to Hatt in an integrated way. The experience, feeling of being a member and part of a luxury community are top priorities for the company. Going digital is assumed by the respondents to make it easier for the members to follow their journey and interact with the company as well as with other members. Customers could follow the process of making their own champagne. Since making a bottle takes 4 years, the customer can benefit from following all steps in the journey from start and share events with other members. This will allow the members to feel more involved in the process and hence the customer experience will improve. Moreover,

creating a digital community where the customers can exchange ideas between each other, trade bottles, organize tastings together and so on is a vision that Hatt et Söner highlights as an opportunity with developing a digital strategy. This is articulated by Jonathan Rex:

*"In terms of customers connecting to each other, new relationships, trades and ideas can take form which is valuable for both us and them"*

*Jonathan Rex, Personal Vintage Director*

#### 4.1.4. BARRIERS OF A DIGITAL CUSTOMER INTERACTION

Transitioning into a digital communication strategy, for a relatively small company with no in-house technical capabilities, will of course be costly and time consuming. Additionally, for Hatt et Söner, whom is built on the genuine idea that every customer is like a member who should be treated accordingly, the employees are concerned with the potential loss of the personal contact. This is something that the respondents mention as important to deal with when developing a digital strategy:

*"One barrier is definitely that we can lose the actual personal contact because the customers might feel that they do not need it if they are connected to us digitally."*

*Jonathan Rex, Personal Vintage Director*

From another perspective, it is also discussed that the members should be able to choose if they want to interact with the company digitally. Hence, there is a challenge to build an automated digital platform in which there is a choice for the members to participate. Once again, the reasoning behind this perspective is the risk of losing the personal contact.

However, in contrast to above, it is mentioned that it might be a barrier only for the older generation that is not as used to digital interaction as younger generations. In the near future, as the customer base is growing with new, younger members, it will not be a barrier. Hatt et Söner is building for the future, meaning that they aim to develop solutions today that will fit the customer of tomorrow. To be able to cope with develop a digital customer platform while not removing or losing the personal interaction, the digital platform can be served as a complement in the very beginning. In this way, the company is able to adapt to each customer to make them

feel involved and important in the digital journey. The CEO raises the issue of doing things simultaneously and expresses the following:

*"Also, within the topic of innovation, it can be difficult to keep up and manage several things simultaneously."*

*Karl Gracián, CEO*

The CEO further expresses his concern of not doing it good enough - the risk of developing a digital platform that is on the edge of collapse every other day, of which customers are annoyed by. He further stresses that it might harm the brand:

*"A step into a digital world that we cannot fully handle, will potentially harm the brand."*

*Karl Gracián, CEO*

Lastly, a challenge with going digital is to build a platform that can be further developed with innovated elements and potential expansions. It is important to build for the future, that the investments that the company does today are compatible with future developments. The table below summarizes the opportunities and barriers raised by the respondents.

Opportunities	Barriers
Create and maintain relationship with members	Costly - technical investments
Stay closer to members, integrate them	Time consuming
Grow customer base	Loss of personal contact and relationship
Focus on value adding activities	Digital knowledge among the customers
Document and store data more efficiently	Risk of collapse - not doing good enough
Increased service level	Investment should be compatible with future developments
Access to ideas, experience, products, events etc. in a community	

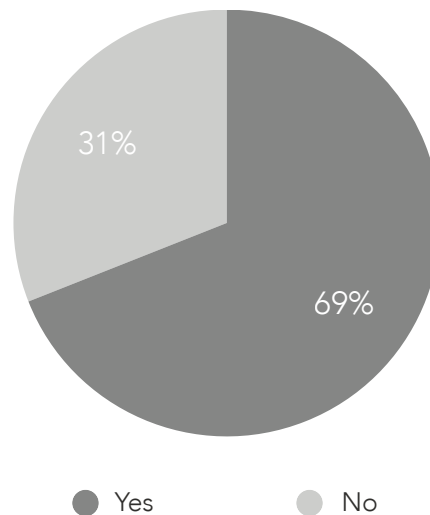
*Table 4.2 Summary of opportunities and barriers aligned with transitioning to a digital customer interaction*

## 4.2. PART II: SURVEY

The results from the survey aim to serve as a foundation for answering the question of what customers value in a digital interaction with luxury companies and more particularly, the case company Hatt et Söner. The section below presents descriptive statistics of the answers from the customer survey.

First, the respondents were asked about their online luxury shopping behavior. The motivation behind asking about purchasing behavior online, was to find out if there is any online interaction among customers or not.

*Have you ever bought a luxury product online?*



*Figure 4.1 Online luxury shopping behavior*

A majority of the respondents (69%) answered yes which means that the customers of Hatt et Söner are digitally connected and consider purchasing luxury products online. Further, a follow up question about what channels customers are considering using when connecting to a brand were asked. The question was of multiple choice character, meaning that the customers could choose more than one way of interaction. The results that followed from that questions are the that the following: email (94%), brand website (87%), instagram (65%) were ranked highest. In addition, 63% answered that they use a member's club login to connect with brands. Moreover, the survey intended to present whether customers use online platforms to interact with companies or not.

Do you use online platforms or digital tools to interact with companies, i.e. to give feedback about a product or service?

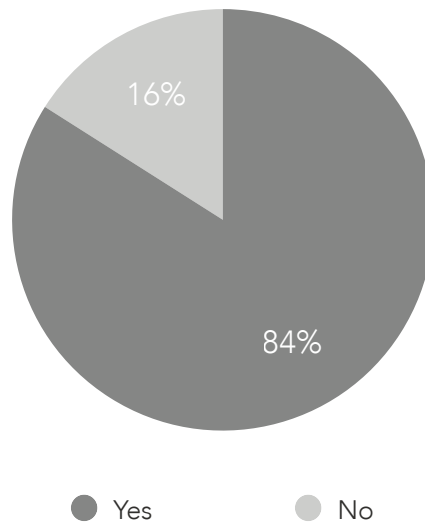


Figure 4.2 Online interaction with companies

The results from the question above show that not only do Hatt et Söner customers buy luxury products online but they are also motivated to interact with companies in terms of feedback and contributing with ideas. Moreover, in order to find out the interest of engaging in a user community, the question regarding potential benefits of interacting with the company and other customers was asked.

What benefits do you see from engaging with companies and/or other users through user communities?

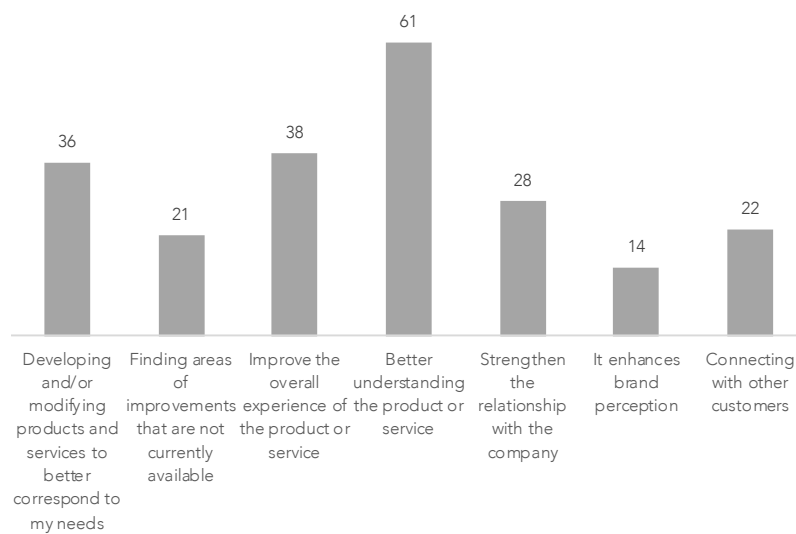
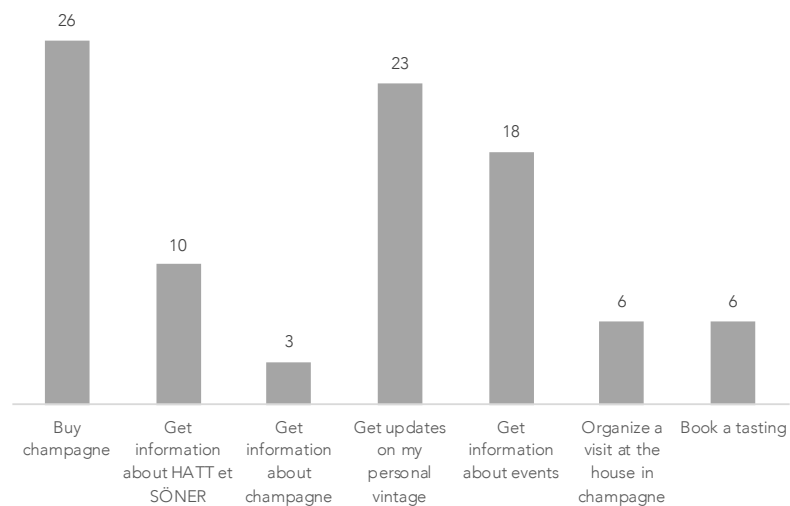


Figure 4.3 User community benefits

The diagram shows how many customers in numbers that have chosen the benefits outlined above. Results display that in addition to modifying and developing products and services, there are several aspects worth considering in relation to community building. Factors such as the ability to provide better understanding of a product or service and improving the overall experience were brought up by customers as important. Apart from the above presented options, the customers also had the possibility to add their own factors that they value in a digital interaction with a company and/or users. Some of them were obviously perceived as important since they occurred several times. These were; access to technical expertise, direct feedback, easy and quick service, information transparency, and personalized experience.

