Using Customer Integration in New Service Development – A Study in Swedish Retailing

Mårten Palmefors &
Beatrice Palmgren

master thesis report
spring semester 2015

Advisor: Roland Sjöström

Examiner: Thomas Rosenfall

Faculty: TekFak **Department:** IEI

Subject area: Industrial Marketing & Project, Innovation and Entrepreneurship

Title:
Using Customer Integration in New Service Development – A Study in Swedish Retailing

Authors:
Mårten Palmefors and Beatrice Palmgren

Advisor:
Roland Sjöström

Examiner:
Thomas Rosenfall

Publication type:
Master Thesis in Industrial Engineering and Management

Industrial Marketing
Industrial Engineering and Management
Advanced level, 30 credits
Spring semester 2015
ISRN Number: LIU-IEI-TEK-A—15/02308—SE

Linköping University
IEI - the Department of Management and Engineering

EXECUTIVE SUMMARY

For a retailer, who has a close and everyday contact with its customers, understanding the customers can be of benefit if they know how to use the information in the right way. One way of using the customer is to integrate customers when developing new services, to enhance the possibility of the new service gaining market acceptance. *Customer insight*, *Omnichannel retailing* and *Big Data* are areas that recently have caught the interest of retailers. The latter two are of interest as these provide retailers with better possibilities of gaining customer insight, by taking the opportunities to observe the customers' virtual footsteps to a whole new level.

This thesis is a study made with the market research company Nepa as employer of the thesis, in order to develop their B2B offer with end-customer integration. *Why* and *how* customers are integrated were further studied through the frame of reference. The factors that were chosen to describe from a theoretical standpoint how customers can be integrated were *type of integration, role of the customer, type of customer* and *timing of the integration.* The underlying factors that were chosen to answer why retailers choose different alternatives among the above mentioned factors were *market orientation, service/goods dominant logic, environmental uncertainty* and *market maturity.*

The study was made with a qualitative, positivistic approach using a collective case study. The case study is a good way to be able to answer both *how* and *why*-questions and was therefore chosen as method. By investigating multiple cases and performing a cross case analysis the authors were able to draw more generalizable conclusions. Five retailers took part in the study and for each of these a developed service was chosen as case for investigation. By doing low structured interviews using a method called *story-telling,* the authors let the respondents from each company speak freely about the chosen case, and that information could then be analyzed.

The conclusions of the study concern the different ways retailers choose to integrate customers and the reasons they do it in different ways. A company's market orientation affects if and what type of customer integration is used in the idea-generating phases. The degree of market orientation also affects the amount of occasions and what type of customer integration is used in the execution-oriented phases. Retailers' turbulent technology environment has influenced their general perception of risk and the risk of unacceptance with the specific project. This results in that a company can initially integrate customers proactively to let them guide the company or the company can consider customer integration to be secondary. Retailers generally are guided by a goods dominant logic which leads to them not choosing to integrate the customers in active roles in the innovation process. Instead, the retailers combine different integration techniques to gain some of the advantages that active customer could have brought. This is also connected to the retailers wanting to get quickly through the early phases of the process and instead use agile development after the launch of the service. The retailers do not choose different types of customers for integration, but the combination of integration techniques can still provide them with some of the characteristics of the more knowledgeable customer.

ACKNOWLEDGEMENTS

Where should we start…? This report finishes of our five years of studies at the Industrial Engineering and Management program at Linköping University, and there are so many thanks to give for making this study possible. Throughout the six months that the study went on, we have met so many interesting and inspiring people and we are very grateful for have been given the possibility to discuss such a fast evolving and significant business area with them. We would like to take this opportunity to express our gratitude towards some people in particular that have been the most important for making this study possible.

First of all, we would like to thank the person that has been with us all from the start, offering us with insightful guidance already before the actual work with the master thesis had begun. It has been a true pleasure having worked with our advisor, Roland Sjöström. We would not just like to thank Roland for his expertise and meaningful guidance. Apart from being an excellent advisor, Roland has during the last six months put our work in a larger perspective, helping us cross the important bridge from the university world to the real-life. Roland challenged us right from the start and is therefore a major part of the reason we are able to say that we are proud of the report you have before you today. We would also like to thank our examiner, Thomas Rosenfall, for his time and great input. Then to our faithful opponents, Sofie Almqvist and Filip Samuelsson, we do not even know how we should be able to express our gratitude towards you. For those who are not familiar with the fact, we have had the pleasure to work alongside with Sofie and Filip at the outsources of this master thesis, Nepa, as well as sharing Roland as an advisor. This has led to many, many important, interesting and meaningful discussions from day one. We would just like to say that even though we did not get to live under the same grocery store roof, we want to thank you for always being there for support and as a reliable sounding board and couch-lenders. You have meant a lot for us, both the way you brightened the existence and your exceptional professional advices have made it a true joy having you as opponents, thank you.

This leads us to thank the company which made this master thesis possible, Nepa. We would like to thank Nepa for have given us the opportunity, taking on two students and making them feel welcome at your office in Stockholm. A special thank you to Andreas Nordfors, Björn Nordenborg and Ali Piltan, our advisors at Nepa who has guided us through the important parts of the study with their profound knowledge about all the areas that this study encountered. You have meant a lot for this report and we hope we will meet again along the way in the future. Finally, a huge thank you to all of the respondents who have been part of this study. We would like to take this opportunity to not only on our behalf but also on the behalf of all Swedish students, thank you for participating and being so accommodating. With that said, we hope this report will bring you insights into the excitement of the current and future challenges in Swedish retailing regarding service development and that it will offer you a pleasant reading.

Stockholm, June 25, 2015

Beatrice Palmgren and Mårten Palmefors

LIST OF CONTENTS

1. INTRODUCTION - WHY THE SUBJECT WAS CHOSEN AND WHAT MAKES IT SO INTERESTING TO STUDY

The introduction begins with an explanation of why this field of service innovation should be an area of interest for many retailers, and how it can be seen as a business opportunity for the respondent Nepa. This leads us to the area of interest for investigation and an illustration of the case which will enable an analytic study. Then the purpose of the report is presented followed by the general research questions. Finally this chapter is ended by stating the delimitations of this master thesis.

1.1 SUCCESSFUL SERVICE INNOVATION WILL LEAD TO COMPETITIVE ADVANTAGE

In companies' race against competitors towards competitive advantage, they often choose to lead their path towards creating new value offerings by providing innovative services to their customers. Berry et al. (2013) argue that service innovativeness has become a critical organizational capability, and to further clarify the importance of successful innovation for companies, we turn to Porter (1990) who suggests that companies can achieve a competitive advantage through innovating. Even though innovation development is an integral part of most companies' success and huge sums are being spent every year on research and development, reaching a reasonable success rate in innovation development seems to remain an enigma for most companies (Business week, 2005). In the continuous parts of this report, successful service innovation will be determined by the service's market acceptance.

Nowadays, looking to better the odds when innovating services, developers try using the voice of the customers to better understand what preferences and needs that are most vital to fulfill in the segment they choose to focus on. From trying to develop services that customers want, the process of innovating should now be turned around and instead focus on observance of customers to discover unfulfilled needs (Business week, 2005).

Through the gathering of different kinds of data in the interaction between customer and retailer in the creation of a service, retailers can gather information about how customers experience the existing services today and what they are not satisfied with. To enable a profound understanding of how customers can play a part in the development of services, we will provide you with a more in-depth description of what characterizes a service.

1.1.1 SERVICES AND SERVICE INNOVATIONS

The distinction between goods and services can be somewhat fuzzy, and how they differ from each other is up to debate. Traditionally, a service has been seen as different from goods in four specific characteristics; intangibility, heterogeneity, inseparability and perishability (Zeithaml et al., 1985).

- *Intangibility* - the service cannot be understood with the senses in the same way as a product can, regarding the smell, the feel of it etc.
- *Inseparability* - A service may be produced simultaneously as it is consumed. This is not the case with a product which is first produced, then sold. This means that the production of a service must be highly interactive.

- *Perishability* - A service cannot be stored. Instead, a service is depending on a *back-* and *front-office*, where the front-office normally operates to fulfill customer needs while a back-office works to maximize operational efficiency and the output of each service.
- *Heterogeneity* - The configuration of a service may differ from each time it is offered to a customer, this because of the previously described characteristic of the service. This means that the customer, and possibly the particular employee distributing the service, takes part in creating the unique service.

The notion of a service stretches from basic field services to a comprehensive customer experience that include a wide range of both internally and externally developed services and products to provide an extensive customer solution (Kindström and Kowalkowski, 2014). Bitner et al. (2008) highlight the process aspect of services and argue that a service should be seen as a dynamic chain of events, which a service producer should try to structure as much as possible and keep from being too much ad hoc. In this regard, the objective is to try to close the gap between how to produce a product and a service and make both in structured ways.

To provide some kind of scaled down structure, Gallouj and Weinstein (1997) suggest that a service typically consist of the following characteristics:

- *Technical characteristics* - internal technical capabilities and processes embodied in tangible or intangible systems. These enable the final characteristics which can be both tangible (equipment, software, etc.) and intangible (e.g., methods, organization, toolboxes).
- *Final characteristics* - utilization of the "technical characteristics", based on internal competences, forming the provider/customer interaction and transfer of competences.

Innovation in services can be classified as any recombination of the service components to create value for one or several of the involved actors (Edvardsson et al., 2006). Gallouj and Weinstein (1997) suggest that innovation in services involves changes or recombinations within the final characteristics, technical characteristics and/or process characteristics. The degree of innovation caused by changes in the system stretches from *incremental innovations* with less comprising changes and/or replacement in fewer building blocks of the different characteristics, to *radical innovations* that are more comprehensive inventions that involve changes of the entire system (Gallouj and Weinstein, 1997). Furthermore, Tushman and Anderson (1986) argue that radical innovation is competence destroying while incremental innovation is competence enhancing. Gallouj and Weinsteins´ (1997) interpretation of this is that radical innovation has completely new characteristics where both the final and technical characteristics of the new service has nothing in common with the existing service. Moreover, the radical innovation does not benefit from the old competences of either the company or the customer (Gallouj and Weinstein, 1997). However, in some radical innovations the final characteristics may appear to be the same while the technical characteristics are completely new (Gallouj and Weinstein, 1997). In contrast to radical innovation, incremental innovation could mean that the final characteristics are improved or that the technical characteristics are changed or added. This

result in the whole system appearing to be incrementally improved due to that the existing competences have been enhanced (Gallouj and Weinstein, 1997).

Gallouj and Weinstein (1997) find it important to take the customer competence into account when discussing innovation in services, as it can have a great influence on the implementability of service invention. In retailing, the customer's own competence becomes an important directly influencing factor on the final characteristics, since customers are exposed to self-service situation and shape their own experiences (Gallouj and Weinstein, 1997).

To clarify, in this study we will attempt to explain why and how customer integration is used in various ways in the innovation process for the development of services when:

- The final characteristics have/will have an intersection with the retailer's customers where the customer is an active/passive participant in the creation of the service.
- The development of the service needs to result in permanent changes in or completely new characteristics in at least one of the levels; *technical* or *final characteristics*.
- The developed service can stretch over one or multiple of the company's channels of communication and/or distribution.

1.1.2 CUSTOMER INTEGRATION CAN BE USED AS A TOOL FOR GREATER SUCCESS IN THE SERVICE INNOVATION PROCESS

The concept of using the customer as a resource in the innovation process for development can be referred to as customer integration. The integration of customers can be done differently by different companies depending on various contextual factors and the objectives with the integration. Within new service development (NSD), the importance of customer integration grows large. Especially since value in service management is considered as being co-created with the customer (Edvardsson et al., 2006), due to the inseparability between the production and the consumption of a service (Zeithaml et al., 1985). Moreover, Kuusisto et al. (2013) present strong user involvement as a way to counter the high failure rates in service innovation development.

However, the scholars do not seem to agree upon how customer integration is related to success. The counter-movement to the demand-pull of innovations that can be achieved through integrating customers in the innovation process may derive from the science-push of innovations where the innovation originates from new technical capabilities. A well-known example of the conflict of the benefits in customer integration, albeit just in the form of a quote supposedly attributed to Henry Ford, when discussing the development of the T-ford, is:

"If I had asked my customers what they wanted, they would have said a faster horse" - Henry Ford, (year unknown)

Although there are no clear evidence Ford ever really made the famous quote, it can still be of importance in stressing the fact that using customer interaction might not always mean that the end result becomes particularly innovative. According to Enkel et al. (2005), listening too much to

the customer might instead limit a company's possibilities in innovation development to just creating incremental innovations. Christensen (1997) goes as far as saying that what some refer to as good management, meaning listening to the customers in order to give to them better products which they verbally state that they want, might even lead to companies losing their position of leadership, since that may lead companies away from the possibilities of creating disruptive innovations. Instead, to Christensen (1997) not listening to the consumers might be the right path to choose.

Still, Enkel et al. (2005) point out that the risk of not integrating customers overweighs the risk that the utilizing of customer integration poses. With successful use of customer integration, companies gain the possibility of enhancing the innovation success rate that they so eagerly search for (Song et al., 2013). The main question in this report is therefore not if companies should listen to customers at all, but instead; *how*?

1.1.3 USING CUSTOMER INTEGRATION IN THE INNOVATION PROCESS CAN BE DONE IN DIFFERENT WAYS

As mentioned earlier, customer integration can take place in various ways. Da Mota Pedrosa (2012) discusses different approaches in finding customer's latent or expressed and Edvardsson et al. (2012) suggest that the customer can be integrated both as a tool for identifying and satisfying those needs. Furthermore, Edvardsson et al. (2006) distinguish between different kinds of purposes for customer integration in NSD, where the distinction is made between user involvement for understanding customers' problems, and different techniques in how to use customer involvement for creating ideas and solutions. According to Nambisan (2002) the customer can have three different roles in the innovation process: as a *resource* in the phase of idea generation, as a *co-creator* in the concept development phase or as a *user* in the phase of implementation for testing and evaluation.

Customer integration in service innovation is the interaction between service providers and existing or potential customers in one or several of the stages of the NSD process (Alam, 2006). Edvardsson et al. (2012) further distinguish the type of customer integration as depending on the occasion of collected information. The customer integration can be *insitu,* meaning that the information is collected at real-time use in the customer/provider interaction. When the information is collected through methods at other occasions, before or after the customer/provider interaction, the customer integration is *exsitu*.

Even though there are scholars promoting the benefits of customer integration, there are companies that are, for various reasons, reluctant to integrating customers in their innovation processes (Schaarschmidt and Kilian, 2014). The question to ask oneself when considering using customer integration in the service development process is not simply compromised to whether the customer should be integrated or not. There are also the questions about how and when the customer should be integrated during the process if one decides to do so. Scholars like Yadav et al. (2007) have pointed to the fact that different phases in innovation development might require different kinds of customer integration.

1.1.4 THE DIGITAL AGE HAS CONTRIBUTED TO AN HUGE INCREASE IN THE AMOUNT OF AVAILABLE CUSTOMER INFORMATION

From Lusch and Nambisans´ (2015) definition of service innovation as a rebundling of resources between actors to create new resources, they draw the conclusion that a restraint of resources, in this case a restraint in available data, would also mean limitations to the opportunities of service innovation. Increasing the amount of information to and from customers could therefore mean better chances of achieving innovation success. The digital revolution might give a solution to the enabling of this increase since it has enabled companies to collect new kind of information about customers in huge amounts. From the so called *Big Data,* companies can gain rich insights about the customer experience and needs, and this in efficient and less expensive ways. (UN Global Pulse, 2013)

1.1.4.1 BIG DATA CAN BE USED IN THE SERVICE INNOVATION PROCESS AS A TOOL FOR INTEGRATING CUSTOMERS

Big Data is a hot topic at the moment. The definition of this phenomenon is currently highly debated but the commonly referred to "3 v's of Big Data"-definition from Gartner (2013) offers a somewhat comprehensive understanding. The 3 v's stand for a high degree of volume, velocity and variety of data that is processed. Another general dimension of Big Data is that it is generated digitally and can be collected from many different platforms, such as public social media content and transactional services (UN Global Pulse, 2013). The sources can mainly be divided into two categories; sources that entail *what people say* and sources that entail *what people do* (UN Global Pulse, 2013). Customers' latent needs can be identified when observing customers using a product or a service, unlike customers' expressed needs that are needs that have been pointed out by the customer itself (da Mota Pedrosa, 2012). Thus, Big Data could be used in the service innovation process as a tool for integrating customers and identifying their needs and testing concepts.

Massive amount of data of customers' opinions and how they behave can be extremely valuable to companies. However, it is easy to see how high volume data from various sources in great velocity can become messy. In fact, Big Data becomes basically worthless without the appropriate analysis and visualization (Dataconomy, 2014). Nevertheless, the potential of Big Data lies much in the fact that many of the sources and sensors for collecting information are already existent due to the digital revolution (UN Global Pulse, 2013). Companies having access to Big Data therefore are in possession of a relatively cheap and efficient method for customer integration.

A customer insight is the conclusion that one can make about a customer's needs that can result in mutual benefit for a customer and a company when it is acted upon. As with customer insights generally, the big issue with Big Data seems not to be the gathering of it, but rather understanding and making use of it. Day (2011) suggests that there is a widening gap between the amount of information that companies can gather and what they are able to comprehend and interpret.

1.1.5 THE RETAILERS HAVE AN ADVANTAGEOUS SITUATION REGARDING COLLECTION OF INFORMATION

Big Data will be the next vital thing for companies to adapt to since it creates competitive advantage and growth, this through adapting in-depth up-to-date data that drives analytics that can be used in strategies and innovation (McKinsey, 2011). Retailers are in an extra advantageous situation compared to many other companies when it comes to the gathering of Big Data, since they have a close and every-day contact with their customers. Nowadays, retailers can collect valuable information about their customers through multiple channels where there is an interaction between retailer and customer. The digital data therefore plays an increasing role, as customers can search, research, compare, buy and use customer service online (McKinsey, 2011).

When generating numbers of the purchase, the retailer is using a so called Point of Sale (POS) system as a sensor and can identify and connect Member-ID, POS-data and Surveys to the customers' purchase experience. This allows the company to get information about who the customer is, what this specific customer does and also listen to the voice of the customer. To illustrate, the Swedish reseller of consumable goods Coop has approximately 7 million customers that visits the store more or less frequently. Of these customers, over 3 million members are members in Coops bonus club. This means that the customer generates POS-data with every purchase, which can be associated with the specific customer. In other words, Coop knows who 3 million of their customers are, what they prefer to buy and when they do it. (Nordenborg, 2015)

The possibilities of collecting data about the customers are not limited to the POS-system. As the digitalization has changed the ways customers interact with companies, the shopping behavior and preferences of customers has changed accordingly (UN Global Pulse, 2013). Retailers using multiple channels to communicate and/or distribute goods to customers, using so called *Multichannel retailing*, creates multiple opportunities to collect different kinds of data, in particular quantitative data, all at once. But retailers face the same problem as other companies regarding the massive amount of data they are in possession of; *what kind of data should be gathered* and *how can they use it to achieve competitive advantage*?

The new development in retailing, where the customer uses multiple channels to interact with companies, creates both new possibilities and new obstacles. The biggest obstacle seems to be to be able to create a seamless customer experience, as customers move from one channel to another. This is called omnichannel retailing and is considered as the next important step for retailers to take if they are to stay alive in the competition (Forbes, 2015). For the company, this gives the possibility of approaching the customers in new ways and selling and marketing their products in ways they have not done before. But for the customer, the channel they use is secondary; they still want to be able to make the same decisions with the same amount of information. (Forbes, 2015)

1.1.6 NEPA USES THE ACTION HUB TO GATHER GREAT AMOUNTS OF CUSTOMER'S INSIGHTS AND BEHAVIOURAL DATA TO DELIVER MORE INSIGHTFUL PROPOSALS FOR ACTION TO THEIR CUSTOMERS

As stated, the need for NSD in this day of age is a fact, and involving customers in the development process could lead to better chances of service innovation success. Edvardsson (2006) mentions a deep understanding of the customer and to involve the customer in the development process as two critical success factors in NSD. Still, there remain a lot of problems to consider when choosing to involve customers in the service development process. Alam (2002) mentions the problem of locating the appropriate customers for interaction, and that the customers might not want to engage in cooperation with the company due to various reasons. In a survey made by Sandén et al. (2006), companies reported significant improvements from working with customers in NSD. Still, many companies opted not to. The main reasons business-to-consumer-companies chose not to engage in customer involvement were stated to be an increased workload for employees and a lack of appropriate methods to understand the needs of the customer.

One company that can have a solution to many of these problems is Nepa AB, from now on referred to as Nepa. Nepa is a Swedish market research company that among other industries works with several customers in retailing. Already, Nepa helps retailers in gathering insights from their customers through the help of surveys, often directly connected to the POS. For example, in collaboration with Nepa Coop created a hub; a group of 50 000 members with bonus cards who have agreed to answer surveys. After a purchase in one of Coops stores and using their bonus cards, these customers automatically get a survey sent to their mailbox. In this way, Nepa can get hold of both customer's insights and customer behavioral data in large amounts, to provide Coop with suggestions for improvements to increase the satisfaction among Coop's customers. Nepa does this by visualizing useful parts of the data to create ground for analysis of the customers. (Nordenborg, 2015)

This is one example of how Nepa can use the so called *Action Hub*. The concept of the Action hub stands for the enabling of visualization of actionable results from analysis of behavioral and survey data that Nepa have collected. Thus, from this definition of the Action hub, the data that Nepa can gather, analyze and visualize is not comprised to just the combination of POS-data and customer's insights from surveys. Because of the digital revolution, and the change in shopping behavior leading to that communication and distribution with customers among retailers nowadays often is made through multiple channels, Nepa also has the possibility to collect consumer's behavioral data from the retailers digital channels, through for example cookies. Nepa is now looking for identification of other areas of application for the Action Hub to offer more value to potential customers in retailing. (Nordenborg, 2015)

We believe that finding ways to use customer inputs for helping retailers with their process for service innovation could be one such use, which leads us to the aim of this study.

1.1.7 WHAT WE AIM TO INVESTIGATE IN THIS STUDY

To be able to understand how Nepa's current and future handling of customer information could benefit retailers in finding and understanding customer needs, and from that create valuable recommendations for Nepa, we want to understand how retailers work today in the innovation process regarding customer integration, and what obstacles they run into. To gain understanding of what factors companies theoretically should consider regarding a successful service innovation process with regards to customer interaction, we have performed a pre-study.

1.1.7.1 PRE-STUDY

The pre-study consisted of both reading through relevant literary sources and performing low-structured interviews with persons with deep understanding regarding the different subjects this study tries to cover. This is a method called triangulation. Triangulation according to Yin (2014) and Denzin et al. (1994) is the converging of different kind of data to strengthen the construct validity of the case study. The experts that were consulted were academics from Linköping University with deep knowledge regarding the different aspects of service innovation, such as the Associate Professor of Industrial Marketing Christian Kowalkowski and Associate Professor of Industrial Organization Anna Bergek among others. The literary sources that were deemed relevant for the pre-study regarded service innovation, or NSD, as a concept, for example the collection of articles that is found in the scientific paper compilations *Involving customers in the new service development* by Edvardsson et al. (2006).

What we mainly searched for in the pre-study were factors that affect how and why companies would want to integrate customers in the innovation process. We also interviewed and read literature for the reason of acquiring knowledge about important concepts that the study relies upon. For example an interview was made with the Ph.D. in data science and statistics Måns Magnusson regarding the emergence of Big Data.

From our pre-study, we have come to the understanding that the customer integration can be done in many different ways. These different paths consist of choices regarding the type of integration, the role of the customer, the type of customer and the timing of the integration which will all have an effect on the outcome of the innovation process. With type of integration, we think of how the customer is used for either proactive or reactive integration. With the role of the customer, we will investigate the level of customer activeness in the integration. With the type of customer, we consider how much the customer knows about the type of service and how often they consume it. With timing of the integration, we consider the different effects the customer integration might generate depending on when in the process the customer is integrated and to what extent. These main factors will be further investigated through the frame of reference. The reason why companies choose different measures will also vary, the most important as found in the pre-study are shown in table 1.

Area that has an effect on the innovation process	Mentioned by
The type of integration	
• Proactive/Reactive	• Bergek (2015), Thomas Magnusson, Kowalkowski, Edvardsson et al. (2006)
• To extract latent/Expressed needs	• Måns Magnusson, Kowalkowski , Bergek, Norrman
• Level of novelty in the innovation	• Thomas Magnusson, Kowalkowski, Norrman, Edvardsson et al. (2006)
Role of the customer	
• Active/Passive	• Bergek, Edvardsson et al. (2006), Kowalkowski
Type of customer	
• User/Technical knowledge	• Bergek, Kowalkowski
• Lead User	• Thomas Magnusson, Kowalkowski, Edvardsson et al. (2006)
Timing of the integration	
• Phases in the innovation process	• Thomas Magnusson, Edvardsson et al. (2006)
External	
• Competitive environment	• Kowalkowski, Christensen (2002)
• Environmental uncertainty/Changes in remote environment	• Paswan et al. (2012), Thomas Magnusson
• Market situation	• Thomas Magnusson, Christensen (2002), Paswan et al. (2012)
Internal	
• Market Orientation	• Paswan et al. (2012), Edvardsson et al. (2006)
• Service dominant logic (SDL)	• Paswan et al. (2012), Lusch and Nambisan (2015)

Table 1 - Findings from the pre-study. Authors are written together with the year of publication, respondents of the pre-study are demonstrated without a year.

1.1.8 EMBRYO FOR A MODEL OF ANALYSIS

An embryo for a model of analysis is presented in figure 1. The embryo for the model of analysis highlights the main factors, marked in blue, which the pre-study showed should be considered when studying customer integration in the service innovation process. The embryo also consists of the underlying factors that affect the choice of type of integration, the type of customer and the

customer role and therefore the outcome of the process. How the underlying factors relate to the main factors, will be determined through the frame of reference.

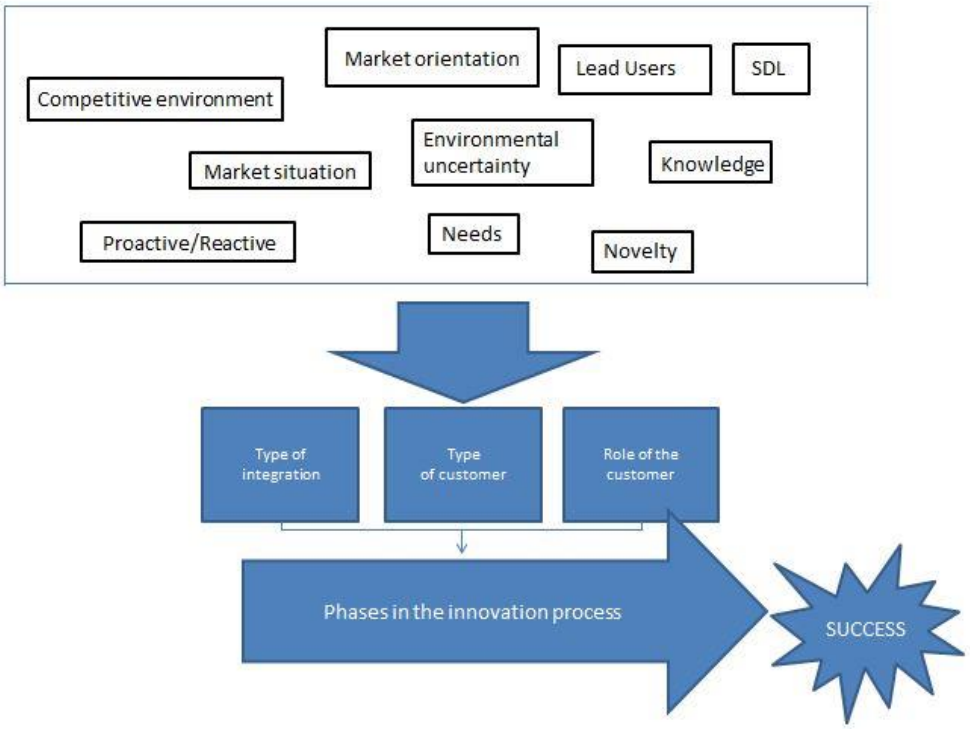


Figure 1 - Embryo for a model of analysis

1.2 PURPOSE

The background to our study, involving fast-evolving new technologies and approaches towards innovation, makes it of our interest to investigate different successful procedures among retailers in using customer integration in the service innovation process. The study will be performed **deductively**, which according to Bryman and Bell (2003) implies that theory is gathered for the purpose of generating hypotheses that can later be tested with empirical data. A **positivistic** research approach will enable us to find out if generalizability between the different integration measures companies perform is possible. A positivistic research approach puts an emphasis on explanation of human behavior, whereas hermeneutics, which is seen as the opposite of positivism, puts an emphasis on understanding human behavior (Bryman and Bell, 2003). In line with the deductive strategy and the positivistic approach, we have chosen an **explanatory** purpose of this study, enabling us to pinpoint key contributing factors when integrating customers in the innovation process and the effect they have on the structure of the innovation process. An explanatory research according to Lekvall and Wahlbin (2001) aims to answer both why and how-question, in comparison to a descriptive study which only aims to investigate a certain phenomenon. The purpose of the report is stated as:

This study aims to investigate why retailers use a certain configuration of customer integration and how they configure the customer integration to achieve a successful service innovation process

1.3 GENERAL RESEARCH QUESTIONS

Type of customer integration in the innovation process

Q1: Why does a retailer choose different types of integration and how does the choice affect the outcome of the innovation process?

The role of the customer in the innovation process

Q2: Why does a retailer choose different roles of the customer in the innovation process and how does the choice affect the outcome of the innovation process?

The type of customer in the innovation process

Q3: Why does a retailer choose different types of customers for integration, and how does the choice affect the outcome of the innovation process?

The timing of customer integration in the innovation process

Q4: Why is the customer integrated at different stages in the innovation process, and how does the timing of the customer integration affect the outcome of the innovation process?

1.4 DELIMITATIONS

As Paswan et al. (2009) describe; the selection, configuration and implementation of an innovation process are very complex and involve many factors. The selected factors are those that assumingly, from what the pre-study and the comprehensive literature review have shown, affect the configuration of the innovation process the most and the outcome of it. Even if it very well might be the case, how different underlying factors correlate to each other has not been attempted to be mapped out but the purpose of this report is rather to focus on the effect underlying factors have on the main factors.

This study is performed with retailers who have a larger business chain and are present on the Swedish market. The chosen retailers have, during their internal service innovation process, integrated customers in one way or another and to a less or more extent. Since this study is performed in Swedish retailing, where actors have a daily close interaction with customers through their front desk services, the study is considered as being focused on companies who are customer centric. Therefore how the retailers are positioned regarding different factors will rely on a comparison between the studied cases, not from a comparison with other types of companies besides retailers.

2. DEFINITIONS – WORD THAT WILL APPEAR FREQUENTLY THROUGHOUT THIS REPORT

In this chapter we define central concepts to provide the reader with understanding. The concepts may seem fundamental but by defining them we avoid confusion in the upcoming reading. This chapter should be seen as a continuous aid when reading. A more in-depth description of the concepts is presented throughout the report.

Big Data: High volume information from various platforms that can automatically be gathered in great velocity.

Customer insights: Conclusions that one can make about a customer's needs that can result in mutual benefit for a customer and a company when it is acted upon. This expression is not to be confused with customer's insights that are the insights of the customer's needs made by the customer itself.

Customer's insights: Insights that the customer can come to by its own, and share with the company.

Customer integration: The activity in which a company can learn about or from its customers. The learning can either involve customer needs or customer's insights in how to fulfill a certain need. The information that is transmitted from the customer can either be latent or expressed.

- **Proactive customer integration:** Activities to identify customers' latent or future needs, where the knowledge co-creation is initiated by the provider.
- **Reactive customer integration:** Activities to identify customers expressed needs, where the knowledge co-creation is initiated by the customer.

Innovation: An invention that has gained market acceptance.

Innovation process: The process in which the aim is to create an innovation.

New service development (NSD): The development of a service with a sense of novelty for the provider or the beneficiary. NSD does not have to be innovative.

Operand resource: Those resources that act as support for someone to act upon.

Operant resource: Those that act upon operand resources to reach an effect.

Service dominant logic (SDL): With a service dominant logic (SDL) companies use goods not as their main focus point but more as platforms for services whom together creates a compound for creating more favorable customer experiences. The customer is seen as a value co-creator as opposed to a goods dominant logic (GDL) where the customer is seen upon as a value receiver.

Service innovation: Modifications in the service offering that can affect redevelopment in the business model, such as changes in the service process and/or service organization. Service innovation can be the result of NSD.

Service innovation phases: The different phases that the innovation process goes through.

- **Idea-generating phases:** Where the service still lies in the idea-world, meaning that the physical characteristics of the service have not yet been introduced.
  Execution-oriented phases: Development and launch of the service, where the service is physically ready to be tested by the customer.

3. FRAME OF REFERENCE – UNDERSTANDING THE PREVIOUS WORK DONE IN THE AREA AND IDENTIFYING THE CURRENT CHALLENGES AND POSSIBILITIES

This is the frame of reference which discusses how the innovation process is configured by different types of customer integration, choices in role of the customer, choosing different types of customers and the timing of the integration that in turn is affected by contextual factors and company prerequisites and strategy. This chapter is the bridge between the study's general research questions and specific research questions. Every separate part of this chapter is introduced with its belonging research question to provide an easy-to-follow structure. Different underlying factors can affect different factors which mean that the same underlying factor might appear on several places.

3.1 THE TYPE OF CUSTOMER INTEGRATION AFFECTS THE OUTCOME OF THE INNOVATION PROCESS

Q1: Why does a retailer choose different types of integration and how does the choice affect the outcome of the innovation process?

This chapter starts with a discussion about the different ways a company can integrate customers in the innovation process, to ensure that the company achieve a certain outcome of the integration. This is followed by a discussion about why external forces, company's strategy and market orientation affect the configuration of the innovation process and how a company should integrate customers accordingly.

3.1.1 THROUGH MAKING DIFFERENT CHOICES IN TYPES OF CUSTOMER INTEGRATION, THE COMPANY CAN MANAGE TO IDENTIFY AND/OR SATISFY CUSTOMERS' LATENT AND/OR EXPRESSED NEEDS

The purpose of integrating customers in the innovation process has been discussed by several scholars. Some bears evidence that customer integration in the innovation process increases the innovativeness, and some argue that customer integration actually can be harmful for the innovation success (Christensen et al., 2002). Before investigating this debate any further we will present the different objectives the company may have with integrating customers in the innovation process. Initially, the objectives with the customer integration in the innovation process are discussed by Edvardsson et al. (2012). According to the authors there are various reasons for integrating customers in the service innovation process:

- identify customer's problem and difficulties in the use of a service
- understand customer's behaviors and emotions related to the service
- create ideas and business opportunities for the company
- find solutions or create prototypes

Edvardsson et al. (2012) further discuss that the initiative to identify and report customer needs can both be on the initiative of the customers and the company. In accordance with Edvardsson et al. (2012), Alam (2002) suggests that customers can also serve as a tool later on in the innovation process. More precisely, he discusses the customer's role when it comes to doing a rigorous assessment of users' needs, to help in avoiding the developing of features that are not desired, and also to develop differentiated services thanks to the improvement of the users' understanding of the new service.

The Kano model, developed by Kano in 1984, is a well-established model for dividing the customer requirements of an offering rated by the relationship of offering quality and the achieved customer satisfaction (Gustafsson et al., 2011). Thus, the Kano model can be used to understand how customers evaluate an offering and identify which attributes should be prioritized (Chen et al., 2010). One of the most important findings in the Kano model is that the attractive attributes of an offering are different from those that create dissatisfaction. The different attributes are categorized into five different relationships between quality and satisfaction: attractive quality, one-dimensional quality, must-be quality, indifferent quality, and reverse quality shown in figure 2. The attractive attributes create satisfaction when fulfilled but can never cause dissatisfaction when not fulfilled. This type of attribute is often unexpected by the customer and can therefore be seen as a latent need. The inverse, the must-be attributes are taken for granted when fulfilled and can therefore not create satisfaction but they cause dissatisfaction when not fulfilled. The must-be attributes can be considered to be expected of the customer and are therefore often not mentioned when asking customers about quality attributes. In between there are one-dimensional attributes that causes satisfaction when fulfilled and dissatisfaction when not fulfilled, these are the attributes of the customers that the customer mentions when discussing needs. (Gustafsson et al., 2011)

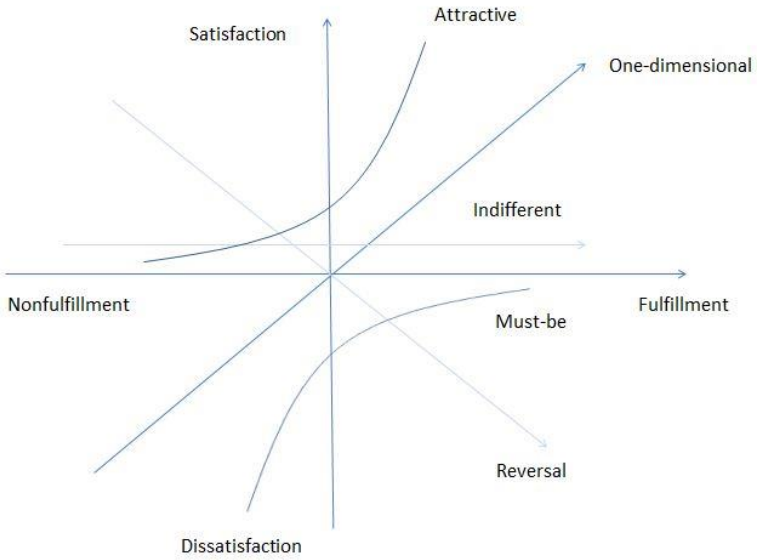


Figure 2 - Illustration of the Kano model, found in Gustafsson et al. (2011).