Moving on, since the employees of Hatt et Söner have stated that an application might be a beneficial tool when it comes to communication with customers, a question was included where the respondents were asked to provide answers on what the main purpose of the interaction with Hatt employees is. This since it can provide a foundation for what features to include in future interfaces. The answers are displayed in the graph below.

*What it is the main purpose of interacting with someone working at Hatt et Söner?*



*Figure 4.4 Reasons for customers of interacting with Hatt et Söner*

The above question shows how many customers in numbers that have answered each alternative. This question was added in order to find out potential features to include in a customer digital interaction. Further, the communication tools used to inquire these requests are currently limited to the ones presented below.



What communication tool do you mainly use when you want to get in touch with Hatt et Söner?

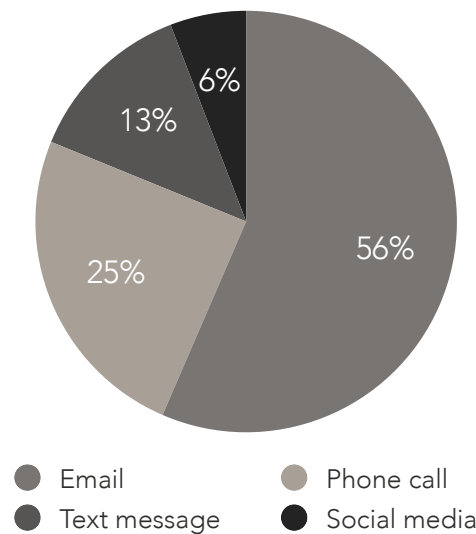


Figure 4.5 Current communication channels

As of today, communicating with the company through email is clearly the most frequently used method. Social media is not the obvious interaction channel. However, when asked if customers are considering using any digital channels to connect with the company a majority (81%) of the respondents said yes as shown in the figure below.

Would you consider using any digital tools to interact with Hatt et Söner?

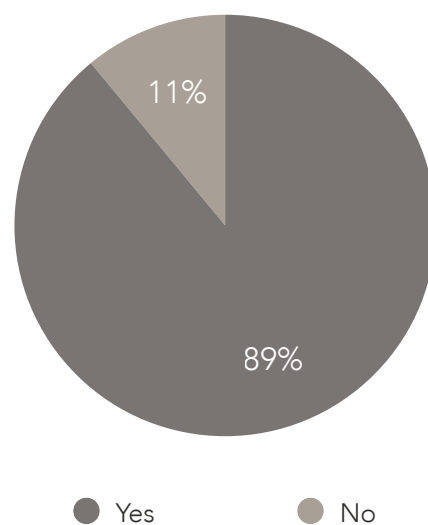
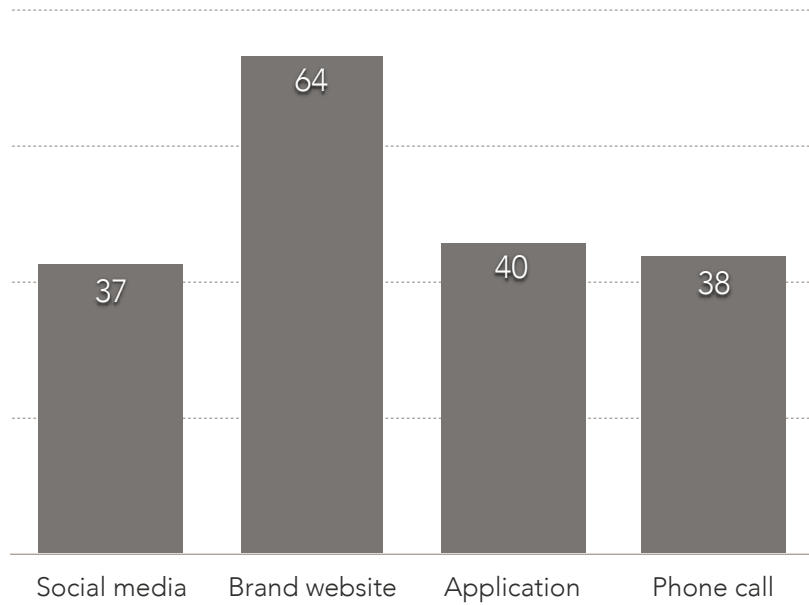


Figure 4.6 Consideration of using of digital tools

To follow up on this question, the respondents were also asked which channels they would consider using. This was asked with the aim to find out the preferred digital channels.

*Which tools/channels would you consider using?*



*Figure 4.7 Preferred digital channel*

In our smartphone society, going digital often includes the introduction of an application to be used in one way or another. Therefore, the respondents were asked whether they would consider using an application and/or website to connect with other members.

Would you consider using a website / application in order to connect with other personal vintage members?

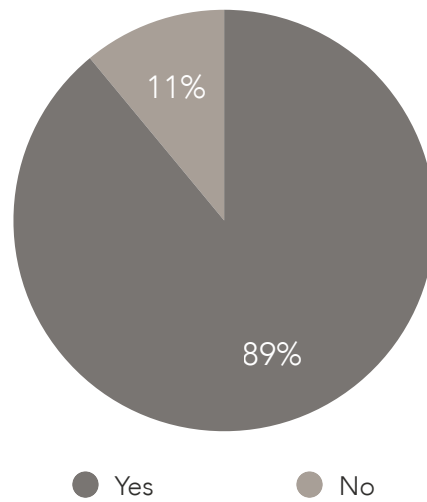


Figure 4.8 Consideration of using website and/or application

As shown, a majority (89%) would also digitally connect with other customers. As an extension, a question about the features customers would like to see in such an application were asked and the results are presented below.

What features would you like to see in a possible application?

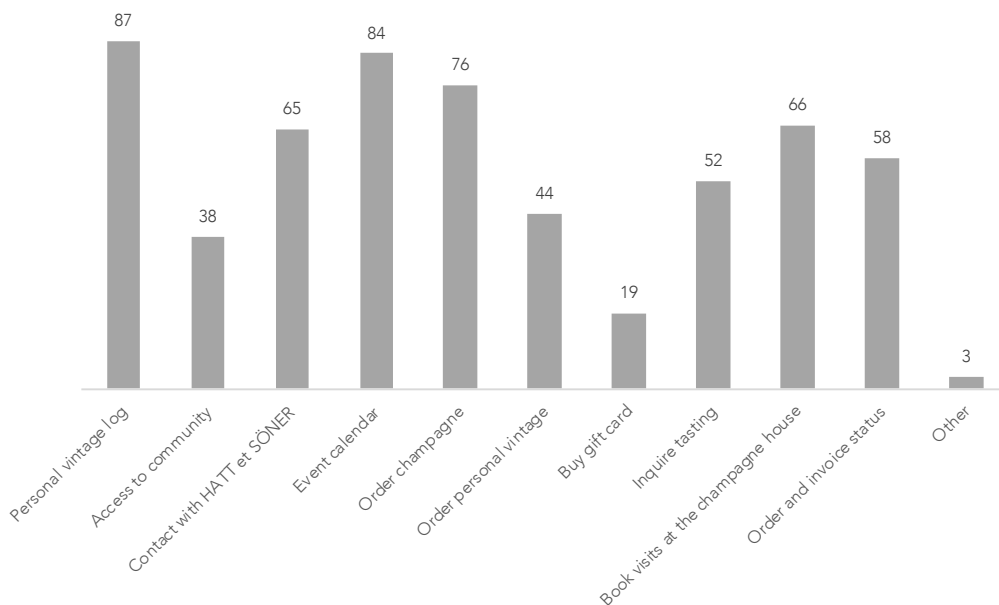


Figure 4.9 Desired features in an application

The figure shows the most preferred features in numbers. Clearly, the most preferred features are to be able to follow the personal vintage in a so called personal vintage log. As the process of creating your own champagne takes four years, updates are today requested by customers through email and phone calls. A standardized process is not yet available. Further, a simple feature as a calendar over events and a booking system for visits are considered as valuable to the respondents. Further 74% of the respondents would like to be able to order champagne direct through an application or brand website.