Since The Kano model can help in understanding the relationship between offering attributes and customer satisfaction, this approach can be used for understanding how to create competitive advantage (Chen and Lee, 2009). While the Kano model entails what attributes that are desirable to identify to achieve competitive advantage, it does not provide a systematic strategy in how to extract attractive or must-be attributes (Chen et al., 2010). However, proactive customer integration can result in identifying and satisfying customers' latent needs (da Mota Pedrosa, 2012). This can be seen as attractive attributes in the Kano model. This would imply that proactive customer integration can be used to create competitive advantage through the fulfillment of customers' latent needs.

Da Mota Pedrosa (2012) focuses on the action that identifies and initiates co-creation of knowledge between customer and company. The author defines proactive customer integration as when the company is involved in activities with the purpose to identify customers' *latent or future needs*. Using proactive customer integration means that a company is engaged in activities for exploration and/or collaboration with customers (da Mota Pedrosa, 2012). The analysis of cookies, observation of customer behavior and actively seeking information from customers through involving them during workshops and tests can all be examples of proactive customer integration. Reactive customer integration on the other hand results in information about customers' expressed needs which leads to companies only being able to react to the customer's expressed needs (da Mota Pedrosa, 2012). Whenever the customer takes the initiative and provides the company with feedback, it can be seen as reactive customer integration. In other words reactive customer integration is when the knowledge co-creation is initiated by the customers without being prompted.

Sandberg (2007) argues that radical innovation that comes from inside the company therefore should be seen as being proactive towards customers. This since the latent need cannot be explicitly understood but rather anticipated in some way, which means that an innovation that has gained new market acceptance was well anticipated from a proactive approach (Sandberg, 2007). Proactive customer integration can therefore be seen as the company's extraction or anticipation of customer needs that initiate co-creation of knowledge with or without the customers. Reactive customer integration, on the other hand, can be seen as the action of when the need is apparent for the customer and the customer can bring its need to the company that initiates knowledge co-creation. When looking upon customer integration in this manner, it is not the actual method for gathering information about customer needs that defines the type of integration, but rather if it is the company or customer that makes the customer need apparent for the company, upon which the company can act upon with or without the input from the customer.

To illustrate, we will provide you with two examples in this paragraph: Firstly, surveys can be seen as both proactive and reactive customer integration. If the questions are asked in such a way that it extracts the average customers' latent needs, it can be classified as proactive customer integration, as the needs might not be apparent for the company's average customer. If questions are asked in a manner that explicitly asks for customer needs the integration of customers can be seen as reactive. Secondly, by observing customer behavior the company

cannot be sure that the behavior indicates a latent or expressed need. Hence only judging by the method, observation can be seen as neither a proactive or reactive integration of customers. Thus, the distinction of methods by the extraction of what level of need it results in is not possible. Accordingly, it is important to realize that all types of customer integration cannot be classified as either proactive or reactive. Just because a need is not expressed it does not imply that the need is latent or representative for future needs. This conclusion can be compared to the must-be attributes of a service or product that are illustrated in figure 2, as these types of attributes are normally not expressed when asked about service or product quality but neither are they latent. These attributes are simply expected of the customer and therefore not mentioned.

The distinction between proactive and reactive customer integration may seem a bit vague; "*what is a customer need?", "when is a customer need apparent for the customer?"* and "*can a need be latent for one customer while being expressed to another?"*. Sandén et al. (2006) address the concepts of reactive and proactive techniques of collecting and using customer information. The authors explain that a reactive technique is when the company simply tries to map the customers' attitude towards the current offering and that this technique is the most common today. The reactive technique is very useful when a company strives to get in-depth information of the current offering. The proactive technique, on the other hand, is a way of enabling fulfillment of customers' future needs. This technique requires deeper understanding of customers such as what stimulates value creation and what triggers a customer's choice of product or service (Sandén et al. 2006). Sandén et al. (2006) further discuss the benefits of combining proactive and reactive techniques to identify the customer's latent needs.

Incremental innovation means improving the final characteristics of an offering by changing the technical characteristics while the competence of the company and the customers are still valid (Gallouj and Weinstein, 1997). This leads to that the incremental innovation could be considered to be competence enhancing as Tushman and Anderson (1986) suggest. Sandén et al. (2006) argue that reactive techniques enables companies to identify and use customer information that evaluates a current offering, the conclusion is not hard to make that this is what enables incremental innovation as the information of the current offering could be considered to be useful.

Unlike da Mota Pedrosa (2012), some scholars argue that using information from customer's insights and customer behavior might not be enough when addressing customers' latent needs. Kristensson (2003) makes a distinction between what customers *say*, what customers *see* and what customers *make*. According to Kristensson (2003), neither say or see might be able to sufficiently explain customers latent needs but instead customers should be actively involved in the idea generation by for example letting them create solutions on their own from need-related tools provided from the company. In other words, the author believes that latent needs are only possible to extract when customers and company collaborates in the idea generation.

However, the concept of "make" is highly associated with new product development and the discussion whether a service can be thought of as a product or not is highly debated. The

possibility for a customer to collaborate through "make" becomes harder regarding services when considering the intangibility, heterogeneous, inseparability and perishability characteristics of a service. In new product development (NPD) manufacturers can change the tangible components of the products while it is suggested that in NSD producers change the processes or the heterogeneity of the customer experience of the service (Paswan et al., 2009). This would imply that while the customers can make changes due to the tangible components of the product it is harder for customers to collaborate with companies to make changes in the processes. However, if the degrees of freedom in the final characteristics of a service are high, due to the design of the technical and process characteristics, the customer can make changes in the offering in the customer/provider interaction allowing ad hoc innovation.

SYNTHESIS

To conclude, the customer seems to be able to be used both for identifying customer's expressed and latent needs as well as generating solutions (Edvardsson et al. 2012). The customer can be integrated in different ways to achieve different outcomes of the innovation process. Depending on the chosen type of customer integration, the company uses different kinds of techniques to obtain different kinds of customer information (da Mota Pedrosa, 2012; Sandén et al., 2006). While the reactive customer integration is limited to the information that the customer can express and is done by the initiative of the customer, the proactive customer integration is done on the initiative of the company to enable working proactively in satisfying latent and future needs of the customers (da Mota Pedrosa, 2012). Proactive techniques such as observation can result in wide and in-depth information about the customer and its preferences (Leonard, 1995; Leonard and Rayport, 1997). Da Mota Pedrosa (2012) claims that proactive customer integration does not imply that the customer plays an active role in the integration while Kristensson (2003) argues that customers' need to be actively involved in the innovation process to enable the company to determine customers' latent needs.

Reactive customer integration	Proactive customer integration
Customer initiates the knowledge co-creation	Company initiates the knowledge co-creation
Reacting to expressed needs	Trying to find latent needs

3.1.1.1 A COMPANY'S MARKET ORIENTATION HAS AN EFFECT ON THE TYPE OF THE CUSTOMER INTEGRATION

Narver and Slater (1998) divide methods for identifying and satisfying customer needs into two categories; *proactive* and *responsive customer orientation*. A proactive customer orientation focuses on discovering customers' latent needs or opportunities for improvement of which the customer is unaware and work proactively to satisfy them (Narver et al., 2004). Using a responsive customer orientation, on the other hand, would imply that a company focuses on understanding the expressed customer needs to work reactively to find a solution in satisfying these needs (Narver et al., 2004). Reactive customer integration could therefore be used as a tool by a

company having a responsive customer orientation, as it leads to the discovering of customers expressed needs, while a company having a proactive market orientation would need to adapt proactive customer integration, as they can result in discovering customer's future or latent needs. Narver et al´s. (2004) findings include the notion that it is not enough for a company with only a responsive customer orientation if they want to achieve success for a new offering, they must also strive for a proactive market orientation approach.

Sandén et al. (2006) arguments for combining proactive and reactive techniques to create customer value, by gaining knowledge about both customers expressed desires and customers' latent needs, are based upon Narver and Slater's (1998) description of market oriented companies. According to Narver and Slater (1998) companies that constantly have a responsive approach in understanding and satisfying customers' expressed needs are called customer-led and those that have a more of a proactive approach with a focus on identifying and satisfying customers' latent needs are called market oriented.

A company that is market oriented tries to stay close to the customer and measure their performance in satisfied customers, as opposed to focusing on for example creating the best product (Day, 1994). Narver and Slater (1998) division of companies' adjustment approaches into being customer-led or market oriented. According to Atuahene-Gima (1996), being customer-led might lead companies towards creating incremental innovations if the information comes from ways to understand expressed needs, as those who can be gathered through reactive customer integration. Companies that are less market oriented might therefore be able to create more radical innovations from just focusing on trends and competitors, since they are more separated from the customer and not as locked in to the customers' assumptions of how the service should be. However, if the company can understand the latent needs of the customer, they might create better opportunities for creating radical innovations (Butler et al., 2014).

A company which is market oriented focuses on identifying, understanding and meeting customers' needs (Butler et al., 2014). One difference from being customer-led is that the customer-led approach often gets restricted to handling problems and exploiting possibilities in the short term (Narver and Slater, 1998). According to Day (1994) a market-driven organization is better at understanding the latent needs of the market than companies being less market oriented, hence being customer-led, which implies that the reactive approach of a customer-led company is to blame for the shortsightedness. Narver and Slater (1998) claim that companies that are market oriented and focused on satisfying both customers' expressed needs and latent needs have a generative long-term focus on creating customer value in contrast to customer-led companies with an adaptive short-term focus on creating customer satisfaction.

Market oriented companies, in addition to having a higher focus on customers' latent and future needs, also evaluates competitors in trying to anticipate the market development (Narver and Slater, 1998). Thus, market oriented companies can achieve market-focused innovations that enables them to have a sustaining competitive advantage, and this concerns all markets (Narver and Slater, 1998). According to Narver et al. (2004) market oriented companies therefore

has a higher correlation to innovativeness and the new-offering's success than customer-led. Moreover, Narver et al. (2004) argues that the strategy of customer-led companies is easier to imitate among companies. Hence, if a company strives to stay competitive it has to increase its efforts in being market oriented. In the words of Narver et al. (2004), a company needs to improve its methods in learning about customers' latent needs more effectively and efficiently and offer superior product and services to satisfy these needs.

According to Paswan et al. (2009) being customer-led or extensive market oriented correlates with the company's market orientation, defined by Paswan et al. (2009), as companies with high market orientation are extensive market oriented. Market orientation is the company's ability to gather and use market information efficiently (Paswan et al., 2009). A company's market orientation has more dimensions than customer orientation. The other two dimensions consist of competitor orientation and inter-functional coordination (Paswan et al., 2009). However, to be titled as a company with proactive market orientation a company needs to be able to understand their customers' latent needs, understand its capabilities in comparison to other competitors and be able to coordinate resources inside the company to understand their customers and create value for them based on these needs (Slater and Narver, 1998).

MARKET SENSING IS THE COMPANY'S ABILITY TO IDENTIFY AND SATISFY CUSTOMER NEEDS

Day (1994) describes market sensing as a capability within the company which states whether the company is good at both collecting information about customer needs and also acting on it. The customer needs are general needs and/or needs of the company's customers. Market sensing is by Day (1994) seen as a sequence which is initiated by, as an example, the noticing of an emerging problem and trying to understand what this originates from. Thus, in the definition of Day (1994), market sensing is not concerned with how to structure the work to identify problems but more about how the company gathers information about the market to try to solve the identified problem. Retailers should have a distinct advantage in comparison with companies in earlier stages of the value chain when it comes to market sensing, since they have a close continuous relationship with the end-customers (Lusch and Vargo. 2004). Day (1994) argues that companies that are good at market sensing usually have well thought procedures regarding market inquiry, information distribution, interpreting information and handling organization memory. Day (2011) says in today's complex digital environment, some sort of warning system using emerging technologies to recognize patterns from data in combination with thorough insights about the customer is necessary.

Day (1994) argues that companies who are not market-driven will be poorly guided by market considerations which also will lead to poorly functioning spanning capabilities, such as NSD, where spanning capabilities are the capabilities that bind together competences within the company with competences that gather information about the market. Teece (2007) emphasizes that sensing should include searching for new products and processes both within the core of the company as with potential collaborators in the surrounding environment; customers, suppliers and competitors. In service innovation, this cannot merely by done by asking

the customer but the customer should also be used in a proactive purpose(Edvardsson et al., 2006).

The concept of market sensing could be linked to all three dimensions of market orientation, as defined by Slater and Narver (1990); customer orientation, competitor orientation and inter-functional coordination. As mentioned earlier, the company must be prominent in all three to be considered to have high market orientation. Teece's (2007) definition about market sensing, first introduced by Day (1994), includes both the company's abilities in identifying possible new offerings by both initiating the project from the core of the company as well as looking for solutions in the surrounding environment, customers, suppliers and competitors. In other words, no matter if the company is customer-led or market oriented, the market sensing capabilities can be both good and bad depending on if the company is able to use information from only their own customers or if they use information from their customers and competitors and coordinating resources to enable to act upon those needs.

SYNTHESIS

A company with a high market orientation tries to stay close to the customer and measure their performance in customer satisfaction. The market orientation can either be proactive or reactive depending on what needs of the customers the company tries to fulfill. Getting close to the customer and not listening too close to the customers expressed needs is an adjustment to be made by the company. A company that merely listens to the customers and tries to be reactive to the expressed needs of the customers are called customer-led. A company with a high market orientation needs to be good at market sensing to be able to understand both expressed and latent needs of the customer. A fully market oriented company tries to identify customer needs both through their own customers and by analysing the competitive environment.

Less market oriented	More market oriented
Competitor oriented, customer oriented or none of the above	Competitor oriented and customer oriented

3.1.1.3 THE ENVIRONMENTAL UNCERTAINTY SHOULD AFFECT THE TYPE OF CUSTOMER INTEGRATION THAT COMPANIES USE IN THE INNOVATION PROCESS

When a market is highly dynamic and turbulent the generative learning becomes of higher importance (Slater and Narver, 1998). Market oriented companies who are engaged in long-term learning activities are able to modify their offers based on the learnings to maintain a strong competitive position even during uncertainty on the market (Slater and Narver, 1998). Highly turbulent markets and high degree of perceived environmental uncertainty is also associated with higher risk or possibility, depending on the attitude towards uncertainty among the managers of the company (Paswan et al. 2009). A turbulent state contributes to companies perceiving a greater pressure or willingness to innovate and may encourage a company to pursue the development of a radical innovation (Paswan et al. 2009). Several scholars (Kumar,

Scheer & Kotler, 2000; Christensen et al., 2002) have shown that a proactive customer orientation can increase the innovativeness in terms of increasing the attraction of new customers or revolutionizing the market.

According to Slater and Narver (1998) being responsive to the market may be a successful strategy when the environment is relatively predictable and the company is mostly interested in preserving whatever market share they are in hold of. This goes in line with the findings of Zhang and Duan (2010) that show that both being proactive and reactive have a positive effect on product innovation performance, but being reactive towards the market have a more significant effect in stable environments. Slater and Narver (1998) also state that some companies might turn to being customer-led in turbulent environments since the perceived risk is seen as smaller. This however will seldom lead to competitive advantages since a dynamic environment, and the rate of change that implies, usually demands lots of innovation (Slater and Narver, 1998).

The inability among firms to allocate resources to find solutions that do not fit the market right now but very well might in the future, can be an explanation to companies falling out of competition (Christensen, 2007). In other words, not working proactively might be harmful for the companies' existence. It may be worth to note that Christensen (2007) argues that firms with a strong customer focus might choose to suppress many important innovations since the customers might not be able to understand how to use them at once. If the market is stable and the perception of uncertainty is considered to be low, companies tend to engage in activities striving for more incremental innovations (Paswan et al. 2009). Through reactively integrating customers when asking them to directly tell the company about the customers' need, which are expressed needs, the changes of the service tend to be incremental since the operand and operant resources available makes the customer concentrate on existing solutions and therefore experiences a hard time reevaluating the whole concept (Alam, 2002).

TECHNOLOGICAL UNCERTAINTY HAS A CERTAIN IMPACT ON SERVICE INNOVATIONS

Concerning service innovations, factors such as changes in markets, regulation and technology have stronger influence on the innovation process than other environmental factors (Paswan, 2009). Even though services are often described as intangible, the platform that enables their distribution and/or communication does not have to be intangible. This is why technology often has got a critical role in NSD (Carbonell et al., 2009). Technological turbulence and rapid changes stimulates NSD through the constant need for services to adapt to these changes (Leek et al, 2003). The technological advancement and novelty promotes service innovation since it enables better ways to interact with customers (Hipp and Grupp, 2005).

Carbonell et al. (2009) argues that customer involvement in the innovation process is beneficial when there are changes in the technological remote environment. Narver and Slater (1990) also believe that when technology turbulence becomes high, companies can benefit from integrating customers since their needs can provide a direction in the innovation process. Jaworski and Kohli (1993) do, on the other hand, argue that when a company is in a fast

changing market the need to listen to the customers' preferences becomes secondary since they cannot provide guidance in what new solutions can be of interest for the company.

SYNTHESIS

The dynamic of the environment has an effect on the type of integration since different ways of innovating strive under different circumstances. It is important for a company to understand the rate of change regarding technology and the general turbulence of the market, and try to create innovations with regard to this.

Low perceived risk	High perceived risk
Stable market	Turbulent market
Low level of perceived uncertainty	High level of perceived uncertainty

3.2 THE CHOICE OF ROLE FOR THE CUSTOMER IN THE INNOVATION PROCESS AFFECTS THE OUTCOME OF THE INNOVATION PROCESS

Q2: Why does a retailer choose different roles of the customer in the innovation process and how does the choice affect the outcome of the innovation process?