## **5. DISCUSSION**

*The discussion is centered around the interaction between results from interviews with Hatt et Söner, the answers from the questionnaire that was sent out to its customers and the outlined theoretical framework. Moreover, the discussion is structured with the aim to elaborate on the answers to the research questions.*

### **5.1.CURRENT CUSTOMER INTERACTION**

Before moving into the discussion of how a luxury company can develop its business processes related to customer interaction through digitalization it is of importance to analyze the current situation. The current situation in terms of customer interaction is the foundation for further development and analysis. First, the aspect of customer relationship is crucial for the company's business since their business idea is basically built upon establishing and maintaining relationships with its members. This focus on member relationships is essential not to lose. Second, the customer interaction in terms of communication is outlined. The company aims to be innovative in the customer interaction which today is described as a very rigorous process. Third, and lastly, there is a vision from the company to integrate its members even further into the company and the business development to be innovative. From the results, these aspects make out the foundation for digitalization of the customer interaction and therefore need to be analyzed.

#### **5.1.1. RELATIONSHIP AND VALUE CO-CREATION**

Researchers argue that building valuable long-term relationships, which is the core of Hatt et Söner's business idea, starts with a direct and intimate customer relationship which can be established by personal ties and conversations (Brown, 2016; Lakemond & Tell, 2013). From this perspective the company is doing great and have built up a foundation on which relationships is prioritized. The company has already through its core business values understood the value of integrating the customers and building a relationship with them. However, this mainly concerns the product that a single customer actually buys since the personal vintage champagne itself is developed in collaboration with the customer. Also, the company argues that Hatt et Söner strives to be a lifestyle brand associated with service, exclusivity and experience, which to some extent is true since they name as members. The members are exclusively chosen to be of the Hatt family. Even though the company's vision and

ground value are to understand the customers, creating an experience, providing membership and so on, these are still limited to the product itself. There is little room for value co-creation in terms of developing the experience around the product and the brand which Brown (2016) argues is a significant part of building long-term, lasting relationship with customers. As Prahalad and Ramaswamy (2004) argues, value creation often takes a company-centric approach where companies target their customers with the value they have created in their products and services. This is very much the case for Hatt et Söner where the company are more focused to what value co-creation is not, rather than what value creation actually is as presented in table 3.2 by Prahalad and Ramaswamy. Consequently, there are aspects of the company's current actions and business processes that could be improved. It is perceived that if Hatt et Söner develop their customer interaction to incorporate more value co-creation aspects they will be able to build better customer relationships. This since the time invested in this process will eventually result in increased loyalty towards the company and a strengthened relationship between the company and its customers (Lee et al., 2012; Khan & Hussainy, 2017). Though, the focus is not to completely change the idea of customer interaction, rather the focus is to digitally develop the processes of customer interaction to co-create enhanced value for the customers and ultimately the company. What Hatt et Söner needs to do is to develop a platform that allows both internal and external actors, tentatively the customers, to take part in.

### 5.1.2. COMMUNICATION

The very basic premise for the interaction between the company and its members is to understand their needs and translate them into practical actions. Hatt et Söner believes in the importance of maintaining an open, constructive dialogue to be able to develop customer value, involving the customers in the product and business evolution. They have hence understood the importance of what Lakemond and Tell (2016) argues, that an open approach is valuable since it allows for new ideas to reach the company. However, the current communication process is unstructured, rigid and not so interactive which leaves room for exploration of an updated interaction between parties. Especially as the company is growing in number of customers.

Analyzing the current communication process makes one understand that Hatt et Söner has opened up for a collaborative approach between themselves and their customers and they describe themselves to have been developed some kind of community due to its membership. However, this community, as understood from the respondents, just refer to the being a member. What they miss, though, is the focus

on an iterative dialogue with the customers and especially among the customers to be able clarify and enhance ideas which is emphasized by several authors (Baldwin & Von Hippel, 2010; Sawhney et al. 2005). Today, no actual communication occurs between customers, at least not in an organized manner. Instead, all communication today is solely triggered by a sales opportunity moving only between the company and a single customer. As Robertson and Breen (2013) and Kristensson et al. (2004) argue, for a company to be innovative, collaborative processes involving different actors in the business environment have to be established. Such initiatives, could be beneficial not only from a company perspective, allowing employees to focus more on value adding activities rather than administrative, but also from a customer perspective. When customers of Hatt et Söner are more involved they are likely to come up with valuable ideas which the company can elaborate on and hence develop superior business opportunities that also are more easily implemented and understood by the customers.

### 5.1.3. WHAT ABOUT INNOVATION?

Hatt et Söner has articulated that they seek to be an innovative company. Being innovative from their perspective, apart from offering the personal vintage, mean developing organizational processes to increase customer value through customer interaction. The company envisions that high customer involvement will characterize future direction of Hatt et Söner. This goes in line with what Yoo et al. (2012) points out, that it is of importance to move towards new organizational structures in order to benefit from the creativity outside the company boundaries. Hence, the innovation efforts have to concern more than just the product-making-process, instead, integrating a whole customer experience. This fits quite nicely to what the results from the customer survey envisions, that a majority of the customers value to be a part of the Hatt family which also distinguish how the company differ from other champagne houses. Also, this implies that Hatt et Söner needs to move towards a user innovation approach as presented in figure 3.1 by Gambardella et al. (2016) where a collaborative process is essential throughout the customer involvement process.

Though, since Hatt et Söner operates within an industry characterized by prestige and heritage, involving users has not been according to the traditional rules and standards and is therefore perceived as innovative. Taking this approach, adding that to the current situation in terms of customer interaction processes, the value of the relationships and membership and the vision to develop and be at the forefront of innovation in their industry, the theory around user innovation is seen to embrace all these aspects that are important to the company. As outlined by Baldwin and Von

Hippel (2010), statistics shows that involving users to engage in modifying or developing products and services is crucial to create the value required by the users themselves. Even though Hatt et Söner's customers are engaged in making their own champagne, the collaboration potential is obviously bigger than only concerning a single product which has been shown in above discussions.

From the above discussion, it is clear that Hatt et Söner highly values relationship building, interactive communication and hence engaging customer in innovative collaboration. Although the company have a clear line of sight in what they want to do and achieve, it is obvious that it is important to develop the customer interaction process. It perceived that there is unrealized potential in value creation from involving customers on a new level. Therefore, the next section will elaborate on possible development paths in relation to digitalization. Going digital is perceived to enable Hatt et Söner to be innovative and build on the outlines ideas.

## **5.2. DIGITALIZATION OF CUSTOMER INTERACTION**

The business idea of Hatt et Söner, providing its members a personal vintage champagne and involving them through the whole champagne making process, have always characterized the company. The business idea has actually never changed, and the current situation is well functioning. This implies that there has not been a distinct need for change in the business processes as the product itself has not been requiring change. However, digitalization initiatives have been articulated as an important next step for the company. As Nylén and Holmström (2015) points out, digitalization and digital technologies is one of the most crucial process changes in the business climate that has transformed and restructured many industries during the last decades. Consequently, Hatt et Söner has identified the need to adjust their business processes according to the emerging digitalization transformation. Following the analysis of the current situation and what the company strives for, it is suggested that Hatt et Söner should focus on developing the process of a digitalized customer interaction as this process are the most important for the company and its customers. Hence, a digitalization process does not aim to change their way of doing business. Rather, the focus is to develop and optimize the current customer interaction to a digital era.

However, there is also a need to take a critical perspective. When listening to the company one got a feeling that it is perceived that going digital easily would resolve the challenges that the company is currently facing. That digitalization is the next natural route to follow, which of course is not completely correct. The



respondents agreed that the development of a digitalized customer interaction should facilitate the purchasing journey and enhance the member experience around champagne and the company. This is of course a good start since it at least points out the direction of development of the digital transformation. However, the company must understand that this is not an easy process that “just happens” once someone determines that digitalization is the right way to go. At the same time, researchers also bring forward the concept of digitalization as something that companies “just can proceed with”. Even though barriers with going digital are outlined one also needs to take a critical standpoint to this development. In this thesis, digitalization is not looked upon as a solution that will positively transform the entire business of Hatt et Söner. Rather, digitalization is discussed as a progression for the company that should be used as a guideline for a future development. In this process, it is important that the process is understood by the whole organization as an ongoing, holistic process (Davenport & Westerman, 2018).