This chapter starts off with a discussion about what different choices the company can make in assigning the customers different roles in the customer integration and what the outcome becomes depending on that choice. The customer participates passively or actively. This is followed by a presentation of the factors that can have an effect on why the company would want the customer in a particular role.

3.2.1 THROUGH MAKING DIFFERENT CHOICES IN ROLE OF THE CUSTOMER, THE COMPANY CAN OBTAIN IDENTIFICATION AND/OR SATISFACTION OF CUSTOMERS' LATENT AND/OR EXPRESSED NEEDS

Mannervik and Ramirez (2006) divide the role of the customer in the innovation process into four different settings; *the form filler*, *the interactive co-designer*, as a *real-time field source* and as an *integrated co-designer* depending on if the customer is active or passive and whether the goal is to invent a new offering or developing an existing offering. This is shown in figure 3. A connection and comparison can be drawn to the view of the customer as an operant or an operand resource (Barrett et al., 2015), and also to Blazevic and Lieven's (2008) roles of the customer; the customer as a passive user, as an active informer or as bidirectional creators.

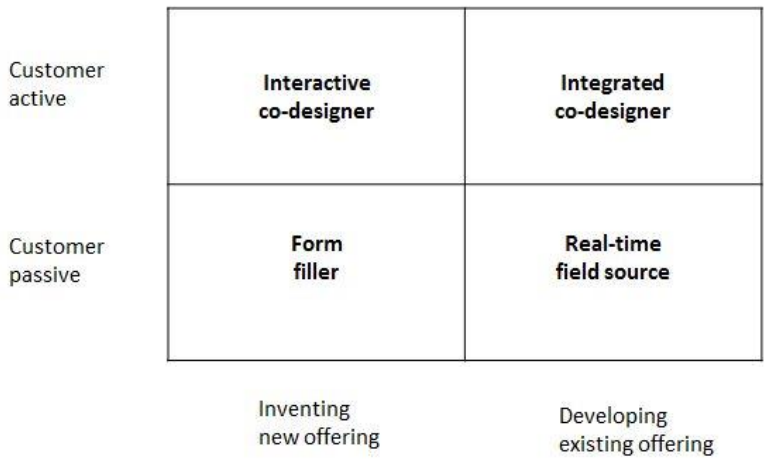


Figure 3 - Summary of the different roles of the customer (Mannervik and Ramirez, 2006)

Mannervik and Ramirez (2006) specifically describes gathering of behavioral data as the use of a customer as a real-time field source, which means that the customer is seen as passive. Using behavioral data to follow the virtual footsteps of the customer is also seen as using the customer in a passive role. But with the emergence of new digital techniques and the possibility to understand customers through different kinds of data, passive user information such as cookies could also be used to create a better value offering for the customer. Still, when using the customer as a passive resource they are mainly used as representatives for a large population and the level of knowledge co-creation is still seen as low.

The representativeness differs with an active informant who could not be seen as representative of a bigger population (Blazevic and Lievens, 2008). Using active informants may be seen more as a reactive customer integration than using an interactive co-designer, since the active informant is predominantly interested in getting their own voice heard, whereas the interactive co-designer is used in a role determined by the company (Mannervik and Ramirez, 2006; Blazevic and Lievens, 2008). Using surveys for information could include the customer both as a passive source of information since the company decides what questions to include and the possible answers, but also include active informants when they get the opportunity to answer open-ended questions.

An interactive co-designer in Mannervik and Ramirez's (2006) model takes on a role that is predetermined by the provider and engages in dialogues and other forms of interactions that aim to create new ideas for offering. This is similar to the customer being a bidirectional creator, where the customers want to let their voices be heard and the company engages in dialogue to create a common value (Blazevic and Lievens, 2008). This would imply that using the customer as an active informant will not lead to radical innovations, since it handles the expressed needs of

the customer. Alam (2002) describes that the difference between customers and designers fades out if the customer move more into a designer role.

As an integrated co-designer, the customer knowingly deploys its own capabilities to aid in the design of the offering and to heighten the understanding of how an offering could be used (Mannervik and Ramirez, 2006). This is therefore also solution-oriented which also goes in line with using the customer as a bidirectional creator, which is only possible if the level of knowledge of the customer is high (Blazevic and Lievens, 2008). The main difference between the interactive co-designer and the integrated co-designer is therefore whether the customer is able to be creative around an existing service or in the development of a new one. Blazevic and Lievens (2008) also highlight the difference in the communication between company and customer, where the passive user and the active informant are active through one direction communication, whereas using the customer as a creator requires a two way communication.

SYNTHESIS

The role of the customer can be divided into how passive or active it is in the integration with the company. This depends both on which way the communication goes between company and customer and also which kind of method the company uses to gather information about the customer needs. Using the customer in different roles can gather different understandings of the customer and also generate higher or lower representativeness in the data. The passive user or the active informant is either a form filler or a real time field source depending on if the solution is being developed or if the company is inventing a new offering. When the communication is two ways as in the customer being an interactive co-designer or an integrated co-designer, the customer is the most active and is seen as a bidirectional creator.

Table 2 - Level of activeness in the customer based on the definition of Blazevic and Lievens (2008)

Passive → Active		
Passive user	**Active informant**	**Bidirectional creators**
knowledge: low	**knowledge:** medium	**knowledge:** high
knowledge co-production: low	**knowledge co-production:** medium	**knowledge co-production:** high
representativeness: high	**representativeness:** low	**representativeness:** low
solution-finder: the company	**solution-finder:** the company	**solution-finder:** the company together with the customer
resource: operand	**resource:** operant	**resource:** Operant

3.2.1.1 THE LEVEL OF MARKET ORIENTATION HAS AN EFFECT ON THE CHOSEN ROLE OF THE CUSTOMER

The level of activity of the customer in the innovation process may depend on the level of market orientation of the company. According to da Mota Pedrosa (2012) reactive customer integration does not include any active collaboration during the innovation processes at all. Being customer-led is just listening to the expressed needs of the customers and following their guidance. The integration of customers when being reactive is done by the initiation of the customer to bring their insight by their own will, which would imply one-way communication and the role of active informant. Narver and Slater (1998) suggest that identifying customers expressed wants can be initiated by the company and that customers can play an active part when a company uses a customer-led approach. Methods such as surveys, focus groups and concept testing can be used in order to gain insights of customer's expressed desires. However, the customer is not always able to foresee upcoming needs and often lacks ability to create innovative solutions as it might threaten the customer's current way of doing business (Narver and Slater, 1998). Therefore, for initiating more in-depth learning about the customers to create more long-term value offering and not just customer satisfaction, the company should engage in more market oriented activities to understand both customers expressed and latent needs (Narver and Slater, 1998). This therefore suggests that a company who strives for a higher market orientation might use customers more actively in the innovation process.

These activities can resemble those of a customer-led company, but market oriented companies additionally uses methods for learning about customers latent needs. In the latter activities customers can both play an active role and act as a passive informant (Narver and Slater, 1998). Da Mota Pedrosa (2012) also states that proactive customer integration does not always imply a collaboration with customers that requires them to play an active role to identify customers' latent or future needs. However, the author maintains that customers can be involved actively in collaboration to understand the identified needs and co-create knowledge to try to satisfy those needs. He implies that even though customers' latent needs can be found only through observing the customers' behavior, the company still needs to draw conclusions and prioritize the customers' needs by itself. Da Mota Pedrosa (2012) further argues that the purpose of collaborating with the customers through proactive customer integration differs during the different phases of the innovation process. Due to the fact that the company's need to draw conclusions of the gathered information by itself is greater in the early stages of the innovation process, companies tend to invite customers to collaboratively create knowledge (Da Mota Pedrosa, 2012). Towards the later stages of the process the customer integration is initiated by the company to rather let the customers evaluate the innovation (Da Mota Pedrosa, 2012).

SYNTHESIS

From a market orientation perspective, companies needs to interact with their customers in more active ways to understand the latent needs of their customers.

Less market oriented	More market oriented
Competitor oriented, customer oriented or none of the above	Competitor oriented and customer oriented

3.2.1.2 IF THE COMPANY HAS A SERVICE DOMINANT LOGIC OR A GOODS DOMINANT LOGIC WILL AFFECT THE ROLE OF THE CUSTOMER IN THE INNOVATION PROCESS

By leaning towards more of a service dominant logic (SDL) companies use goods not as their main focus point but more as platforms for services, whom together creates a compound for creating more favorable customer experiences (Edvardsson, 2006). One could argue that when following a service dominant logic (SDL) companies should put the customer into being either an interactive co-designer or an integrated co-designer, since when using a SDL companies try to create a value proposition that is of interest for the customer (Lusch et al., 2007).

According to Lusch and Vargo (2004) turning to SDL means seeing the customer as an operant resource instead of an operand resource, which in turn creates a more customer-oriented view inside a company. Operand resources are those resources that act as support for someone to act upon whereas operant resources are those that act upon operand resources to reach an effect (Lusch and Nambisan, 2015). Traditionally crucial operand resources have been seen as having a physical nature such as natural resources, land and labor. With a SDL the crucial resources are operant resources such as underlying skills and knowledge (Paswan et al., 2009). Further according to Lusch and Nambisan (2015), the shift towards SDL highlights the importance of operant resources as a competitive resource when using operand resources. The authors argues that a shift towards SDL and seeing the product mainly as a mechanism for delivering the service also means that all product innovations therefore in fact should be seen as service innovations. Applying SDL therefore also emphasizes a shift in focus from innovation through new product development to innovation through NSD. Overall, SDL demands a closer interaction with customers to be able to improve the innovative capabilities in the company (Da Mota Pedrosa, 2012). Lusch et al. (2007) talk about the importance of having collaborative competences when a company adopts a SDL and aims to improve service innovation, because of the service´s integrative nature. Collaboration with customers to create value also adds to longer lasting relations with the customers, which is important from a SDL point of view where a high priority is put on understanding customer experiences over time.

SDL not only sees customers as collaborators but instead everything in their surrounding such as the market and other firms (Lusch et al., 2007). Using an external network for collaboration together with a proactive or a reactive market orientation approach was found to be the most common way of achieving service innovation success in the study of Ordanini and Maglio (2009). In SDL companies create *service eco-systems* where different actors in the company's proximity can integrate with each other to create innovations, even sometimes without the specific leadership of the company (Lusch and Nambisan, 2015). This also bears resemblance to Chesbroughs (2010) open innovation paradigm where co-creation with the customer in open

environments is seen as a way to deepen the relationship with the customer. Moon (2006) shows that the better a company is at collaborating with customers, the higher the chances are of reaching radical innovations. This supports Butler et al.'s (2014) notion that being market oriented, if this is said to be the same thing as being better at collaborating with the environment, could lead to more radical innovations. Having a SDL combined with a high market orientation could therefore lead to better chances of creating novel innovations if things are done in the correct way.

Kuusisto et al. (2012) discuss the importance of defining the role of the sought customer. One aspect that they highlight from a company perspective is; *is the customer seen as a tool to generate better understanding* or *is it seen as an innovation partner who can provide valuable resources to the process?* This touches Paswan et al.'s (2009) and Barrett et al.'s (2015) classification of the customer as an operant/operand resource, where being an operant source means being a co-creator of value through skills or/and knowledge while being an operand source means simply being a passive receiver of created value. This according to Barrett et al. (2015) who also highlights the difference between SDL and GDL, and therefore these different ways of looking at the customer can be seen as a result of the service or product dominant logic that the company employs (Barrett et al., 2015). Using a SDL therefore implies that the company would want to use the customer in a more active role in the innovation process.

SYNTHESIS

SDL affects the way a company looks at the customer in the manner of how value is created. Following a SDL, companies create a value proposition and must continuously reflect on the customers' perception of the service. A SDL therefore steers the company towards using the customer in an active role to be able to co-create value in the innovation process.

GDL	SDL
Company creates value	Co-creation of value
Customer is operand resource	Customer is operant resource

3.3 THE TYPE OF CUSTOMER AFFECTS THE OUTCOME OF THE INNOVATION PROCESS

Q3: Why does a retailer choose different types of customers for integration, and how does the choice affect the outcome of the innovation process?

This chapter starts with a discussion about how to divide the possible types of customers that can be chosen for integration. This is followed by a discussion about what underlying factors that might have an effect on which customer is chosen.

3.3.1 THROUGH MAKING DIFFERENT CHOICES IN TYPES OF CUSTOMER TO INTEGRATE, THE COMPANY CAN MANAGE TO IDENTIFY AND/OR SATISFY CUSTOMERS' LATENT AND/OR EXPRESSED NEEDS

It is important for a company to reflect upon the width and depth of knowledge that the customers possess when considering customer integration. The company risks hampering the efforts of innovation if the knowledge of the customer has not been assessed. The reason is that there exists a threshold in how much knowledge that can be co-created, and when that threshold is crossed the efforts for innovation starts being hampered. (da Mota Pedrosa, 2009)

Knowledge of the underlying technology that serves as base for a service is seen as an important factor for being an innovator (Magnusson, 2009). When the customer is passive or acts as an active informant, the customers level of knowledge is typically lower and the customer can therefore not give solutions but instead simply state by expressing it which problem they might have (Blazevic and Lievens, 2008). Edvardsson et al. (2012) talks about the dividing of knowledge into technology knowledge and use knowledge where the first handles the level of understanding of the technical features of the offering whereas use knowledge handles the question how the service creates value for a user. To create successful innovations the innovator should own a combination of both technical knowledge and use knowledge (Magnusson, 2009).

Magnusson (2009) show that users with higher knowledge about a technology provide significantly different ideas than users with low experience of the technology. This underlines the importance of reasoning about which user to involve. If the setting is familiar for the customer, using an "average customer" might be the most appropriate for generating functional services (Sandén et al. 2006). Users with low experience might actually generate more creative ideas because of not being tied up to prejudices about what can be done (Magnusson, 2009). Also, if developers use observation technique for co-creating with customers, users do not need to have great knowledge about the used technology. But if the customer instead is supposed to take on an active creative role, the level of understanding needs to be higher (Mannervik and Ramirez, 2006; Blazevic and Lievens, 2008).

Oliviera and von Hippel (2011) say that manufacturers generally develop innovations which improve from well-known needs that require a deep understanding and lots of information about the possible solution, while users have bigger possibilities in creating functionally novel innovations since this requires a greater understanding of the context that the innovation will be used in. Alam (2002) argues that listening to much to the customer might end in over-customization of the service. Chesbrough (2010) defines this as the balance between customization and standardization, where a company would like to customize every transaction according to the customer's individual need, but this is seldom possible because of the need of standardizing certain functions in the service. Sandén et al. (2006) even states that customer involvement is not suitable for all companies, especially in markets that depend on new technology.

Companies might choose to interact with customers that are seen as close to them because of confidentiality issues. Involving close customers have the benefit of them being enthusiastic about being part of the innovation process (Alam, 2006). Johnsson et al. (2000) argues that companies should be proactive in building long-term relationships with customers. Collaborating with customers could in that regard play a role in transforming new customers into close customers. When customers co-create knowledge, they feel like a part of the service and gain stronger ties to the company (Blazevic and Lievens, 2008). Kindström et al. (2012) argues that involving customers into the process could lower the resistance of the customer for adoption of the service. This could be seen as an argument to try to integrate new users for the possibility of gaining acceptance in new markets. Using known customers instead of new ones reduces the risk of conflict due to lack of trust (Gruner and Homburg, 2000). But collaborating with close customers might also diminish the possibilities of getting truly diverse information that could lead to innovations with high novelty (Kristensson, 2003).

A CUSTOMER WITH BOTH HIGH TECHNICAL AND USE KNOWLEDGE CAN BE IDENTIFIED AS A LEAD USER

A lead user according to Von Hippel (1986) is someone who is in front of the market in understanding trends and understanding what the market will look like in the future. Trying to identify lead users could be suitable when users are seen as an important source for the possible creation of innovation (Lüthje and Herstatt, 2004). Integrating lead users in idea generation has shown to create potential to obtain both highly novel innovations who are also commercially attractive (Schuhmacher and Kuester, 2012) and therefore has two distinct advantages; the lead users will give you what the market want in the future and also what they would like from the service (Von Hippel, 2005, s4). However, the fact that the lead user often has a high technical knowledge might be why integrating lead users sometimes will lead to the company developing incremental innovations instead (Olson and Bakke, 2001). If the technology is well-known to the user, listening to much to the customer might instead lead to solutions that are not original at all and that will tie up the company to technologies that might become obsolete (Kristensson, 2003; HBR, 2009).

The big issue when discussing lead users seems to be how to clarify who the lead user is and what characteristics to look for (Sandén et al., 2006). One difference that can be seen is that a lead user does not only possess user knowledge but also the required technical knowledge to be able to develop solutions to identified needs (Edvardsson et al., 2012). Sandén et al. (2006) uses the technology ready index (TRI) developed by Parasuraman (2000) to find that users who score high on optimism and innovativeness and low on discomfort and insecurity can be identified as lead users and are more capable of generating innovative and valuable ideas. Schuhmacher and Kuester (2012) find that users who have a large dissatisfaction with existing services provide the ideas with the most quality, which still are novel and possible to implement. This is also argued by Lüthje and Herstatt (2004) who claims that the dissatisfaction could be an indicator of a mismatch between the user needs and the benefited value of the offering which is more often found among lead users.

A lead user is used in an active role by the company (Edvardsson et al., 2012) and should therefore be seen as a co-designer where the level of understanding needs to be higher. The difference between a lead user and an average user can also be seen as that lead users are capable of proposing solutions to a need whereas an average user can only state a concern which must later be processed by company experts to turn into something useful (Magnusson, 2009), similar to the discussion about the passive user and active informant versus the bidirectional creator. This could be why observation technique therefore requires less technological knowledge among the users, the company will anyhow need to process the gathered information and come up with solutions which are not correspondent with the use of a lead user.

SYNTHESIS

The level of knowledge of the customer is divided into technical knowledge and use knowledge. To create an innovation the customer should inhibit some level of both, but how high the knowledge is in the two dimensions may have an effect on the outcome of the innovation process. Using lead users for innovation has been shown to generate highly novel innovations that can also be commercially attractive. Though, in certain settings integrating the average user could lead to better results. A lead user is used in an active role by the company. Identifying a lead user can be tricky, but there are certain characteristics that the company can search for.