With a critical perspective in mind, the question about how the direction of the company's digitalization efforts should be outlined is still left to be answered in more detail. As mentioned previously in the thesis, digitalization is a broad topic that has to be defined for the purpose of this case company application and its specific processes. Digitalization, here, refers to different technologies and tools used in a customer interaction being integrated into the business environment. Consequently, digitalization is the process that Hatt et Söner initiates when moving parts of its existing business model and operations, the customer interaction process, into a digital. Further, Parviainen et al. (2017) argue that digitalization enables new types of, and improved, business processes which can be divided into two categories, internal and external business processes. This perspective of digitalization goes in line with the aim of Hatt et Söner's suggested digitalization efforts. The respondents argue that the main reasoning behind developing a digital interaction has two stands; one involves the benefits for the company in terms of aspects such as enhanced customer interaction and strengthened relationships, and one is the added value it can bring to the customers - the members of the Hatt Family. As a result, this shows that there are strong incentives for the company to proceed with its digitalization efforts where both an internal and an external perspective is prioritized. Building upon this, as indicated several times in the thesis, what has been discovered from the analysis of the current situation, what the company envisions and what the requirements are internally from the company and externally from customers, is the essentiality to build up an internet based platform for the customer interaction process. The platform should involve re-thinking how the communication is currently conducted with the aim to help the company and the customers towards a more interactive communication. Sawhney et al. (2005) strengthens this argument by emphasizing that

internet provides a powerful platform to enable collaborative innovation between a company and its customers.

However, the usage of internet is huge, and the potentials are many and it is not enough to state that a company should start using internet to build a platform. Sawhney et al. (2005) as well as Yoo et al., (2012) argues that a user community is one highly potential development action to take when using internet as a tool. From the respondent's views of what digitalization means for them and what they want to get out of a digital customer interaction, it is found that a digital user community is correlating with what several authors suggest as a relevant opportunity with digitalization. The underlying motivation behind communities goes hand in hand with the concept of user innovation, namely to co-create value (Yoo et al., 2012). A digital community allows the company to exploit customers ideas and feedback and give customers a feeling of belongingness and engagement (Danziger, 2018) which is what Hatt et Söner aims for. The company will moreover increase value for their members through offering a new dimension of exclusivity, through co-creative development based on features and needs requested from the customer base, all communicated through a digital interface.

There are there are examples of companies who have succeeded with this kind of community implementation, one of them being LEGO (Robertson & Breen, 2013). The case of LEGO is related to Hatt et Söner not only in building a community but also in the nature of the customers it attracts. LEGO customers were intrigued by being part of developing their own product and interacting. Similarly, Hatt et Söner's customers are not only champagne drinkers, but keen on developing their own product and being able to interact to make something even better than a standardized product. More recent brands have also succeeded implementing digital communities where Glossier is a favorable example (Danziger, 2018). These brands show that integrating customers in the form of a community can be very successful. However, it needs to be taken into consideration that these companies operate within different industries and represented at different stages in company development. LEGO is a very traditional company with a long history while Glossier is a born-digital. Though, both companies show that customer collaboration can offer greater market strength and value creation through the ecosystem of ideas a community offer. With more platforms becoming present, attraction for customers to interact will grow even further.

Permeating the overall digitalization process is the ability to communicate more efficiently. Integrating customers digitally, opens up for an ongoing dialogue between parties where communication can occur directly, in both directions as pointed out by Sawhney et al. (2005). In line with the above reasoning, it is not far-

fetches to propose that communication will allow for strengthened relationship building, which is analyzed to be a valuable aim with going digital.

### **5.3. OPPORTUNITIES AND BARRIERS OF TRANSFORMING TO A DIGITAL CUSTOMER INTERACTION**

There are several factors that need to be taken into consideration when conducting a digital transformation of a customer interaction. Overall, when summarizing the respondent's thoughts and arguments there are more opportunities than barriers which shows that there is a belief that a potential transformation is likely to succeed. It also shows that the company is somewhat ready to do this kind of transformation since all the respondents have argued both that it is necessary in order to cope with today's business, it is the right direction to take for future businesses and to be innovative as a company. Nevertheless, the respondents are aware of the barriers and cannot take easy on a digital transition. They do understand that it is a complex process that requires several investments both in monetary terms, capability investments and technical investments.

#### **5.3.1. OPPORTUNITIES**

With digitalization and customer interaction comes many opportunities and the overall goal for Hatt et Söner in this transformation is to facilitate the purchasing journey and enhance the member experience. However, it can then be argued that outlining the potential opportunities with regard to the company goals of the transformation as well as what academic research is seen as highly beneficial and an important step in the journey. Moreover, opportunities can be seen as the foundation of initiating a change. Without spotting opportunities, the purpose of investing in changing business processes is not evident.

As, Eric Von Hippel (2009) points out, digitalization is notably connected to the role of involving users and customers in a company's business. The ability for users to in an improved manner coordinate and communicate their ideas through digitalized media, such as internet, is the foundation to behind this. Accordingly, the opportunities for a luxury company with a digitalized customer interaction are therefore twofold; opportunities aligned with involving the customers and the opportunities that comes with digitalization. When combining these two perspectives in the responses from the interviews and essay these in relation to the table summarizing opportunities presented in the literature review several

opportunities are found as especially evident and dominant for the company. These have been highlighted by the researchers as the most important and relevant since they have been confirmed by both executives at Hatt et Söner and academic research. In addition to these, other opportunities were identified in the literature but were not confirmed in this case. The reason to this might be the specific characteristics of the luxury industry that makes several opportunities more notable than others. Another possible explanation is that the transformation has not yet been initiated and other opportunities might arise when the process is ongoing. Although some of the opportunities vary, many of them overlap and when combined becomes even stronger. The opportunities are outlined in the table 5.1 below without particular order.

#### Opportunities with a digitalized customer interaction

-----

- Create and maintain relationship with members
- Stay close to members while customer base is growing
- Access to ideas, knowledge, valuable information
- Development of community
- Making members involved in the company
- Digitalized customer base
- Effectively document and store data
- Efficient communication
- Reduced administrative communication and instead focus on value adding activities
- Integrate members to the company
- Increased service level
- More valuable and faster interaction between company and its members
- Member experience enhancement
- Follow product and service development in the champagne making process

*Table 5.1 Opportunities with a digitalized customer interaction*

Although, there are reasons to believe that the opportunities presented above applies to companies in general, Hatt et Söner has specifically articulated these opportunities. Some of these opportunities are directly linked to the digitalization and some are linked to the benefits of integrating customers into a community. This is perceived as reasonable since the development of a digital customer interaction involves both opportunities related to the specific development of a digital community as well as opportunities related to digitalization in general. Hatt et Söner can use these as a vision for their future operations.

Community building is influencing several of the identified opportunities which is relevant since it has been brought up by both the literature and in the results as a compatible further development. Apart from the presented opportunities above, several other opportunities were brought up by academic research and summarized in the literature review. Clearly, all of these are not present above for several reasons. First, due to the nature of the company and industry some opportunities are not applicable or not seen as relevant. For example, since the champagne is co-developed with the customers there is minimal risk of market failures of the products. Moreover, absorbing social customer knowledge has not been acknowledged by the company as a specific opportunity. This opportunity is outlined by Sawhney et al. (2005) and refers to the ongoing dialogues that takes place within communities. The reason to why the company has not yet recognized absorbing social customer knowledge might be that they have not realized the potential value it can provide. This despite the many potentials of a community that has been recognized. Lastly, as Prahalad and Ramaswamy (2004) describe, the customer interaction enables customers to co-create their experience with the company which is key to create and sustain competitive advantage. Hence, the digital customer interaction itself is seen as an opportunity for the company to create and sustain competitive advantage.

### **5.3.2. BARRIERS**

As in the case with opportunities, digitalization of customer interaction also comes with several barriers. As Bughin et al. (2018) points out that many companies actually fail when initiating digitalization actions due to several reasons. Hatt et Söner has acknowledged the possibilities of negative outcomes and the respondents have articulated that they fear that the brand will be harmed if they cannot handle the digitalization process successfully. Despite this, it can be seen as mature move from the company to recognize potential barriers without stating that a digitalization process is not possible. All changes that a company does will eventually bring challenges and barriers and being able to take them into consideration and adjusting processes according to them is suggested to make a success more likely. Moreover, Davenport and Westerman (2018) discuss that it is important to adjust digital initiatives to the readiness of the industry which means that there needs to be a fit with the existing business processes. With the background of the luxury industry in mind this perspective has been taking into consideration as Hatt et Söner does not compare their readiness to other industries or even other companies. Rather, the focus is to meet the increasingly connected luxury customer and adjust the business processes to better correspond to how customers today behave in their online behavior.

Moving on to the barriers identified, this was done the same way as with the opportunities, by analyzing the respondents answers with regard to what the literature review presented. These are outlined in the table 5.2 below, without any particular order. The barriers have been highlighted by the researchers as the most important and relevant since they have been confirmed by both executives at Hatt et Söner and academic research. Similarly to the opportunities, the barriers and risks connected to digitalization and customer involvement are overlapping.

**Barriers with a digitalized customer interaction**

- 
- Investment costs
  - Technical investments
  - Time consuming process
  - Loss of personal contact and relationship
  - Digital knowledge among customers, should be optional to participate, brand perception
  - Risk of systematic collapse
  - System compatibility
  - Technological complexity, uncertainties
  - Investment should be compatible with future developments
  - Staying up to date, should fit with existing business strategy and industry readiness

*Table 5.2 Barriers with a digitalized customer interaction*

Referring to the table above, important barriers identified when it comes to a digitalized customer interaction are high technical investment costs, the time-consuming process of implementing it and the risk of a systematical collapse. Moreover, and perceived as important to highlight in this case is the fact that Hatt et Söner might lose some personal customer contact, which is what the entire business idea is built upon. However, as with any change or systematic implementation, there are risks and barriers similar to those highlighted in the table. For Hatt et Söner, the arguments for going forward with involving the customers digitally are still strong due to the opportunities discussed above, as well as the possible ways to mitigate the barriers once identified. As with opportunities there are several barriers that are not being identified in the results but that has been brought up in academic research. There are two possible explanations to this; one being that Hatt et Söner has not yet initiated the process of digitalization yet which means that they might not

have acknowledged all the barriers that the transformation process involves. Another reason might be that the barriers discussed in previous academic are not applicable to this particular company, operating in the luxury industry. Moreover, since the company's core business idea is to cooperate with its customers, the barriers of transparency of information or lack of trust between parties are not seen as evident. Additionally, as described in the above section regarding digitalization, the lack of a common perception is somewhat present. However, this will probably be mitigated when the actual transformation process begins, and different ideas will converge. The risk of losing control of brand perception is another risk brought up in academic research (Abtan et al., 2016). The company, though, views this risk from a different perspective which is related to a system collapse. If a collapse would occur, then the brand can potentially be harmed according to respondents. Lastly, the barrier regarding a fit with existing business strategy and industry readiness is not seen as that relevant. It is argued in the introduction and throughout the study that luxury customers are increasingly connected and Hatt et Söner needs to increase digitalization.

#### **5.4. CUSTOMER VALUES**

On the one hand, it is interesting and important to consider the company perspective of a digital customer interaction. As discussed above, it involves both opportunities and challenges. On the other hand, to get a more holistic view, it is highly essential to account for the customer perspective, i.e. what they actually value in a digital interaction with Hatt et Söner. Clearly, the ability to satisfy customer needs and delivering more beyond what is expected by its customers lies in the heart of Hatt et Söner's business idea. In addition to the product champagne and the service associated with deliver a personal vintage, the value also lies in the experience of being a member and being able to take active stance in Hatt's future. To be able to deliver that, the company needs to know what the customer might value apart from developing ways for the customer to take an active role in developing the future of Hatt et Söner. Also, by understanding the key factors that the customers value, i.e. a community of users, the chances of loyalty is higher (Hsieh et al., 2005).

As results show, a clear majority of the customers are highly engaged and motivated to buy luxury products online (69%) as well as using online platforms or digital tools to interact with companies (84%). This is further strengthened by the fact that McKinsey outlines, that luxury customers are increasingly connected and are requesting more than just the physical factors of a product (Bughin et al., 2008). Consequently, it can be argued that the customers of Hatt et Söner is ready for a

digital interaction with the company which is an important consideration in understanding what customer value.

The customers' responses are permeated by their motivation to be able to engage with the company in order to co-develop their experience. As Franke (2014) and Von Hippel (2009) state, the ability to modify and develop products to better suit specific needs is an important aspect, which also was confirmed by the results from the questionnaire. For Hatt et Söner, this for example translates to the champagne making process, in which customers are able to follow their personal champagne in a community instead of just direct contact with employees. Moreover, results show that several other beneficial areas motivate customers to engage. A community can for example help to provide a better understanding of the product (Braun & Herstatt, 2007). Since Hatt et Söner aims to provide transparency, this aspect can be seen as very beneficial for them to consider and implement in a digital interaction with the company. In addition, aspects such as improvement of the overall experience of the product and service, strengthened relationship with the company and enhanced brand perception were considered as valuable among the respondents. This again shows that building on a digital community will not only be beneficial from a company perspective, but from the customers' point of view too. Relating to user innovation and more narrowly to why users choose to engage with companies, Kristensson et al. (2008), argue that companies can benefit from the interactiveness and discussion of ideas because users can more easily be understood. Thus, through communities, there will exist less discrepancy between the company and its customers, especially when the customer base is growing internationally.

Apart from specific values and benefits, results show important implications for customer interacting with Hatt et Söner. Buying champagne in addition to the personal vintage was top ranked followed by getting updates about the personal vintage process and of organized events. This shows that implementing an online order system will be beneficial since it (i) takes away stress of not having customers pay their invoices in time and (ii) gives the customers freedom to purchase champagne from wherever they want and whenever they want. Frow et al. (2015) argue that this type of close interaction helps users to co-create their shopping experience, strengthen the relationship with the company and enhances the brand perception. These aspects are thought to be very valuable for a fairly small and exclusive company like Hatt et Söner.

As of today, the customers mainly use email or phone call to connect to Hatt et Söner. While this is not surprising since the company have emphasized traditional and personal ways of contact, the development potential is more interesting. An evident majority of the customers (89%) have answered that they would consider



using any digital tool to interact with the company if possible. This strengthens what Parviainen et al. (2017) argues, that there is room for innovation to occur, new businesses possibilities, when initiating digitalization efforts which can create circumstances where new services or offerings to customers occur. Examples of new service offerings that the company has articulated is the tools discussed in above sections which are connected to development of a community. Following this, customers also have preferences in terms of which tools they would consider using. The outcomes were quite balanced with a slight majority towards brand website. Moving on, with a 67% majority, it is also showed in the survey that customers would consider using an application or website to connect with other members. Due to the characteristics of a survey it was not possible to ask why, but one can argue that the reasons behind the answer are enjoyment and opportunity to connect with individuals that share interest in the same product (Bughin et al., 2008). Also, the exchanges and ideas among members, often within a community, usually contributes to the creation of an identity and culture (Lakemond & Tell, 2016), which is especially viable and important in the luxury industry.

## 5.5. DIGITALIZED MEMBERS COMMUNITY

From a company perspective on the current situation it is clear that the company both needs and wants to initiate a digital development of their customer interaction. Customers are not looked upon as passive players, where they mainly are recipients of companies' innovation activities as in a traditional perspective (Baldwin & Von Hippel, 2010; Bogers & West, 2012). Rather the customers take an active stance in development process (Robertson and Breen, 2013) and Hatt et Söner has recognized the importance to exploit this opportunity. At the same time, according to survey results, the customers have articulated that they digitally want to interact with the company in several ways. This shows that digitalization of customer interaction is essential from both perspectives.

Confirmed by both theory and results from interviews and customer survey, building a digital community is a suggested solution. From a company perspective, a digital user community will allow them to reach value co-creation, building and maintaining value for their customer. This involves many perspectives. First, Hatt et Söner are very concerned of having strong relationships with their customers, where they are integrated as members of the Hatt family, exclusivity, engagement and belongingness are highly prioritized. A community will allow the company to build upon these important factors and profit on integrating customers as family members. As Yoo et al. (2012) point out, having access to customers thoughts and ideas in a

community help to recognize them, and retain them. Ultimately, as discussed by Hatt et Söner, by understanding the key factors that the customers value the chances of loyalty are higher. Consequently, the overall impact will be the ability for Hatt et Söner to co-create value where the member experience is enhanced. Second, Hatt et Söner puts a lot of effort on maintaining a regular communication. A community will allow this process to establish a more iterative dialogue, both between peer customers and between the company and its members. Further, the communication process will not be as rigid, and all parties will be able to interact on their very own premises. Lastly, articulated needs and perceptions can be generated within the community. Since customers can freely interact with each other and with Hatt et Söner, the company can benefit from ideas generated within the community. The company seeks to be innovative and develop their business according to customer wishes which will be made possible since Hatt et Söner will have the capability of networking beyond company boundaries. This is in line with Fichter's (2009) arguments that networking beyond organizational boundaries will let new business ideas to emerge. Taking into consideration customers provisions, the respondents were asked to consider functions and features that can be included in a digitalized interplay. If these functions are incorporated in a digital interaction, there is a strong belief that the overall value for the customers will increase. In other words, what they perceive as important in relation to the company and the luxury experience.