Different types of customers			
Non consumer	Low end / High end	Average customer	Lead user

3.3.1.1 THE DEGREE OF MARKET MATURITY SHOULD GUIDE THE COMPANY IN WHAT TYPE OF CUSTOMER THEY SHOULD USE IN THE INNOVATION PROCESS

Christensen et al. (2002) argue that on many markets today there are many companies that try to differentiate through developing more complex and costly features of products and services, resulting in so called *sustaining innovations* that attract only the higher end segment of customers. The issue with this innovation strategy is that sustaining innovations have to compete with other established products and services that have adopted the same strategy and this will therefore require great resource allocation from the company if it wants to become a market leader (Christensen et al., 2002). The ongoing development and competition of sustaining innovations can be compared to the dynamic characteristic of the attractive attributes in the Kano model, where attractive attributes becomes expected of the customers and does therefore not contribute with more customer satisfaction making the customers require even more to become satisfied (Gustafsson et al., 2011). Edvardsson et al. (2012) say that a service being over-complicated is a main reason for service failure and that this often happens because companies fail to understand anything but the expressed needs of the customer. A company being market orientated and having a close interaction with customers could therefore create

more innovative solutions, but the solutions might have a lesser chance of being launched to the market if the unexpressed needs are not taken into account.

Similarly to Narver et al.'s (2004) belief with the customer-led approach, Christensen et al. (2002) discuss the benefits of not competing with marginally improvements from responsively satisfying the customers. However, unlike Narver et al. (2004), Christensen et al. (2002) argue that even if companies using a market oriented approach will avoid the risk with producing only incremental innovations, they will either way harm the level of innovativeness as any type of customer integration that involves existing customers actually harms the innovativeness. Christenson et al. (2002) implies that when companies listen to existing customers because they think that this contributes to them being innovative, they are only pleasing existing customers. This limits companies' innovation efforts into developing sustaining innovations.

Christensen et al. (2002) instead suggest that a company adopts an innovation strategy that pursues the creation of *disruptive innovation* to which they offer two possible courses of action. The first approach involves aiming not to compete with existing competition, but instead compete against non-consumption. By non-consumption the authors mean customers that are not consuming the product or service due to various reasons. As many other scholars (Leonard, 1995; Leonard and Rayport, 1997; da Mota Pedrosa (2012) the authors suggest that the company can gain understanding about customers' true needs through observing them. However, Christensen et al. (2002) stress the fact that the observation of the customer should be done on customers that today are dissatisfied with the product or service. This can be done through observing non consumers while they are trying out either existing offerings that they are not pleased with or experiment with offerings under development.

If a company finds it hard to compete by conquering market shares through targeting non consumption, Christensen et al. (2002) advocates another disruptive strategy that entails changing the existing business model to attract low end customers who considers the existing products or services to offer more value than necessary. Through targeting these customers in customer integration, the company can obtain valuable information on how to adjust their business model, which additionally is often considered to be less of interest among competitors (Christensen et al., 2002). If the company then succeeds in capturing only these basic needs in a product or service they are able to conquer big shares of the market from beneath, according to the authors this is a more efficient way to earn big market shares (Christensen et al., 2002).

Christensen et al. (2002) argue that companies that listen too close to existing customers will only create sustaining innovations, which is an ineffective and inefficient innovation strategy when it comes to conquering market shares on a mature market. Christensen et al. (2002) advocate two disruptive innovation strategies to enable competitive advantage, using the integration of non-consumers or low end customers.

SYNTHESIS

Companies can choose to integrate different customers as a part of an overall strategy to differentiate through their innovations. Integrating low-end customers or non-customers are such ways of integrating customers that might lead to disruptive innovations.

Low market maturity	High market maturity
No need for differentiation	Need for differentiation

3.3.1.2 SDL HAS AN EFFECT ON THE TYPE OF CUSTOMER THAT IS CHOSEN

When using a SDL, where the customer is seen as a co-creator of value, the level of knowledge of the customer becomes a significant factor for the company to take into account (Lusch et al., 2007). From a SDL standpoint the company can only create a value proposition; the value itself is not created before the provider/customer interaction has taken place. Therefore the customers' own perception is important for how the service is experienced (Lusch et al., 2007). Understanding what type of customer who will use the service and how they will use it therefore grows in importance. This highlights the role of information in SDL as a driver for creating services (Barrett et al, 2015).

Since knowledge is an important factor to take into account for the company when using a SDL and the customer should be used in an active role from that standpoint, a SDL should lead the company towards choosing customers with a high knowledge level when integrating.

SYNTHESIS

From a SDL perspective, it is important to reason about the level of knowledge that the customers has.

GDL	SDL
Company creates value	Co-creation of value
Customer is operand resource	Customer is operant resource

3.4 THE TIMING OF THE CUSTOMER INTEGRATION AFFECTS THE OUTCOME OF THE INNOVATION PROCESS

Q4: Why is the customer integrated at different stages in the innovation process, and how does the timing of the customer integration affect the outcome of the innovation process?

A company can choose to integrate a customer in various ways but also in different phases during the innovation process. The decision when to integrate the customer will also have an effect on the outcome of the innovation process. The chapter starts with an explanation of how we divide the innovation process phases and then how different roles of the customer, type of customers and type of integration techniques affects the different phases. We discuss how using the customer in different roles and in different ways in the idea-generation phases achieves different things, and the same discussion is gone through considering the execution-oriented phases.

3.4.1 SERVICE INNOVATION PHASES

Many scholars have tried to define the different phases in the service innovation process, and the answers and solutions seem to be almost as many. Cowell (1988) divides the process into seven different phases starting with idea generation and ending with commercialization of the service. Johnsson et al. (2000) lists ten different phases starting with strategic planning and ending in commercialization, while Edvardsson (1997) makes a more general breakup into four phases, the idea phase, the project formation phase, the development phase, and the implementation phase. Alam (2006) makes a distinction between the "fuzzy front-end of service innovations", by which he means the idea generation, the idea screening and the concept development stage of NSD, and the phases that follow. Menor et al (2002) also mentions the fuzzy front-end phases and calls the later stages more execution-oriented.

As Da Mota Pedrosa (2012) states, the literature regarding innovation processes might have their differences but they all share a common ground in the including of idea-generation, development and implementation phases. Since the value of a service is seen to be created in the interaction between the provider and the customer (Zeithaml et al. 1985), the most important notion to make according to us is that of Alam (2002) who makes a distinction between the early *idea-generating* phases, where the service still lies in the idea world, and the later more *execution-oriented* phases regarding development and implementation of the service, since this will matter most to the proactive and reactive techniques are used.

3.4.1.1 THE IDEA-GENERATING PHASES AND THE EXECUTION-ORIENTED STAGES

According to Johnsson et al. (2000), the wider concept of the idea generation stage is where needs, problems and their possible service solutions are stated. Johnsson et al. (2000), da Mota Pedrosa (2012) and Drejeris (2012) all see this as one associated stage both where needs is identified and the idea for a possible solution is generated. But using a distinction between the understanding of a need and the stage for generating an idea for the service might be appropriate, especially when discussing customers' latent needs. For example, Leonard and Rayport (1997) talks firstly about how to identify needs of the customer that they might not know that they have, and secondly about finding ways to fulfill these needs. Edvardsson et al. (2006), in their collection of articles regarding customer involvement in NSD, distinguish between user involvement for understanding stated and latent needs and different techniques in how to use

customer involvement for creating ideas and solutions. The important notion that we make is that the fuzzy front-end stages all still handle the service within the notion of it as an idea and further as a concept idea, whereas the later stages of NSD handles the actual foundation of how the service is to be delivered, where the technical characteristics of the service can be tested and developed. This is therefore how we divide the different stages in the innovation process, first the idea-generating phases and then the execution-oriented phases.

3.4.2 CUSTOMER INTEGRATION IN THE IDEA-GENERATING PHASES

Using customers in the early stages of the innovation process to create ideas for solutions has been shown to have a positive impact on innovation success (Alam, 2002; Alam 2006; Edvardsson et al., 2012). Sandén et al. (2004) argues that companies should adopt a proactive approach and focus on involving customers early in the development process, and Alam (2006) says that firms should interact intensively in the early stages to due to the complexity of these phases. The proactive approach in this context only states that customers must be integrated early in the process, not if it is the expressed or the latent needs that should be gathered.

Choosing to use reactive or proactive customer integration largely depends on what level of novelty in the innovation that the company is searching for. Research has shown that users often generate more novel ideas, in comparison with internal ideas, when experimenting without deep knowledge about the technology, product or service in focus, but these ideas tend to be of less profitable use for the company (Sandén et al., 2004).

Finding and understanding problems from customers expressed and latent needs have been discussed for a long time in service innovation literature. Alam (2002) suggests that problem solving should be the focus for companies´ since this is where unmet market opportunities are to be found. Some scholars agree that interacting with the customer in the early stages of a development process might be the most important phase to do so (Alam, 2002). Still, there are different problems that emerge when interacting with the customers in the problem identification phase.

Edvardsson et al. (2006) talk about the difficulty for the customer to imagine how a possible innovation for answering a need might look like. Instead the customer will provide their best guesses on usage etc. and it is the job of the company to try to develop this into an innovation. This is also highlighted by Havener and Thorpe (1994) who argues that customers are able to identify what problems they might have, but are not able to identify the possible solutions to the problem which therefore is in the responsibility of the company. Though, this view only handles a reactive approach to customer interaction and is of some uncertainty. It is argued against by for example those who believe in the lead user method, since the proposed lead user is said to be able to both state the problem and the solution to the problem (Magnusson, 2009). Using a *make* method, which should often include a lead user, as Kristensen (2003) proposes should also be a way to both state the problem and generate the solution. Customers might also not be reliable when suggesting what their future needs might look like because it might be hard for them to perceive, instead customer observation might be a better way to identify the problems or needs

of the customers (Alam, 2002). Though, using only reactive methods might be appropriate if a product is seen as not that complicated (Kristensson, 2003). Using reactive methods to gather information as opposed to not gathering information at all should also be better since users generally are better at understanding their needs than the producers (Oliviera and von Hippel, 2011).

According to Teece (2007) there are two ways of finding opportunities from user information, either through creative individuals finding them or through systematic research from the company. Using systematic procedures could be seen as superior since relying on individuals could be vulnerable for the company (Teece, 2007), for example from individuals misinterpreting the information or not being susceptible to information that may challenge prevailing wisdom (Day, 2011). The need of interpreting and prioritizing between the customer needs (Da Mota Pedrosa, 2012) also implies that using individuals instead of processes will be more time consuming and add to what Sandén et al. (2004) calls NSDs ad hoc nature, which adds to the negative aspects that companies encounter with NSD.

Da Mota Pedrosa (2012) describes both proactive and reactive problem identification in his study of four logistic companies. Conclusions from companies in the study were drawn from for example the buying behavior of customers combined with requests from the customers regarding how the buying process was performed. The need that was detected was latent and, from our definition of the collection techniques, was identified through a combination of behavioral data and customer's insights. Slater and Narver (1998) argue that market-oriented businesses need to combine proactive and reactive information to be able to discover customer latent needs. What made the need latent according to da Mota Pedrosa (2012) was the fact that the customer's insight was not stated as an expressed need, but instead conclusions had to be drawn by the company itself. This might be the case with market research techniques such as surveys as well if the spoken complaints are not connected with a specific problem. One way to determine the proactiveness or reactiveness in the customer interaction can therefore be by reflecting upon whether it is the company has to make their own interpretation of the collected information to find the solution. Another way to work proactively is by integrating customers of lead user characteristics who introduces identifies a problem before the average customer does so. Alam (2002) touches upon the first mentioned alternative when he draws an example from a company's way to handle customer input: instead of asking what the customers want, they tried to find out the actual underlying need but not expressed problem by the customer. By interpreting these complaints and then creating the solutions, this could be seen as somewhat of a mixture between a proactive and a reactive approach close to what Slater and Narver (1998) suggest could be suitable for understanding the problems of the customer. Though it is shown that users can generate more innovative ideas than in-house development, developers must gain a deeper knowledge about what generated the idea, hence the latent need. The idea itself might seem farfetched but the underlying need could be of interest for the company (Sandén et al., 2004).

Alam (2002) says that a lead user can be used to initiate innovations, but highlights the risk that lead users might suggest ideas that have only limited appeal to the bigger public. This goes in

line with Schuhmacher and Kuesters (2012) findings that the characteristic of being an expert among users influences service idea quality negatively. Though, having some sort of user experience is in their findings said to have a positive impact. Edvardsson et al. (2012) and Gruner and Homburg (2000) say that lead users specifically are of use in the early stages of development to give input on new service concepts. Customers with multiple characteristics could after the initiation be involved to ensure a higher grade of market acceptance (Alam, 2002; Alam, 2006).

SYNTHESIS

In the initial phases of the innovation process, latent or expressed needs of the customers are handled as an opportunity for creating an idea for a service concept. Companies are advised to interact intensively in the early stages but must also consider how this is done. Companies must also choose whether the aim of the customer integration is just to identify problems or also to develop solutions simultaneously.

3.4.3 CUSTOMER INTEGRATION IN THE EXECUTION-ORIENTED PHASES

Development can be seen as the process where the idea of a service translates into something that can be launched to the market (Blazevic and Lievens, 2008). Using the customer in the development phase can be seen both as time-consuming and time-saving, depending on the conditions. Alam (2006) argues that customer involvement could speed up the NSD process, especially if much of the idea processing work has already been made by the customer. Alam (2002) mentions reduced cycle time as a positive impact of customer involvement. Though using customers for feedback in an active informer role could be a slow process and might lead to customer's insights appearing too late in the development process (Blazevic and Lievens, 2008). Olson and Bakke (2001) showed that using lead users led to more profitable services but that time pressure was a main factor for companies not to pursue this strategy anyway.

In a dynamic environment, changes might occur so quickly that what was once the need in the idea-generating phases might later be obsolete (Blazevic and Lievens, 2008). This highlights the importance of constantly monitoring customer needs throughout the process, this since the customers' needs rarely remain static (Alam, 2002), which could be a result of the changing environment. Dynamic environment often favors radical innovation and when discussing radical innovations, Sandberg (2007) argues that customer needs when discussing radical innovation are of less importance in the idea generation stage, since it is often the anticipation of a need inside the company that will lead to the radical innovation. However, when the process goes into the development stages, the importance of customer inputs and reactions grows and the level of company proactiveness decreases (Sandberg, 2007).

Da Mota Pedrosa (2012) notices that companies in his study primarily uses proactive customer integration in the development phase where they actively gather information from customers to be able to co-create knowledge about how to improve the concept. This concludes with Blazevic and Lievens (2008) findings that there is no usage for a passive user or an active informer

in the development phase because of the one directional aspect of these roles. The company must be active in approaching the areas they feel need improvements and the customer should be active in stating expressed demands. Nambisan (2002) also claims that the customer should be used as a co-creator in the concept development phase.

When the service is deployed, all different customer roles of Blazevic and Lievens (2008) can be of use. The passive user can be observed to identify where customers need most help, the active informant can point out specific problems and the bidirectional creators can be of assistance in providing solutions (Blazevic and Lievens, 2008). Kristensson (2003) also agrees that observation, or the see method, is relevant in understanding how a customer uses an offering. Certain information about aspects like the price of the service should be gathered in a proactive way, but companies must also be sensitive and reactive regarding how customers experience the service (Da Mota Pedrosa, 2012). With radical innovations, it becomes even more important to gain insights in how the customer perceives the product because of the need of a new market accepting the innovation (Sandberg, 2008). Since the service or the value proposition can only be seen as an innovation after it has gained market acceptance (Edvardsson and Tronvoll, 2013), the service must be continuously evaluated in the deployment phase. As Sandén et al (2004) state, experimenting with new services have the most impact when it is conducted with real users and real transactions. The deployment phase should therefore be seen as a prolonged opportunity to improve the service with help of customer interactions. This becomes even more important in a dynamic market when the needs may have changed during the process (Blazevic and Lievens, 2008).

SYNTHESIS

During development and deployment of the service innovation the service can be put into a context where the customer can be integrated in its value co-creation role. Observing, listening and interacting with the customer in these phases all generate different results, and should therefore be chosen according to what outcome the company searches for.

4. PRECISE RESEARCH QUESTIONS AND THE MODEL FOR ANALYSIS – WHAT QUESTIONS SHOULD BE ASKED TO BE ABLE TO FIND THE RIGHT ANSWERS

In this section we aim to synthesize the frame of reference into precise research questions and a model for analysis. We will use these when collecting the empirical data which thereafter lays as ground for the analysis. The main factors to consider regarding customer integration in the innovation process as stated by us are; the type of customer integration, the role of the customer from a company perspective and the timing of integration. These are further divided into the underlying sub-factors that have an effect on why the main factors are chosen in different ways.

4.1 THE RETAILER´S CHOICE IN TYPE OF CUSTOMER INTEGRATION IN THE INNOVATION PROCESS

Here below, the main factor *type of customer integration* is presented with its underlying factors. The underlying factors for the type of customer integration (*Market orientation*, *competitive environment* and *environmental uncertainty*) are presented with their respective underlying parameters that will lay as ground for the interviews. The precise research questions in this section have emerged from the literature studies based on the first general research question:

Q1: Why does a retailer choose different types of integration and how does the choice affect the outcome of the innovation process?

4.1.1 REACTIVE AND PROACTIVE CUSTOMER INTEGRATION

*Q1.1: **How** did the retailer configure the innovation process, aiming to use different types of customer integration, **why** did they do so and **what impact** did that have on the outcome?*

Important parameters to investigate

- Was the sought outcome of the integration to obtain latent/expressed needs?
  - Why?
  - Was the retailer's objective (obtain latent/expressed needs) achieved?
- Was the retailer or the customer initiator of the co-creation of knowledge?
  - Why?

4.1.1.1 MARKET ORIENTATION

Q1.1.1: How did the market orientation affect the type of customer integration?

Important parameters to investigate

Study: What was the retailer's general market orientation at the time of the project? [less market oriented/more market oriented]

- Generally, was…
  - …efforts made to anticipate market/react to customers' demands?
  - …the learning process seen as adaptive/generative?
  - …the objective of customer integration a short-term/long-term relationship with the customer?
  - …the aim to create customer satisfaction/customer value?
  - …the inter-functional coordination well-functioning?

Study: Does the retailer indicate that the following parameters have had an influence on the type of customer integration?

- How did the existing market orientation affect the sought type of customer integration? [customer-led/market orientated and reactive/proactive customer integration]
- Did the retailer have the abilities [market sensing] to gain the knowledge about the market that it wanted?

4.1.1.2 ENVIRONMENTAL UNCERTAINTY

Q1.1.2: How did changes in the remote environment affect the type of customer integration?