Combining the two perspectives the question still remains: How could a community solution look like and what features should be included? Illustrated in figure 5.1 below is a suggested process map over how a community could look like for Hatt et Söner. The aim is not to exactly outline how every single feature or function in the community work in detail, rather the aim is to give an overview that can be used as a guideline for future development.

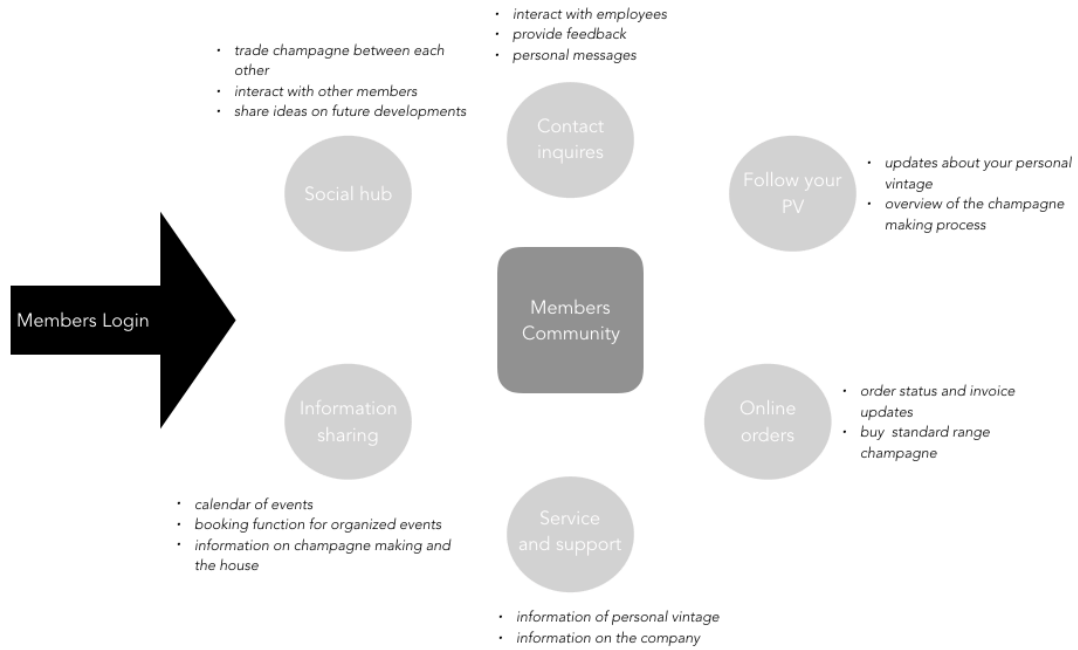


Figure 5.1 Visualization of the digital member community

As can be seen, the features and functions included in the digital member community is a consolidation of the features that Hatt et Söner wants to include as presented in table 4.1 and what customer values as presented in the survey results. Ultimately, a community is a way for Hatt et Söner to develop their business and make innovation happen. The idea of a community is an innovation itself but is also perceived as just a start. More importantly, it allows for new ideas to spread and foster in the future. When the customers are integrated in the company there are reasons to believe that there are even more room for co-creation through the many tools that are connected to a Hatt community. Having customers connected through a digitalized community will create incentives and commitment for them to further develop and take part in integrating a whole customer experience. Conclusively, customer involvement could be combined with digitalization through building a community which will create value for all parties involved.

## 6. CONCLUSIONS

*This section will conclude the research by presenting the final remarks based on the results from the study. The stated research questions will be answered, and the researchers present final implications and suggestions for further research.*

The purpose of this research has been to bring clarity in how a luxury company digitally can integrate their customers to maintain and improve customer value. In order to explore how this can be executed, the research also involved an examination on the opportunities and barriers aligned with a digital customer interaction, as well as what aspects customers value in a digital interaction with the company. With the theoretical framework regarding involving customers and/or users into a company, value co-creation and the implications of digitalization as a starting point, a case study at the champagne house Hatt et Söner was undertaken. Based on the findings from interviews with representatives at Hatt et Söner, the customer survey as well as literature review, answers to the stated research questions will be presented below.

### 6.1. REVISITING THE RESEARCH QUESTIONS

The following research question has guided the process and work of this thesis:

*How can a luxury company maintain and improve value creation through a digitalized customer interaction?*

Based on what has been discussed throughout the study, the short answer is to build a digital members community. The starting point to this answer is Hatt et Söner's current situation where several actors are united in that a change relatively to ongoing operations is essential. Executives and the customers of the case company confirm that in the era of digitalization, adopting elements that allows for a higher integration of the customers digitally will enhance the overall experience and value of the product itself. Additionally, industry experts argue that the luxury industry needs to build upon digital opportunities in order to deliver the value that customer require and innovate their value creation. In this process, customers are essential and when transitioning digitally they need to be highly engaged. Gathering all these perspectives combining them with what theory proposes, it has been recognized that digitalization and the concept of integrating the customers as in user innovation can

be unified. As a result, developing the digital customer interaction through building a member's community is a suggested solution. The very basic premise of the digital members community is to create a platform in which the company can integrate its customers through several functions such as social hubs, contact inquiries, follow your PV and online orders. Also, the customers can to a greater extent take part in the company development and experiences. The community is built on several tools and functions requested by both the company and the customers which will increased the perceived value for all parties which has been stated in the analysis.

When the process of digitally involving customers in new ways should be established, there are aspects of the company's current business that has to be transformed. In order to ensure a successful development of a digitalized members community it is of utmost importance to discover the opportunities and barriers that this involve, which leads us to the next two sub-questions *(1) What are the opportunities for a luxury company with a digitalized customer interaction? (2) What are the barriers for a luxury company with a digitalized customer interaction?* Some aspects of implementing a digital user community are of course positive and some are negative as shown by the results from this study and previous literature. The real struggle for the company will be to spot opportunities and learn how to overcome the barriers. The opportunities and barriers aligned with a digital customer interaction are as discussed in the analysis are summarized in the table below.

Opportunities	Barriers
<ul style="list-style-type: none"> <li>• Create and maintain relationship with members</li> <li>• Stay close to members while customer base is growing</li> <li>• Access to ideas, knowledge, valuable information</li> <li>• Development of community</li> <li>• Making members involved in the company</li> <li>• Digitalized customer base</li> <li>• Effectively document and store data</li> <li>• Efficient communication</li> <li>• Reduced administrative communication and instead focus on value adding activities</li> <li>• Integrate members to the company</li> <li>• Increased service level</li> <li>• More valuable and faster interaction between company and its members</li> <li>• Member experience enhancement</li> <li>• Follow product and service development in the champagne making process</li> </ul>	<ul style="list-style-type: none"> <li>• Investment costs</li> <li>• Technical investments</li> <li>• Time consuming process</li> <li>• Loss of personal contact and relationship</li> <li>• Digital knowledge among customers, should be optional to participate, brand perception</li> <li>• Risk of systematic collapse</li> <li>• System compatibility</li> <li>• Technological complexity, uncertainties</li> <li>• Investment should be compatible with future developments</li> </ul>

Table 6.1 Summary of opportunities and barriers with a digital customer interaction

It is important to consider that the progression towards actually building a digitalized customer interaction through establishment of a member’s community is not yet initiated. Therefore, it is not possible to fully outline all potential opportunities and barriers associated with the process. The opportunities and barriers presented are based upon current insights and will serve as initial guidelines.

Lastly, a digital members community is not in its isolation a valuable tool for the company. In its essence, in order for it to be valuable it has to meet what customer value as well as company requirements. The answer to the last sub-question *What do customers’ value in digital interaction with luxury companies?* have been gathered through the results of a self-completion questionnaire sent out to the customers of the case company. The foundation was that they are motivated to interact with both the company and other customers and users through digital platforms. Further they were asked to provide factors that ought to be valuable in a digital interaction with the company and came up with the following as most

important to include: (1) better understanding of the product or service, (2) improve the overall experience of the product or service, (3) developing and/or modifying products and services to better correspond to their needs. Apart from these, the customers also value to connect with other customers, strengthen the relationship with the company and finding areas of improvement that are not currently available. Consequently, these factors need to be taken in to consideration when developing the members community. What has been shown, though, is that through the different functions and tools that has been articulated, customers values will be fulfilled.

## 6.2. IMPLICATIONS FOR FUTURE RESEARCH

The main contribution of this thesis has been to provide a potential development path for a luxury company in the era of digitalization without losing customer value. Through the study of a single case company, Hatt et Söner, it has been shown that integrating customer digitally to a company through building a member's community, value can be both maintained and improved for the company and its customers. By developing business activities to incorporate digital customer interaction many opportunities can be reached and built upon in the future. As with any change, there are also barriers that need to be taken into consideration. The opportunities and barriers that have been outlined are implications of this study that can be used for further business application and research. Lastly, by defining what customer value in a digital interaction, it has also been clarified what factors that needs to be taken into consideration in this kind of development. As this thesis elaborates on how a luxury company potentially can progress with a digital customer integration, the insights presented should be used as guidelines rather than recommendations for managers and business leaders within this kind of industry.

In the best of worlds, with no resource or time constraints, the study could be enhanced to further understand the context and provide superior implications. Firstly, the findings in this study only concerns one single case company. Although narrowing down the scope to one company operating in the luxury industry gave important insights in how to build on digital customer collaboration to a new level, this choice has also limited the findings. For example, other valuable observations might be found if another company were studied and compared to. To further increase the understanding of the subject it could, therefore, be valuable to study multiple companies within the industry to be able to compare different business and explore whether the findings hold for more than one company. Secondly, it would be interesting to study the case company over time during the initiation and development of their digitalization efforts in relation to customer interaction. It would

be interesting to conduct future research which investigates the actual results of the development process, and how well these results correlate correlated with the findings from this thesis. Important insight might arise along the way. Lastly, only certain aspects of a digital customer interaction were explored. There are reasons to believe that all customers do not want the same features, tools or even the same kind of customer interaction. For example, in the survey the customers had the opportunity to add their own answers to the questions about what they see as valuable benefits. The results showed that perspectives are contrasting. Hence, it would be interesting to study if and how a digital members community could be developed to target different customer segments and even specific customer needs in order to create a more personalized experience.



## 7. REFERENCE LIST

- Abtan, O., Barton, C., Bonelli, F., Gurzki, H., Mei-Pochtler, A., Pianon, N., & Tsusaka, M. (2016). *Digital or die: The choice for luxury brands*. Boston Consulting Group. Accessed: 2019.04.23 from: <https://www.bcg.com/publications/2016/digital-or-die-choice-luxury-brands.aspx>
- Achille, A., Marchessou, S., Remy, N. (2018). *Luxury in the Age of Digital Darwinism*. McKinsey. Accessed 2019.05.08 from: <https://www.mckinsey.com/~media/McKinsey/Industries/Retail/Our%20Insights/Luxury%20in%20the%20age%20of%20digital%20Darwinism/The-age-of-digital-Darwinism.ashx>
- Adams, R. (2018). Hatt et Söner shows us how to create a champagne that tells your story. *Tempus*. Accessed 2019.04.15 from: <https://tempusmagazine.co.uk/news/hatt-et-sner-shows-us-how-to-create-a-champagne-that-tells-your-story>
- Baldwin, C., Von Hippel, E. (2010). Modeling a Paradigm Shift: From Producer Innovation to User and Open Collaborative Innovation. *Organization Science*. Vol 22 (6), p. 1399-1417.
- Bogers, M., Afuah, A., Bastian, B. (2010). Users as innovators: A review, critique, and future research directions. *Journal of Management*. Vol 36 (4), p. 857-875.
- Bogers, M., West, J. (2012). Managing distributed innovation: Strategic utilization of open and user innovation. *Creativity and innovation management*. Vol 21 (1), p. 61-75.
- Borowski, C. (2015). What a Great Digital Customer Experience Actually Looks Like. *Harvard Business Review*. Accessed 2019.02.19 from: <https://hbr.org/2015/11/what-a-great-digital-customer-experience-actually-looks-like>
- Boston Consulting Group. (2014). *Shock of the new chic: Dealing with new complexity in the business of luxury*. Accessed 2019.03.04 from: <https://www.bcg.com/en-nor/publications/2014/consumer-products-dealing-with-new-complexity-business-luxury.aspx>

- Braun, V., Herstatt, C. (2007). Barriers to user innovation: moving towards a paradigm of 'licence to innovate'? *International Journal of Technology, Policy and Management*. Vol 7 (3), p. 292-303.
- Bughin, J., Chui, M., Johnson, B. (2008). The next step in open innovation. *McKinsey Quarterly*. Accessed 2019.02.14 from: <https://www.mckinsey.com/business-functions/operations/our-insights/the-next-step-in-open-innovation>
- Bryman, A., Bell, E. (2015). *Business research methods*. 4th edition. Oxford: Oxford University Press.
- Chesbrough, H. (2004). Managing OI. *Research Technology Management*. Vol 47, p. 23-26.
- Danziger, N., P. (2018). 5 Reasons That Glossier is So Successful. *Forbes*. Accessed 2019.02.19 from: <https://www.forbes.com/sites/pamdanziger/2018/11/07/5-keys-to-beauty-brand-glossiers-success/#5746ffb8417d>
- Davenport, T. H., Westerman, G. (2018). Why so many high-profile digital transformations fail. *Harvard Business Review*. Vol 9.
- DeWalt. (2019). *Innovation & Technology*. Accessed 2019.02.26 from: <https://www.dewalt.com/dewalt-dna/innovation-technology>
- Dey, I. (2003). *Qualitative data analysis: A user friendly guide for social scientists*. London, United Kingdom: Routledge.
- Di Gangi, P. M., Wasko, M. (2009). Steal my idea! Organizational adoption of user innovations from a user innovation community: A case study of Dell IdeaStorm. *Decision Support Systems*. Vol 48 (1), p. 303-312.
- Fàbregues, S., Molina-Azorín, J.F. (2017). Addressing quality in mixed methods research: a review and recommendations for a future agenda. *Quality & Quantity*. Vol 51 (6), p. 2847–2863.
- Flyvbjerg, B. (2006). Five Misunderstandings About Case-Study Research. *Qualitative Inquiry*. Vol 12 (1), p. 219–245.
- Franke, N. (2014). User-driven Innovation. *The Oxford Handbook of Innovation Management*. Oxford University Press. Accessed 2019-02-14 from: <http://>

- Frow, P., Nenonen, S., Payne, A., Storbacka, K. (2015). Managing co-creation design: A strategic approach to innovation. *British Journal of Management*. Vol 26 (3), p. 463-483.
- Gambardella, A., Raasch, C., Von Hippel, E. (2016). The user innovation paradigm: impacts on markets and welfare. *Management Science*. Vol 63 (5), p. 1450-1468.
- Harding, G. (2017). Advertisements of Every Kind to Bring Their Brand into Notoriety: Branding and "Brandolatry" in the Nineteenth-Century Champagne Trade in Britain. *The Journal of Wine Economics*. Vol 12 (4), p. 378-385.
- Hatt et Söner. (2019). *About*. Accessed 2019.02.22 from: <http://hatt-soner.com/about>
- Hsieh, Y., Chiu, H., Chiang, M. (2005). Maintaining a committed online customer: A study across search-experience-credence products. *Journal of Retailing*. Vol 81 (1), p. 75-82.
- Hürlimann, M., & Yakhlef, A. (2013). Open Strengths and Weaknesses of IT User Innovation: Evidence from Three Cases. *Managing Open Innovation Technologies*. p. 215-237.
- Ivang, R. (2008). *The language of digitalization*. An extract from the Ph.D. dissertation "Towards a new understanding of the digital strategic process".
- Kahn, K., Hussainy, K., S. (2017). Dimensions of Customer Value Co-Creation Behavior in a Service Setting. *Journal of Managerial Sciences*. Vol 11 (3), p. 83-96.
- Kazadi, K., Lievens, A., Mahr, D. (2016). Stakeholder co-creation during the innovation process: Identifying capabilities for knowledge creation among multiple stakeholders. *Journal of Business Research*. Vol 69 (2), p. 525-540.
- Kristensson, P., Gustafsson, A., Archer, T. (2004). Harnessing the creativity among users. *Journal of Product Innovation Management*. Vol 21 (1), p. 4-15.
- Kristensson, P., Matthing, J., Johansson, N. (2008). Key strategies for the successful involvement of customers in the co-creation of new technology-based services. *International Journal of Service Industry Management*. Vol 19 (4), p. 474-491.