Important parameters to investigate

Study: What was the retailer's perception of the uncertainty due to changes in the remote environment at the time of the project? [turbulent/stabile]

- What was the sought level of innovation? [incremental(radical]
  - Why?
  - Was the retailer's objective (obtain incremental/radical innovation) achieved?
- At the time of the project, how was the…
  - …market perceived in regard to the level of uncertainty?
  - …retailer's attitude towards uncertainty?
  - …rate of technological change in the environment?

Study: Does the retailer indicate that the following parameters have had an influence on the type of customer integration?

- How did the perceived uncertainty [stabile/turbulent remote environment] affect the sought level of innovation and the type of customer integration?

4.2 THE ROLE OF THE CUSTOMER

The role of the customer is divided into how active or passive its role in the innovation process is. Different underlying sub-factors affect the role a retailer will use a customer in; SDL/GDL in the company and the market orientation of the company. The precise research questions in this section have emerged from the literature studies based on the second general research question:

Q2: Why does a retailer choose different roles of the customer in the innovation process and how does that affect the outcome of the innovation process?

4.2.1 THE PASSIVE AND ACTIVE ROLE OF THE CUSTOMER

*Q2.1: **How** did the retailer configure the innovation process, using different roles of the customer, **why** did they do so and **what impact** did that have on the outcome?*

Important parameters to investigate

- Was the sought outcome of the role of the customer to obtain latent/expressed needs?
  - Why?
  - Was the retailer's objective (obtain latent/expressed needs) achieved?
- What was the sought level of innovation? [incremental(radical]
  - Why?
  - Was the retailer's objective (obtain incremental/radical innovation) achieved?
- Was the sought outcome of the role of the customer to enable identification/satisfaction of customer needs?
  - Why?
  - Was the retailer's objective (in identification/satisfaction of customer needs) achieved?
- How integrated was the customer into the designer role (passive/active)?
  - Why?
- Was the communication between provider and customer one-way or two-way?
  - Why?
- Was the representativeness of the customer input a factor when choosing its role?
  - Was the retailer's objective (representativeness/no representativeness) achieved?

4.2.1.1 MARKET ORIENTATION

Q2.1.1: How did the market orientation affect the role of the customer?

Important parameters to investigate

Study: What was the retailer's market orientation at the time of the project? [less market oriented/more market oriented]

- At the time of the project, was the…
  - …effort made to anticipate market/react to customers' demands?
  - …objective of customer integration short-term/long-term?
  - …learning process seen as adaptive/generative?
  - …aim to create customer satisfaction/customer value?
  - …the inter-functional coordination well-functioning?

Study: Does the retailer indicate that the market orientation had an influence on the role of the customer?

- How did the existing market orientation affect the sought role of the customer? [responsive/proactive market orientation and reactive/proactive customer integration]
- Did the retailer have the abilities [market sensing] to gain the knowledge about the market that they wanted?

4.2.1.2 SDL/GDL

Q2.1.2: How did the SDL/GDL affect the role of the customer?

Important parameters to investigate

Study: What was the logic of the retailer at the time of the project? (SDL/GDL)

- Was the customer seen as a value creator/value receiver?
- How was the customers' perception of services taken into account?
- Was the value of a long-term relationship with the customer important?

Study: Does the retailer indicate that the logic of the retailer had an influence on the role of the customer?

- How much of a designer role was the customer given?
- Were the customer seen more as a partner than as a resource for information?
- Where there a possibility for the customer to innovate on its own?

4.3 TYPE OF CUSTOMER

The type of customer that is chosen for integration primarily affects the level of innovation. The customer has different level of knowledge about the offering and integrating different type of customers will give different results.

Q3: Why does a retailer choose different types of customers for integration, and how does the selection affect the outcome of the innovation process?

4.3.1 THE TYPE OF CUSTOMER AND ITS EFFECT ON THE INNOVATION PROCESS

*Q3.1: **How** did the retailer configure the innovation process, using different types of customers, **why** did they do so and **what impact** did that have on the outcome?*

Important parameters to investigate

- Was the sought outcome of choosing a type of customer to obtain latent/expressed needs?
  - Why?
  - Was the retailer's objective (obtain latent/expressed needs) achieved?
- What was the sought level of innovation? [incremental/radical/disruptive]
  - Why?
  - Was the retailer's objective (obtain incremental/radical innovation/disruptive) achieved?
- Was the sought outcome of choosing a type of customer to enable identification/satisfaction of customer needs?
  - Why?
  - Was the retailer's objective (in identification/satisfaction of customer needs) achieved?
- What was the level of technical knowledge of the customer?
- What was the level of user knowledge of the customer?
- How much knowledge about confidential material was the customer going to receive?

4.3.1.1 DEGREE OF MARKET MATURITY

Q2.1.2: How did the degree of market maturity *affect the role of the customer?*

Important parameters to investigate

Study: What was the retailer's perception of the competitive environment at the time of the project? [low market maturity / high market maturity]

- At the time of the project, how was the…

- …competition perceived in regard to innovation opportunities?
- …differentiation/disruptive strategy formed according to the competitive environment?

Study: Does the retailer indicate that the competitive environment had an influence on the role of the customer?

- Did the competition have an effect on the type of customer that was chosen?

4.3.1.2 SDL/GDL

Q2.1.2: How did the SDL/GDL affect the role of the customer?

Important parameters to investigate

Study: What was the logic of the retailer at the time of the project? (SDL/GDL)

- Was the customer seen as a value creator/value receiver?
- How was the customers' perception of services taken into account?
- Was the value of a long-term relationship with the customer important?

Study: Does the retailer indicate that the logic of the retailer had an influence on the chosen type of customer?

- How did the SDL/GDL affect the chosen type of customer?

4.4 TIMING OF CUSTOMER INTEGRATION

The timing of the customer integration is affected by the role the customer will take, the type of customer that is chosen and the type of integration. Therefore the different phases is not seen in the model of analysis as a factor of its own but instead an integrated part of the innovation process that needs to be considered to achieve ma

Q4: Why is the customer integrated at different stages in the innovation process, and how does the timing of the customer integration affect the outcome of the innovation process?

4.4.1 THE IDEA-GENERATING PHASES

*Q4.4.1: **Why** was the customer integrated in the idea-generating phases of the innovation process and **what impact** did that have on the outcome?*

Important parameters to investigate

Study: How did the main factors affect the idea-generating phases?

- How did the type of integration affect the idea-generating phases?
    - How did this affect the end result?
- How did the chosen role of the customer affect the idea-generating phases?
    - How did this affect the end result?
- How did the chosen type of customer affect the idea-generating phases?
    - How did this affect the end result?

4.4.2 THE EXECUTION-ORIENTED PHASES

*Q4.4.2: **Why** was the customer integrated in the execution-oriented phases of the innovation process and **what impact** did that have on the outcome?*

Important parameters to investigate

Study: How did the main factors affect the execution-oriented phases?

- How did the type of integration affect the execution-oriented phases?
    - How did this affect the end result?
- How did the chosen role of the customer affect the execution-oriented phases?
    - How did this affect the end result?
- How did the chosen type of customer affect the execution-oriented phases?
    - How did this affect the end result?

4.5. FROM PRECISE RESEARCH QUESTIONS TO A MODEL FOR ANALYSIS

Through the frame of reference and the following precise research questions, the factors which decides how the customer integration is performed are further clarified, and also the underlying factors which shows why different customer integrations are chosen and the effect they have. The underlying factor *market orientation* is seen as having an effect on the type of integration that is chosen and the role of the customer. The *environmental uncertainty* influences the type of integration, whereas the *market maturity* affects the type of customer. Finally, *the service dominant logic* affects the type of customer and the role of the customer. The main factors are still type of integration, role of the customer, type of customer and timing of the integration. There are close and somewhat fuzzy connections between the four main factors and they are not able to fully separate from each other, which is shown by the arrows connecting them. This is illustrated in the model of analysis for this study in figure 4.

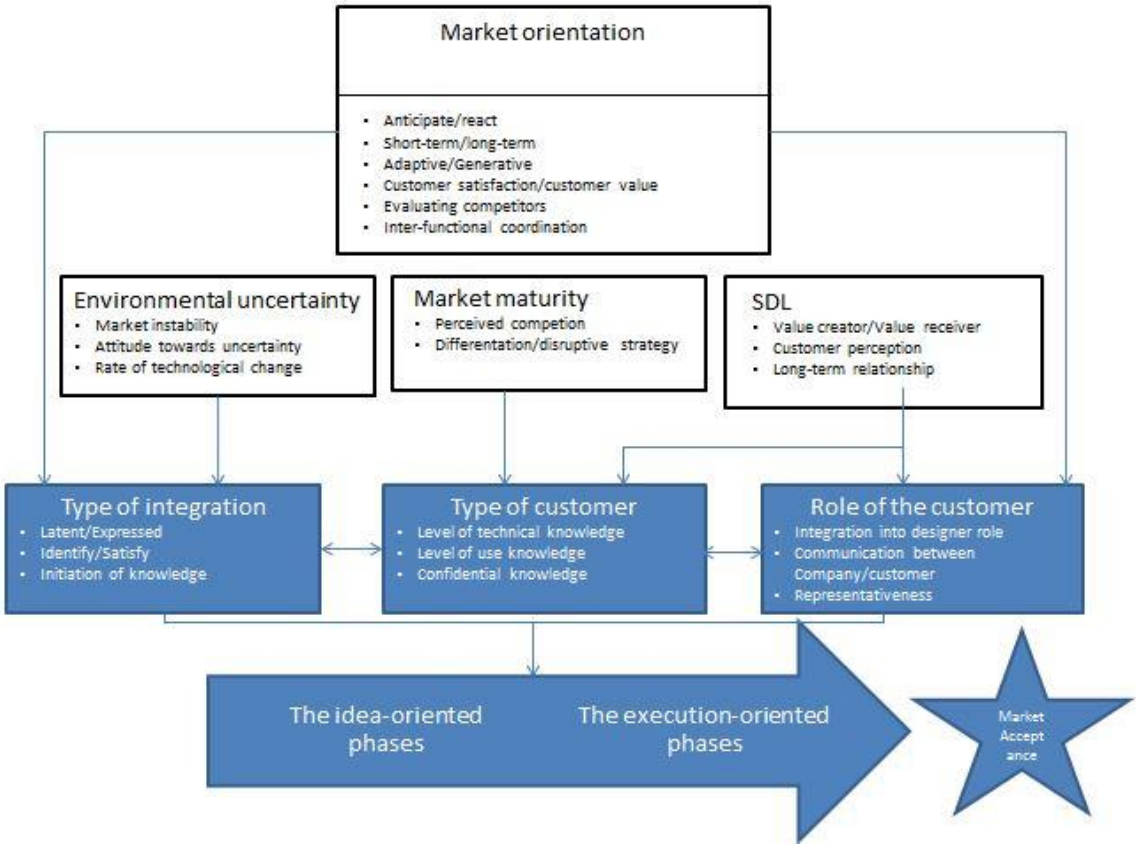


Figure 4 - A model for analysis

5. METHODOLOGY – HOW THE SEARCH FOR THE RIGHT ANSWERS WAS MADE

The methodology presented in this chapter is the method and strategy this study uses to answer the precise research questions and accordingly the general research questions and the purpose. The chapter starts off with a presentation and justification of the chosen research strategy. This is followed by a description of how the validity, reliability and generalizability of this master thesis is ensured. Finally, the methodology chapter is finished by a presentation of the method criticism.

5.1 RESEARCH STRATEGY

Based on the explanatory purpose of this study, we chose to collect primary data through the use of a collective case technique with an instrumental case study approach, where the case is of second interest to the true reason for the study.

5.1.1 QUALITATIVE APPROACH

This study has been made with a qualitative approach, which according to Denzin et al. (1994) means that the researches wants to make sense of a phenomenon in its natural setting. Lekvall and Wahlbin (2002) state that using a qualitative approach is appropriate when the collected data is not able to be quantified in a good way, and the analysis is not made by statistical methods. Since this study will be performed with interviews, this is seen as the case. Bryman and Bell (2003) states that the qualitative approach generally has a bigger emphasis on words than quantitative research approach, which seems intuitively reasonable.

Denzin et al. (1994) concludes that qualitative research is closely bounded to the positivistic approach since the positivistic approach demands a certain amount of individual interpretation by the researchers, which is not necessary to the same extent when using a quantitative approach. By using a qualitative approach, this study aims to get closer to the root of the studied subject by interpreting the respondents own perceptions. This on the other hand leads to not being able to draw as generalizable conclusions as with a quantitative approach, which is an adjustment that needs to be made when choosing either a qualitative or a quantitative approach. Using a positivistic approach instead of an interpretivistic approach, which lays bigger importance on the view of the researcher (Bryman and Bell, 2003), still means that some generalizable conclusions can be made. This is important since this study aims to explain the studied phenomenon and not merely describe it.

5.1.2 CASE STUDY

This study was made as a case study, which is a frequently occurring way of doing a study when following a qualitative approach. Yin (2014) argues that choosing to perform a case study might be relevant when the research questions are made to try to explain some present circumstance (often initiated by "why" or "how"). Yin also states that a case study is a good choice if the question is asked about some sort of contemporary set of events which the researcher has no

certain control over. For this study, all these conditions were considered to have been fulfilled which made a case study a relevant strategy to choose.

5.1.2.1 SPECIFICALLY, A COLLECTIVE CASE STUDY WAS CHOSEN AS STRATEGY

Specifically, the data collection in this study was performed through a collective case study, thus interviews with five different companies were performed. A collective case study is seen by Denzin et al. (1994) not as the study of a collective, but simply as a single study extended to several cases. According to Denzin et al. (1994), a collective case study can be used to gather a better understanding of an even larger collection of cases. Yin (2014) calls collective case studies multiple-case studies. Yin lists both advantages and disadvantages using a multiple-case study instead of a single-case study, where the advantage is that evidence that has been found can be regarded as more compelling if the conclusions are drawn from multiple cases. Though, one disadvantage when using more cases is that it also increases the risk of performing methodological errors (Yin, 2014).

5.1.2.2 AN INSTRUMENTAL CASE STUDY, WHEN THE CASE IS OF SECONDARY INTEREST

The bounded unit of analysis in this case study, referred to as the case, is the service innovation process. Since the purpose of this study is to investigate how the customer integration in the service innovation process relates to success of the innovation process, the case per se is actually of secondary interest and the customer integration is the actual subject of interest. The innovation process can be seen as a tool for collecting data to facilitate the understanding of the contextually related factors that contributes to innovation process success. A study when the case is of secondary interest, and has a supportive role, is called an *instrumental case study* (Denzin, 1994, s. 237). Merriam (2009) claims that an instrumental case study can be used to provide insight into an issue or to redraw a generalization.

The empirical study was performed on five different companies where one case were investigated in each retailer. The study of each case consisted of interviews of one to two different employees that have had connections to the project. For this study, cases where chosen that were predicted to give similar results, a successful service innovation process, and use this in an explanatory way. This is called replication design (Yin, 2014 and Eisenhardt, 1989). Yin (2014) argues that the different cases chosen for the study either should be chosen because they are predicted to generate the same results or because they are predicted to generate contradictory results. Eisenhardt (1989) also points out the importance of doing either replicatory or contradictory cases. This since the given results should later confirm the hypothesis or create ground for new research questions to be stated.

The study followed Goodyear's five characteristics of a qualitative investigation that is found in Lekvall and Wahlbin (2001).

1. **Small selection of respondents**. Because of the use of low-structured interviews, the following interpretation of them and the limited amount of time for the study, too many interviews wouldn't have been a sufficient way to handle the study.
2. **No probability selection**. The selection of respondents could not be seen as a sample of the entire population, which often is the case with a quantitative approach, so no statistical conclusions could be drawn from the study.
3. **Relatively low-structured interviews**. Because of the explanatory approach, low-structured interviews were deemed relevant to use because of the heightened possibility to create an interaction between the interviewers and the respondent. The interview was done in the form of storytelling, where the respondent talks freely about the subject and the interviewers just try to make sure that all the different subjects of the study are covered.
4. **Greater influence from the interviewer's own subjective assessment**. This is a bigger problem concerning qualitative investigations compared to quantitative. But as already discussed, this was seen as of lesser importance than the positive outcome of doing a qualitative study.
5. **More easy accessible data**. With a qualitative approach, there is no need for further statistical processing, but instead the interviewer can draw conclusions from the start. A first analysis was made during the interviews, and further analysis was performed afterwards with the help of transcribing the interviews.

5.1.3 STRUCTURE OF THE REPORT

This study follow the structural advice of Lekvall and Wahlbin (2001) who point out the importance of making a structure that makes sure that all important parts of the study is performed. By following what some call the Wahlbinian U, the researchers make sure that all important steps of the study is performed and in an appropriate order. The study was also structured the way it is as a consequence of the researchers using a deductive approach, which goes in line with how the Wahlbinian U is structured. When performing a deductive study, theory is the starting point for the analysis which the empirical data later can be compared with, and the questions that the researchers try to answer are theoretically bounded (Denzin et al., 1994). Therefore, after describing the background and the discussion that led up to the purpose, the frame of reference was presented which is then followed by the empirical data collection. This provides ground for the following analysis chapter and the conclusion. The study was completed with the recommendations chapter aimed at Nepa.

5.1.4 INTERVIEWS

When collecting data in a qualitative study, where the context of what is studied often is of high value, it is important to pay attention to the underlying meaning of what is said and that is why interviews are suited for the task rather than surveys (Merriam, 2009). With a qualitative approach follows what Bryman and Bell (2003) call the qualitative interview. In comparison to a structured interview, such as a survey, the focus of a qualitative interview is more turned to the general

research ideas and finding out the respondents own perspective (Bryman and Bell, 2003). To let the voice of the respondent come through, we used *storytelling* as interview technique. To reassure that we would find an answer to all of our general research questions we followed an interview guide, meaning that the respondent was sometimes asked more specific questions in addition to the story telling technique. The guide for the interview was created and thorough discussed before performing any interviews, the Interview guide can be found in Appendix 1.

The interviews were low-structured and the interview guide was built accordingly, since we wanted to allow spinouts and at the same time follow the structure of the case of investigation so that a cross case analysis later would be possible. The interview guide consisted of the wide general questions we needed to find information about, and follow-up question for each factor and underlying factor, a method described by Lekvall and Wahlbin (2001). The interview guide can be found in Appendix 1. Through storytelling, the interviewers let the respondent speak freely about the case in question, but made sure that all areas of the interview guide were covered. The respondent should not have a role as the interpreter of data. Therefore, the questions were asked in such a way that did not result in that the respondent evaluated and interpreted the case by him- or herself. When performing a case study, it can be a good choice to use the interview as an opportunity to dig deeper into subjects, and therefore not fully stay in the bounded environment of the low-structured interview guide (Lekvall and Wahlbin, 2001). This was done in the interviews, but the interviewers also made sure that the important parts of the interview guide were reviewed.