- Lakemond, N., Tell, F. (2016). *Öppen innovation i teori och praktik*. Lund, Sweden: Studentlitteratur AB.
- Lee, S., Lepak, D. P., Smith, K. G., & Taylor, M. S. (2012). Value creation and value capture: a multilevel perspective. *Academy of management review*, 32(1), 180-194.
- Lepak, D. P., Smith, K. G., & Taylor, M. S. (2007). Value creation and value capture: a multilevel perspective. *Academy of Management Review*, 32 (1), p. 180-194.
- Lindič, J., Marques da Silva, C. (2011). Value proposition as a catalyst for a customer focused innovation. *Management Decision*. Vol 49 (10), p. 1694-1708.
- Leung, L. (2015). Validity, reliability, and generalizability in qualitative research. *Journal of family medicine and primary care*. Vol 4(3), 324.
- Loebbecke, C. and Picot, A. (2015). Reflections on societal and business model transformation arising from digitalization and big data analytics: A research agenda. *Journal of Strategic Information Systems*. Vol 24 (3), p. 149-157.
- Markovitch, S., Willmott P. (2014). Accelerating the digitalization of business processes. McKinsey. Accessed 2019.02.13 from: <https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/accelerating-the-digitization-of-business-processes>
- Matt, C., Hess, T., Benlian, A. (2015). Digital Transformation Strategies. *Business & Information Systems Engineering*. Vol 57 (5), p. 339-343.
- Ming Ooi, Y. (2015). Pulling strings - how users can shape innovation. *University of Auckland Business Review*. Vol 18 (1).
- Noy, C. (2008). Sampling knowledge: The hermeneutics of snowball sampling in qualitative research. *International Journal of social research methodology*. Vol 11 (4), p. 327-344.
- Nylén, D., Holmström, J. (2015). Digital innovation strategy: A framework for diagnosing and improving digital product and service innovation. *Business Horizons*. Vol 58 (1), p. 57-67.
- Okonkwo, U. (2009). Sustaining the luxury brand on the Internet. *Journal of brand management*. Vol 16 (5-6), p. 302-310.

- Panter, A.T., Sterba, S.K. (2011). *Handbook of ethics in quantitative methodology*. New York (US): Taylor Francis Group LLC.
- Parviainen, P., Tihinen, M., Kääriäinen, J., Teppola, S. (2017). Tackling the digitalization challenge: How to benefit from digitalization in practice. *International Journal of Information Systems and Project Management*. Vol 5 (1), p. 63-77.
- Patel, R., Davidson, B. (2011). *Forskningsmetodikens grunder: Att planera, genomföra och rapportera en undersökning*. 4th edition. Lund: Studentlitteratur.
- Parise, S., Guinan, P. J., Kafka, R. (2016). Solving the crisis of immediacy: How digital technology can transform the customer experience. *Business Horizons*. Vol 59 (4), p. 411-420.
- Payne, A. F., Storbacka, K., Frow, P. (2008). Managing the co-creation of value. *Journal of the academy of marketing science*. Vol 36 (1), p. 83-96.
- Persson, A. (2016). *Frågor och svar - om frågekonstruktion i enkät och intervjuundersökningar*. Stockholm (SE): Statistics Sweden.
- Piller, F. T., Ihl, C., Vossen, A. (2010). A typology of customer co-creation in the innovation process. Accessed 2019.02.20 from: [https://www.researchgate.net/profile/Frank\\_Piller/publication/228197334\\_A\\_Typology\\_of\\_Customer\\_Co-Creation\\_in\\_the\\_Innovation\\_Process/links/5a2bf6b4a6fdccfbf8713d7/A-Typology-of-Customer-Co-Creation-in-the-Innovation-Process.pdf](https://www.researchgate.net/profile/Frank_Piller/publication/228197334_A_Typology_of_Customer_Co-Creation_in_the_Innovation_Process/links/5a2bf6b4a6fdccfbf8713d7/A-Typology-of-Customer-Co-Creation-in-the-Innovation-Process.pdf)
- Piller, T. F., Ihl, C., Vossen, A. (2011). Customer co-creation: Open innovation with customers. Wittke, V./Hanekop, H, p. 31-63.
- Prahalad, C. K., Ramaswamy, V. (2004). Co-creation experiences: The next practice in value creation. *Journal of interactive marketing*. Vol 18 (3), p. 5-14.
- Prahalad, C. K., Ramaswamy, V. (2003). The new frontier of experience innovation. *MIT Sloan management review*. Vol 44 (4), p. 12-19.
- Robertson, D. C., Breen, B. (2013). *Brick by Brick - How Lego rewrote the rules of innovation and conquered the global toy industry*. New York, United States: Crown Publishing Group.

- Rowley, J. (2002). Using case studies in research. *Management Research News*. Vol 25 (1), p. 16-27.
- Salehzadeh, R., & Pool, J. K. (2017). Brand attitude and perceived value and purchase intention toward global luxury brands. *Journal of International Consumer Marketing*. Vol 29 (2), p. 74-82.
- Saunders, M., Lewis, P. and Thornhill, A. (2000). *Research methods for business students*. 2nd edition. Harlow: Pearson Education.
- Sawhney, M., Verona, G., Prandelli, E. (2005). Collaborating to create: The Internet as a platform for customer engagement in product innovation. *Journal of interactive marketing*. Vol 19 (4), p. 4-17.
- Schilling, M. (2017). What's Your Best Innovation Bet? *Harvard Business Review*. Vol 95 (4), p. 86-93. Accessed 2019.05.07 from: <https://hbr.org/2017/07/whats-your-best-innovation-bet>
- Siggelkow, N. (2007). Persuasion with Case Studies. *The Academy of Management Journal*. Vol 50 (1), p. 20-24.
- Spithoven, A., Clarysse, B., Knockaert, M. (2010). Building absorptive capacity to organise inbound open innovation in traditional industries. *Technovation*. Vol 30 (2), p. 130-141.
- Statista. (2019). Value of the personal luxury goods market worldwide from 2009 to 2018 (in billion euros). Accessed 2019.02.24 from: <https://www.statista.com/statistics/266503/value-of-the-personal-luxury-goods-market-worldwide/>
- Von Hippel, E. (2009). Democratizing innovation: the evolving phenomenon of user innovation. *International Journal of Innovation Science*. Vol 1 (1), p. 29-40.
- Wikström, S. (1996). Value creation by company – consumer interaction. *Journal of Marketing Management*. Vol 12 (5), p. 359-374.
- Yin, R. (2011). *Qualitative research from start to finish*. 1st edition. New York: Guilford Press.
- Yoo, Y., Boland Jr, R. J., Lyytinen, K., & Majchrzak, A. (2012). Organizing for innovation in the digitized world. *Organization science*. Vol 23 (5), p. 1398-1408.







## 8. APPENDIX

### 8.1. APPENDIX A: INTRODUCTORY EMAIL TO SURVEY RESPONDENTS

Dear member,

Your opinion matters! This is why we would like to kindly ask you to take 5 minutes of your time to share your thoughts on the communication of Hatt et Söner and ideas of how it can be further developed through digitalization.

This survey is a collaboration between business students in innovation management and the data will be used only for that particular purpose. The survey is conducted anonymously and results will be distributed according to internal policy.

Thank's for your participation!

Best regards,

Hatt et Söner in collaboration with Lisa Sahlin and Maria Olsson

## 8.2. APPENDIX B: INTERVIEW GUIDE

### **Introducing questions**

- › Who are you?
- › What is your position at Hatt et Söner?
- › Please tell me about Hatt et Söner.

### **Customer interaction today**

- › How would you describe Hatt et Söner's interaction with its customer today?
- › What do you value in your current relationship with the customers?
- › What do you think customers value in the current relationship with Hatt et Söner?

### **Interpretation of a digital customer interaction**

- › What does a digitalized innovation strategy mean to you?
- › What do you think it means to Hatt et Söner?

### **Opportunities of a digital customer interaction**

- › What do you consider are the main opportunities with a digitalized customer interaction?
- › What do you think customers value in a digitalized interaction with you?
- › How do you think the customer experience that comes with personal vintage can be enhanced by a digital interaction?

### **Barriers of a digital customer interaction**

- › What do you consider as the main threats with a digitalized customer interaction?

### **Creation of a digital customer interaction**

- › How could a digital customer interaction be developed?
  - › What elements/tools/factors should be included?