5.1.5 INTERVIEW RESPONDENTS

Five different case companies took part in the study where some companies had multiple respondents and some had one respondent. One company chose to remain anonymous and is referred to as retailer 2. All interviews took part during 2015. A full summary of the respondents is shown in table 5.

Table 3 - Interviews

Case company	Respondent	Title	Date	Duration
MQ	Mikael Stålnacke	Head of omnichannel and online	22nd of April	1 h
	Eric Ekberg	Store manager	11th of May	45 m
Retailer 2	Respondent	Analyst	28th of April	1.5 h
	Respondent	Analyst	4th of May	1 h
Apoteket	Henrik Tingwall	Sales manager e-commerce and distance sales	5th of May	1 h
TOP-TOY	Jonas Von Bahr	Regional sales manager	8th of May	45 m
	Jakob Borup	CRM and	18th of May,	30 m

		omnichannel development manager		
Intersport	Daniel Anvell	COO	8th of May	2 h

5.1.6 SELECTION OF CASES

The case that this study focuses on is the innovation process for services among retailers. We chose to do a non-random sampling of cases to enable the cross case analysis. According to Merriam (2009) it is important that the data sample should be small, purposeful, theoretical and not random in a qualitative study. This has been taken into account when choosing the cases for investigation. The companies that have performed the innovation processes have been elected on the following terms:

1. The development process of the service innovation must predominantly have been performed by the retailer itself.
2. Customers must have been integrated in the innovation process, either as a tool for identification of customer needs and/or as a tool for obtaining "the solution".
3. The service innovation must have been present on the market enough time to have gained market acceptance.
4. The service must still be successful in the market, i.e. still have market acceptance.**
5. The retailer needs to be willing to participate.

In the empirical studies, we let the respondents decide for themselves if the level of difference was sufficient to be classified as an invention. Additionally, it was in the judgement of the respondent to decide if the invention has gained market acceptance or not. Therefore, the innovation had to have been present on the market enough time for this judgement to be possible to be made.

5.1.7 CODING OF THE DATA

The interview guide helped the authors to conduct a cross case analysis. Such an analysis is made through comparison of the cases, by highlighting the similarities and discrepancies between the cases. The interviews were all recorded and thereafter transcripted as close to the interview-session as possible. After being transcripted, the interviews were sent back to the respondents that had chosen that option. This was done to make sure that no misunderstandings had taken place, and added to the validity of the study.

One to two respondents were interviewed about the same case, at the same retailer. Differences about the same case were initially asked to be reviewed to ensure that these were not just a misinterpretation that the authors had made.

Since this is a qualitative study, we found it important to use some quotations when presenting the data, providing the reader with such a non-bias depiction of the case as possible. The use of quotations in this report is approved by the respondent and justified through the action of

sending back the empirical data to the respondent for an approval. Finally, the case studies were presented to each retailer. If any misinterpretations were still left, these were corrected.

5.1.8 MEASUREMENT TECHNIQUE AND OPERATIONALIZATION

Since the interviews were performed with a storytelling technique, the respondents' view of how different factors affected the case was mainly introduced by what Lekvall and Wahlin (2001) call spontaneous recall. This means that the respondent is not helped with reminders from the interviewers about what to recall about certain factors. Though, in some situations when the storytelling of the respondent did not naturally end up in discussing the factors, the interviewers had to use aided recall, where the respondent is specifically told to consider different subjects or factors (Lekvall and Wahlbin, 2001). Since the main objective was to gather the personal view of the respondent and not let the interviewers steer the interview to much based on their own bias, this was made just as little as was deemed possible.

5.1.9 TACTICS USED FOR THE ANALYSIS

The purpose of the report was built on a hypothesis that there is not one specific way of integrating customers when developing services, but instead that this depends on what the company and the market demands. The gathered data regarded how the retailers in the study worked in the specific case, and how the company and its environment were positioned at the time of the project. This information was used to analyze how the underlying factors had influenced the way of working in the project. As all chosen cases had reached market acceptance, all different ways of structuring the process could be seen as functioning, and the aim was therefore to be able to state how retailers could work depending on different surrounding circumstances. The gathered data was therefore analyzed compared to the frame of reference to identify what the circumstances looked like from a theoretical standpoint. From this information, how the retailers had worked could be connected to the theoretical view of the environment.

5.2 RELIABILITY, VALIDITY AND GENERALISABILITY

Obtaining good validity, reliability and generalizability are key aspects for the scientific view of the study. To ensure this is made, multiple measures have been performed such as making sure that the case study is constructed in a proper way and that future research will come approximately to the same conclusions as this study.

5.2.1 RELIABILITY

Reliability regards the procedures the authors undertake to make sure that if someone else undertook the same procedures, they would come to approximately the same conclusions (Yin, 2014). One way to obtain reliability is good documentation, which this methodology chapter plays a big part in. When performing semi-structured interviews, making easy-to-follow interview guides also is a good way to document how the work has been done. To operationalize the

questions, as was done with the specified research questions, also plays a part in reaching good documentation. Visually describing the analytic method by using a model of analysis is also a factor in reaching good reliability.

Lekvall and Wahlbin (2001) mentions that the reliability of the study depends on the surrounding conditions when it is carried out, such as fatigue, sickness, stress or other conditions related to the participants. Informing the respondents prior to the interview occasion about the conditions of the interview was done to decrease the risk of stress affecting the interview.

An interview guide was created and later used in all interviews to gain reliability for the study. Though, since a storytelling technique was used, full reliability can't be assured since the structure of the interview guide wasn't primarily used to structure the interview process, but instead was used to make sure all factors and underlying factors were discussed. We argue however that the storytelling technique, as opposed to performing a semi-structured interview in a more controlled fashion, increases the possibility of getting the view of the respondent, instead of letting possible bias of the interviewers shine through in the answers.

5.2.2 VALIDITY

Validity handles whether the measure technique of the study measures what it is meant to. There is no way of being completely certain that full validity is reached, instead this needs to be subjectively evaluated from different criteria (Lekvall and Wahlbin, 2001).We have chosen to divide validity into Yins (2014) three dimensions; construct validity, internal validity and external validity. In table 5, we present what we did to ensure as high validity as possible in each dimension.

Table 4 - Description of the efforts made to ensure the study's validity

TESTS	Case study tactic
Construct validity	Multiple respondents per case when possible
	Cross-case analysis
	Have respondents review draft case study report
	Triangulation in the pre-study
	Record all interviews
Internal validity	Do explanation building
	Use model of analysis
	Use interview guide
External validity	Use replication logic in multiple-case studies
	Analytical generalization

The time pressure on both the interviewers regarding the window of time when the study was supposed to be written, and on the respondents because of their work situation, made it impossible to create interviews that were exactly similar. The time of the interview and the chosen method sometimes had to be adjusted to the needs of the respondents to be able to

conduct the different case studies. This meant that the interview situation was not as controlled as we would have preferred, but it was an adjustment that sometimes had to be made.

Another issue we met is that the work with customer insights in the chosen case companies sometimes was a new idea. This meant that some respondents had only been involved in parts of the projects, which leads to the validity becoming somewhat lower. Either way, all respondents were seen as having good knowledge about the projects or that the information they provided was useful. Also, since not every retailer have the same work titles or even the same departments in their organizations, the respondents could have very varying work duties. This might have led to them having different attitudes towards using customer insights in the innovation process.

Two of the interviews were performed via telephone. We noticed that performing the interview this way made the immediate interpretation ability lower. The information received during these interviews were however still found to be very useful and they were performed this way due to a tradeoff of the gain in performing a face to face interview and demand of transport and time, as one of the respondents was based in the south of Sweden and the other in Copenhagen.

5.2.3 GENERALISABILITY

To enable actionable recommendations for Nepa, this study aimed for generalizable conclusions. If there is no generalizability the study lacks forthcoming usefulness (Lee and Baskerville, 2003), which is something we aimed to avoid. Yin (2014) states that case studies can be used to generalize theoretical propositions, but as they do not represent a sample, they are not adapt for generalizing for a whole population. Generalization in case studies should therefore be focused on analytical generalization instead of statistical generalization, shying away from thinking of cases as samples. The analytical generalization in this study had its starting point in its use of replication logic through multiple cases. Using replication logic also leads to cross-case analysis since one must consider if the stated hypotheses regarding similarities between cases were true or not. The cross-case analysis performed in this report also added to its generalizability.

With a qualitative approach, statistical generalization is not possible to achieve. Instead Yin (2014) says that analytical generalization should be used. With analytical generalization, the authors do not claim that the results can provide a statistical representativeness. Instead, the results are meant to contribute to the already submitted theory on the subject and use that theory as proof of a wider generalization.

The study uses multiple cases to enable generalizability. The generalizability is possible due to information gathering from several cases as well as it increase the understanding of a single case (Merriam, 2009). The coding and analysis of data was made from a cross-case analysis to pinpoint what hypotheses could be generalized through comparison of the collected data.

The case in this study, the service innovation process, really was of secondary interest and was only used as a tool to increase the understanding of something else, being how external and internal factors in combination with the customer integration affect the success of the service

innovation process. This is, as according to Merriam (2009), typical to an instrumental case study where the aim is to redraw a generalization.

5.3 THE ETHICAL PERSPECIVE

All of the respondents were informed about the purpose of this study when first presented with the request about participation in this study. After this, the respondents were given a written and more thorough description about what we aimed to investigate during the interview/the interviews. They were also provided with the interview guide or a simple introduction of how the interview would proceed and information about our client to this thesis, Nepa. If we had more than one respondent at the case company we tried to make sure to notice both respondents in advance that other employees would participate in this study as well, we did not want to withhold any information of the chosen research method as we did not find it to be ethical. To remind the respondents, they were reminded about the purpose of our study once more at the actual occasion.

When respondents asked us about other participating case companies, we explained that they remained anonymous, just like themselves, up until the thesis was to be published. However, we were open with what business they were operating within. Before publication we have let all participating respondents proofread the empirical findings and analysis of their own case, found in Appendix 2, so that they could confirm that what was described and interpreted was in a correct and fair manner.

We have tried to remain as unbiased as possible during the gathering and interpretation of material. Initially we discussed how the choice of retailers should be done with our client, Nepa, whereupon they answered that they had no preferences that they felt that they would gain from, emphasising that they were more interested in our findings than us as resource for sales. In other words the empirical study could be done by us in the role as students. This resulted in that the choice of case companies could be made upon which Swedish retailers that were most suitable for the purpose of this report. In other words, the client to this thesis, Nepa, is treated as any other outsider when it comes to the handling of classified information in this report.

6. ANALYZING THE GATHERED DATA – WHAT THE EMPIRICAL DATA MEANT TO THE STUDY

In this chapter we aim to answer the specified research question and classify the way the cases have been configured in scientific terms. The individual cases are presented and analyzed separately which can be found in Appendix 2. First, conclusions of the different cases are presented who end with a visualization of the findings. The chapter ends with the general findings being presented.

6.1 CONCLUSION OF THE INDIVIDUAL CASES

The following section consists of conclusions made from Appendix 2 where a complete description and analysis is made out of each case studied. Each conclusion below describes the factors *type of integration, role of the customer, type of customer* and also *the timing of integration*. Why these factors have been chosen are explained by the underlying factors *market orientation, perception of risk or possibility*, *SDL/GDL* and *market maturity*.

6.1.1 MQ: THE PICKUP-IN-STORE SOLUTION

Both that MQ is less market oriented and that it perceives the risk as low are influencing underlying factors to why the customers were not integrated in the idea-generating phases. In the execution-orientated phases it was due to that the retailer is less market oriented that they had to integrate their customers through reactive customer integration.

The store managers were used in an active collaborating role, but the end-customers were more passive in their active informant role. This was combined with passive user observation. This seems to mainly be because of the GDL of MQ. This puts much emphasis on the store managers being able to analyze the customers and deliver the information to the head office.

Putting the product first results in the retailer choosing employees with lead user characteristics because of the technical aspects, but not actively integrating end-customers for a better understanding of the intangible final characteristics of the service. The service is not used for differentiation but more as a way of taking full use of the retailer´s infrastructure, which also leads to eventual market maturity not having a big impact on the type of customer that is integrated.

6.1.2 RETAILER 2: THE CHILDRENS DEPARTMENT

The retailer used reactive customer integration, both when responding to the complaints of the customers and when creating a more gender neutral department. The retailer integrated the customer through proactive customer integration at two occasions, both times by observing the customer behavior in order to understand their needs. The overall most influencing underlying factor to the choice of type of integration is that the retailer is market oriented and gets even more market oriented during the course of the development process. The reason for some of the

chosen methods of customer integration was to follow up an already performed survey or the method was chosen because there was a lack of means to do it differently.

The role of the customer in the idea-generating was generally passive since the communication was one-way, the aim was to get representativeness and the outcome was the expressed needs of the customer. This follows from the retailer´s market orientation moving towards being more proactive but that their ability of sensing the market was lacking. By not combining different roles of the customer in the idea generating phases, the retailer drew the wrong conclusion about the latent needs of the customer. As of now, the retailer was customer-led and was able to handle the expressed needs of the customer, but not the latent needs. By putting a bigger focus on customer insights with the introduction of the respondent role, the retailer was able to correct this afterwards by putting bigger focus on the SDL and moving closer to co-creating the experience with the customer.

Using the average user in the execution-oriented phases provides the retailer with the representativeness it is after, which makes it reasonable not to focus on the knowledge of the customer in these phases. Being in a position where the retailer feels that their position is unique and that the main objective is to keep the customer loyal, not differentiate versus the competition, reduces the importance of targeting non-costumers or low-end customers.

6.1.3 APOTEKET: THE MOBILE SOLUTION FOR PRESCRIPTION MEDICINES

The customers were integrated through proactive customer integration in both the idea generation and execution orientation phase. The most affecting underlying factor for using proactive customer integration in the idea-generating phases is considered to be that the retailer is more market oriented and the reason for the chosen approach in the execution orientation phase is to minimize the risk due to a high perception of risk.

The customer was used in many different roles ranging from passive to active. This is because the market orientation of the retailer demands a close understanding of how the customer perceives the service while it is at the same time important to get the representativeness of the full market. Customers were able to co-create but this could not be concluded to be because of Apoteket specifically having a SDL, but instead was due to Apoteket having a high market orientation with a high need for trying to understand the customers' needs.

Apoteket used customers with lead user characteristics early in the innovation process, even though it might not have been a deliberate decision. This was made possible by the combining of different integration techniques, leading to proactive customer integration. This was mainly because they were looking for opportunities from a customer insight view because of the high maturity on the market. Apoteket did not choose to integrate any specific type of customers after that.

6.1.4 INTERSPORT: THE ECOMMERCE PLATFORM

The customers were initially integrated through reactive customer integration. However, during the idea-generating phases when deciding on different configurations, features and general concepts the customer was never integrated. The reason was that the retailer is less market oriented and has a low perceived risk of unacceptance of the new ecommerce platform while the general perceived risk or possibility does not influence that much. The customer was then integrated in different iterations through reactive customer integration, once again the reason being that the retailer is less market oriented.

Intersport is mainly interested in using the customers in passive roles for feedback of what it so far has created in the innovation process, or as a resource in understanding what solutions the retailer can create by itself. Having a GDL creates a situation where Intersport is not interested in using customers as bidirectional creators.

As Intersport is not creating the service for differentiation, and it sees no value in co-creating with the customers, it pays no specific attention to the knowledge of the customer.

6.1.5 TOP-TOY: THE CLICK AND COLLECT SOLUTION

Both that the retailer is considered as less market oriented and that it perceived the risk for this project as low are underlying factors to why the retailer chose to not integrate customers in the idea-generating phases. The assessment of the retailer as being less market oriented has a greater impact on the customers being integrated through reactive customer integration during the execution oriented phase.

TOP-TOY uses their technical solution and employees inside stores, but does not try to actively integrate customers to get a better understanding of their perception of the service. Where customer integration actually takes place, in the execution-oriented phases, this can be seen as a result of the companies GDL.

The average customer is used for understanding the customer perception of the service after it has been launched. This is a result of the retailer wanting to be reactive towards the customers.

6.2 SUMMARY - VISUALIZATION OF FACTORS AND UNDERLYING FACTORS*

Table 5 - Overview of all combinations of factors found in the empirical study, together with the most influencing underlying factor/factors to the configuration

	Type of customer integration				Role of the customer				Type of customer			
CASE	Idea-generation phase	Underlying factor	Execution-oriented stages	Underlying factor	Idea-generating phase	Underlying factor	Execution-oriented stages	Underlying factor	Idea-generating phase	Underlying factor	Execution-oriented stages	Underlying factor
1	-	Less market oriented Low perceived risk or possibility	Reactive	Less market oriented	-	Type of integration	Passive user Active informant	GDL	-	-	Average customer	-
4	Reactive	Less market oriented Low perceived risk or possibility	Reactive	Less market oriented	Passive user	GDL	Passive user Active informant	Less market oriented GDL	Average customer	-	Average customer	-
5	-	Less market oriented Low perceived risk or possibility	Reactive	Less market oriented	-	Type of integration	Passive user Active informant	GDL	-	-	Average customer	-
2	To some extent proactive Reactive	More market oriented	Proactive Reactive Reactive	More market oriented	Passive user	More market oriented	Passive user Active informant	SDL	Average	-	Average	-
3	Proactive	More market oriented	Proactive Reactive	High perceived risk or possibility	Passive user Active informant Bidirectional creator	More market oriented	Passive user Active informant Bidirectional creator	More market oriented	Lead user Average customer	High market maturity	Average customer	-

*Please note that the underlying factors are classified according to the rule of relatively to the other cases. Therefore, even less obvious traits for a specific type or role may have contributed to classifying an underlying factor as the one or the other alternative. Justifications for the rule of relatively are made in Appendix 2.

6.3 OBSERVATIONS FROM THE CROSS CASE ANALYSIS

To facilitate in future analysis we have chosen to cluster the cases into three types of identified type of cases. Each type of identified type of case are described in this section.

6.3.1 FIRST IDENTIFIED TYPE OF CASE: "WE TRUST WHAT CUSTOMERS DO, NOT WHAT THEY SAY THEY DO"

Shown in: case 1 (MQ), case 4 (Intersport) and case 5 (TOP-TOY)

Characteristics:

- Limited reactive customer integration or no integration in idea-generating phases
    - Low perceived risk
    - Less market oriented
- Reactive customer integration in execution-oriented phases
    - Less market oriented
- Customers are used as passive users and active informants in the execution-oriented phases
    - GDL
- Only integrate customers that represent their average customers

6.3.2 SECOND IDENTIFIED TYPE OF CASE: "WE LISTEN TO OUR CUSTOMERS"

Shown in: case 2 (Retailer 2)

Characteristics:

- Initiation of the project to some extent with proactive customer integration
    - More market oriented, but less than later on in the project
- Uses mixed methods for customer integration with less consideration
    - More market oriented
- Only integrate customers that represent their average customers

6.3.3 THIRD IDENTIFIED TYPE OF CASE: "WE CREATE VALUE THROUGH CUSTOMER INTEGRATION"

Shown in: case 3 (Apoteket)

Characteristics:

- Initiation of the project with proactive customer integration
    - More market oriented
- Uses mixed methods for customer integration with a great deal of thought
    - High perceived risk or possibility
- Customers are used as a Passive user, Active informant and Bidirectional creator
    - More market oriented

- Integrates customers that represents their average customer and customers with lead user characteristics
    - High market maturity

6.4 FINDINGS FROM THE ANALYSIS

The cross-case analysis offers some interesting findings. These findings have emerged from a combination of the empirical data and the gathered theoretical findings in the frame of reference. From table 6 there are some main characteristics that are interesting to notice. These results have been combined with the more thorough analysis of each case found in Appendix 2. This combination of analysis has resulted in the findings below:

Type of customer integration

Finding 1. The less market oriented companies use limited customer integration or do not integrate customers at all in the idea-generating phases and then uses reactive customer integration in the execution-oriented stages

Finding 2. The more market oriented companies use some kind of proactive customer integration in the development process, they also tend to use customer integration at several occasions in the development process

Finding 3. The perceived risk or possibility is a strong influencing factor in how customers are integrated

Role of the customer

Finding 4. The GDL make the retailers see the customers as operand resources, which leads to the customers not being used as bidirectional creators in the innovation process

Finding 5. The retailers combine methods to imitate a two-way communication but still have to find solutions on their own

Finding 6. The GDL and a lower market orientation reduce the risk for the retailer of being customer-led but this might reduce the companies´ service development ambitions into just catching up

Type of customer

Finding 7. The lack of SDL and the general low market maturity lead to retailers integrating the average customer

Finding 8. The combination of methods can identify the active informant as a lead user and help in finding the latent needs of the larger customer base

Finding 9. The retailers regard some of their employees as lead users

Timing of the integration

Finding 10. The GDL and the low market orientation of a retailer turns it away from listening to the customer in the idea-generating phases

Finding 11. The nature of the retailer market, the GDL of the retailer and the nature of the service puts focus on quick and iterative development of services

6.4.1 FINDING 1. THE LESS MARKET ORIENTED COMPANIES USE LIMITED CUSTOMER INTEGRATION OR DO NOT INTEGRATE CUSTOMERS AT ALL IN THE IDEA-GENERATING PHASES AND THEN USE REACTIVE CUSTOMER INTEGRATION IN THE EXECUTION-ORIENTED STAGES

As observed in the first identified type of case, companies that are classified as less market oriented in this study chose to not integrate customers at all in the idea-generating phases or they have used plain reactive customer integration as initiation to the development process. The latter alternative has been observed in case 4. This type of integration confirmed the company's hypothesis that a change was necessary but did not provide any guidance regarding what solution would satisfy the customers' expressed need of change.

What is further identified in these cases is that the company's low market orientation has an impact on how the companies chose to configure the execution-oriented phases as well; reactive customer integration is namely used exclusively in the execution-oriented stages. The reason for this type of integration in this case can be explained by Sandén et al. (2006). The authors describe reactive customer integration as useful when the purpose is to map the customers' attitude towards an existing offer. As the offer is already developed to some extent in-house, without the guidance or input from customers, is can be considered to be necessary to have an responsive approach to the customers' needs when the service is developed.

Since the companies use limited or no customer integration what so ever in the idea-generating phases they avoid being led by the customers in their development. As customer-led companies focuses on satisfying the customer by responding to their expressed needs, these companies might get caught in a bad circle, creating nothing but incremental innovations (Atuahene-Gima, 1996). This can be considered as a harmful position for the company, either by letting customers lead them on or by not reinsuring there competiveness. Narver et al. (2004) explain how this approach does not contribute to a company's competiveness by describing the strategy as the developed offerings being easier to imitate. On the other hand, companies that are less market oriented, as the companies who use the first identified type of case, might have a greater possibility in creating a radical innovation, this as they are not as locked in to the customers' assumptions of how the service should be (Butler et al., 2014).

However, as the companies classified as the first identified type of case do not express any wishes in creation of more radical innovation this cannot be seen as the contributing reason to why the integration of customers are secondary. As has been discussed in the analysis of each of the cases, the turbulent environment, highly affected by the uncertainty in the technological development and changes in customer behavior, has contributed to that the company either needs to catch up in the implementation of the services to enable omnichannel retailing or it has a lack of faith in customers' expressed needs. The latter is shown clearly in the following quotes:

"A customer will never say no to the question if he or she wants the assortment to be broader. We have done some customer surveys and asked for what labels should be in the store. There are many that would say "acne", but when it comes down to completing the purchase they don't want to spend money on it. They think that it is cool, and that they want it. But they don't buy it because they can't afford it. There's a fine line when it comes to broadening the assortment and asking the customer."

– Mikael Stålnacke, Head of Omnichannel and Online, MQ

"I often tell the story about ecological food. It is something that many states that they want if asked, but they [the customers] are not always willing to pay for it. And that's where you have to find tools for seeing if it really is something that you [as a company] should do. And that's hard sometimes."

- Daniel Anvell, COO, Intersport

Neither do the companies feel the urge to be first movers but rather have the ambition to catch up on the omnichannel retailing development, either compared to their competitors or other prominent companies in the field. Case company 1 and 4 mainly try to remain competitive by asserting other firms capabilities in order to know what innovations might be suitable for them. The respondent from case company 1 says it is happy to analyze how competitors step on mines and learn from their mistakes. In addition, the respondent from case company 5 informs us about the first mover disadvantages and concludes:

"To be well in advance is not always good timing"

- Jonas Von Bahr, Regional Sales Manager, TOP-TOY

All three case companies that have used the first identified type of case process have expressed that they are creating services to cope with the omnichannel retailing trend, and as all of the respondents mention, they all use inspiration of countries like the United States and the United Kingdom when assessing new developed services in the field. In other words, even though all companies might be less market oriented they have high focus on competitors or changes in general customer behaviour. One could therefore assume that the companies in the first identified type of case are able to evaluate the surrounding market to enable decision-making in what offers should be investigated closer. According to Day (1994) a company with high market sensibility is a company that is good at both collecting information about customer needs and also acting on it. As neither of these companies seem to evaluate the underlying customers need but rather focus on the goal of a successful business case they are described as companies with low market sensing in this study. However, Teece (2007) has another definition about companies' capabilities to evaluate the market. The author includes both the company's abilities in identifying possible new offerings by both initiating the project from the core of the company as well as looking for solutions in the surrounding environment, customers, suppliers and

competitors. The latter of these capabilities in evaluating the market is one more conformant to the companies belonging to the first identified type of case and therefore explains why they enable customers' acceptance with their new services without integrating them.

6.4.2 FINDING 2. THE MORE MARKET ORIENTED COMPANIES USE SOME KIND OF PROACTIVE CUSTOMER INTEGRATION IN THE DEVELOPMENT PROCESS, THEY ALSO TEND TO USE CUSTOMER INTEGRATION AT SEVERAL OCCASIONS IN THE DEVELOPMENT PROCESS

There have been two cases encountered in this study where some kind method of proactive customer integration has been used, described in the second and the third identified type of case. These companies have chosen to integrate their customers early on, initiating the projects with proactive customer integration, unlike in the cases described in the first identified type of case that either uses no customer integration or initially integrate the customers through reactive customer integration. Both the second and the third identified type of case have their high level of market orientation in common. One can easily understand that a company that is more market oriented tends to initiate or involve customers early in the innovation process in order enable working proactively for the satisfaction of customers' latent needs. Day (1994) explains that a market-driven organization is in general better at understanding the latent needs of the market than companies being less market oriented, which explains that the initiation of the projects in the second and third identified type of case resulting from proactive customer integration due to their market orientation. Accordingly, Butler et al. (2014) explain that market oriented companies are more focused on understanding and also satisfying customers' needs. This explains the virtuous circle with high market orientation and constant ambition to satisfy customers' latent needs through proactive customer integration among market oriented companies. As Narver and Slater (1998) explains it; the use of generative learning among market oriented companies.

Even if table 6 does not show a clear signs of division of the configuration of type of customer integration between the second and third identified type of case, their differences are however noticeable in the case analysis found in Appendix 2. As mentioned both projects are initiated with proactive customer integration. The third identified type of case is however more successful in the first occasion of integration as they manage to both identify and understand the latent need of the customers while the company in the second identified type of case did not manage to do to. Instead, the proactive customer integration in the second identified type of case only managed to identify that there was something that created customer dissatisfaction. These different results of the first integration of customers lead to that the third identified type of case can continue the customer integration with choosing methods for customer integration with what seems as a greater deal of thought. This while the second identified type of case seems to struggle with the methods used as they are not as coherent. One explanation for these differences might be their degree of market orientation. As mentioned earlier, a company that is more market oriented is in general better at understanding the latent needs of customers than a company that is less market oriented (Day, 1994). The respondent from Retailer 2, using the

second type of identified type of case, explains that their organization went through a transition from being slightly less customer centric to upgrading their investments in customer insight to become a strategic core value of the company, and this happened through the actual course of the project. Therefore it might be that when Retailer 2 was slightly less customer centric, thus being slightly less market oriented, their capabilities in understanding the latent customer need were less prominent than those of the company using the third identified type of case.

Moreover, there are differences in competitive environment where the environment of Apoteket, using the third type of identified type of case, and Retailer 2 using the second type of identified type of case. Apoteket puts greater emphasis on the description on the competitive environment than Retailer 2 when discussing configuration of the customer integration. Market oriented companies, in addition to having a higher focus on customers' latent and future needs, also evaluates their competitors in trying to anticipate the market development (Narver and Slater, 1998). Since Apoteket was relatively more market oriented than Retailer 2 at the starting point of the project, Apoteket's superiority might have been thanks to their capabilities in asserting their competitors' offers in trying to evaluate what offers are suitable for them to pursue leading them to be better at understanding the latent needs of their own customers. This necessity for assessing the competition can be considered as a result of Apoteket's highly competitive environment. According to Narver and Slater (1998) more market oriented companies can achieve market-focused innovations that enable them to have a sustaining competitive advantage. Another difference in the second and the third identified type of case is the level of innovativeness, as a result of that Apoteket understood the latent need in this project, where the third identified type of case resulted in a more innovative service. According to Narver et al. (2004) market oriented companies have a higher correlation to innovativeness and the new-offering's success. Thus, Apoteket's competitive environment can be considered to have increased their prominence in market orientation and therefore also explain the innovativeness of their developed service as an effort to become a more competitive player on the market.

Retailer 2's limited capabilities in understanding their customers' latent needs resulted in integration at several occasion with less consideration and mostly resulting in receiving expressed needs of the customers, even sometimes misguiding due to the character of the type of integration. For example, the respondent comments on the result of a survey performed by an external consultancy firm.

"Well, the conclusion 'they don´t think this is important' was a bit wrong. You almost had to place the specific question to get the answer"

- Respondent, Analyst, Retailer 2

Companies that are failing to understand customers' latent needs and constantly having a responsive approach in understanding and satisfying customers' expressed needs are called customer-led (Narver and Slater, 1998). As has been observed in the case of Retailer 2 the company fails to understand the latent needs of the customers and therefore let the expressed

needs lead them. As discussed, this leads to incoherent choices in methods in the execution-oriented phases. This shows that relying exclusively on the extraction of customers expressed needs in the idea orientation phase is more harmful than using reactive customer integration in the execution-oriented phases. Moreover, in the long run, this can become harmful for the company's competitiveness as this strategy of customer-led companies is easier to imitate among companies (Narver et al., 2004). However, Slater and Narver (1998) argue that having a responsive market orientation during predictable circumstances might not be as harmful.

Apoteket further manages to identify and understand the customers' latent and expressed needs by combining the methods for customer integration. Narver and Slater (1998) claim that companies that are market oriented and focused on satisfying both customers' expressed needs and latent needs have a generative long-term focus on creating customer value in contrast to customer-led companies with an adaptive short-term focus on creating customer satisfaction. Even though high market orientation is not often criticized, not using customer integration at all can actually be beneficial when intending to create a radical innovation. This since companies that are less market oriented and not locked in to customers' assumptions of how the service should be might be able to create more radical innovations (Butler et al., 2014). However, if the company can understand the latent needs of the customer, it might create better opportunities for creating radical innovations (Butler et al., 2014).

6.4.3 FINDING 3. THE PERCEIVED RISK OR POSSIBILITY IS A STRONG INFLUENCING FACTOR IN HOW CUSTOMERS ARE INTEGRATED

Essentially, many NSDs are technology driven (Paswan, 2009). Technology change and its influences on the changes in customer behavior have led to the need for omnichannel retailing, which all respondent admit is of high relevance for their future businesses. In other words, the emergence of the need of omnichannel retailing causes the market to become turbulent. This is something that has been observed as general for all retailers. This has been observed as becoming a question at a more strategic operating level at all of the case companies in this study and can be noticed in the level of awareness among all the respondents, all operating at a very high strategic level in the respective companies. Moreover, one can draw this conclusion by observing the newly emerging titles of the respondents in this study, for example *Head of omnichannel and online* and *CRM and Omnichannel Development Manager.* Still, the market turbulence make some companies act differently from other companies in this study. This can be explained by Paswan et al. (2009) who claim that the risk is in the perception of the board and it is therefore their attitude towards risk is what makes companies act differently. Thus, depending on the different competitive situations and different perceptions of risk of market unacceptance due to market turbulence the retailers perceive the risk or possibility with the individual projects differently.

The first identified type of case with low perception of risk tends not to involve the customers in the idea-generating phases. The companies also tend to use an iterative development process based on reactive customer integration due to their perception of incapability to foresee the customers' latent or future needs. They additionally tend to have a focus on not spending an

excessive amount of time in the idea-generating phases due to the time pressure. A respondent from a case company belonging to the first identified type of case explains:

"We are working in retail, we are here and now. We lose out every day we don´t do something. We don´t sit here administrating, we need to be quick and it´s not super important that everything is exactly right [when launching]."

- Daniel Anvell, COO, Intersport

Unlike the respondents from the case companies in the first identified type of case the respondent from the second identified type of case does not believe that risk is an influencing factor when it comes to customer integration. The third identified type of case, however, has a high perception of risk or possibility and has therefore chosen to involve customers iteratively in the execution-oriented phases just like the first identified type of case. Additionally, just like the first identified type of case, also the third identified type of case has a pressure in launching the offer as soon as possible.

"These big investigations… in some ways you just do not manage those. It often gets pressured regarding time"

- Henrik Tingwall, Sales Manager Ecommerce and Distant sales, Apoteket

However, what is a noticeable difference between the first and third identified type of cases; there is an expressed wish of being the first mover on the market when in the third identified type of case, as the company considers this as a competitive advantage. The case companies in the first identified type of case generally opposes the need of being a first mover and all cases has resulted in less risky developments of innovations that are new to the company. A respondent from this group explains how "they are happy to analyze how competitors step on mines and learn from their mistakes" while another describes the disadvantages of being a first mover

"To be well in advance is not always good timing"

- Jonas Von Bahr, Regional Sales Manager, TOP-TOY

As mentioned, the respondent from the third identified type of case has a different approach towards being the first mover. The company's willingness to pursue radical and competence destroying innovation might be explained by Paswan et al. (2009) who describe how a turbulent state contributes to that a company can perceive a greater pressure or willingness to innovate which may encourage a company to pursue the development of a radical innovation. The respondent explains:

"If, as example, a competitor has launched anything like this [the service], then it suddenly goes from us having an offering that is quite good to the customer to not regarding it as particularly good at all. So it is kind of a race in that way".

- Henrik Tingwall, Sales Manager Ecommerce and Distant sales, Apoteket

The configuration of the development process for the cases in the first identifies case can be explained by the companies´ perception of incapability to foresee customers latent or future need or their look upon customers as them not being able to provide the company with a suitable direction for the development. This is as further explained by Jaworski and Kohli (1993) who describe that the need to integrate customers should be secondary when the technological environment is changing, this as they are not suitable to determine what new solutions the company can benefit from. In contrast, Narver and Slater (1990) and Carbonell et al. (2009) believe that customer integration is beneficial for a company when the technology environment is changing, as the customers can lead the way through the uncertainty. Since the development process is iterative, the companies can benefit from both approaches as they did not let the customers lead them on but still providing them with guidance in continued development.

The latter approach is something that the case company in the third identified type of case benefits from. When the technical changes offered the customer several new ways to interact with the company and the concerned authorities, the company used proactive customer integration in foreseeing a latent and future need. Due to the innovativeness and risk of unacceptance the customers were integrated at several occasions through different methods, which resulted in that the company received information both about customers' expressed and latent needs, since when a market is highly dynamic and turbulent the generative learning becomes of higher importance (Slater and Narver, 1998). The company's market orientation in combination with the perception of the turbulent state might also have affected the way customers were integrated. Slater and Narver (1998) explains that market oriented companies who are engaged in long-term learning activities are able to modify their offers based on the learnings to maintain a strong competitive position even during uncertainty on the market.

6.4.4 FINDING 4. THE GDL MAKE THE RETAILERS SEE THE CUSTOMERS AS OPERAND RESOURCES, WHICH LEADS TO THE CUSTOMERS NOT BEING USED AS BIDIRECTIONAL CREATORS IN THE INNOVATION PROCESS

Case companies 2 and 3 in the study show a higher ambition than the other companies in understanding the view of the customers and are therefore seen as both having a SDL and that they are striving for a higher market orientation compared to the other case companies. But as shown through all the cases and exemplified by the statement above, retailers have a relationship with their customers that are generally driven by a GDL, as exemplified by this statement:

"I don't think they ever could have given us a solution. They can say if it's good or if it's bad."

– Mikael Stålnacke, Head of Omnichannel and Online, MQ

As da Mota Pedrosa (2012) describes, SDL demands a closer interaction with customers and this gives two advantages if done properly; the company gets a better understanding about their customers while they at the same time are improving the innovative capabilities in the company. The bidirectional creator according to Blazevic and Lievens (2008) is used in a communicating role and is able to create solutions with the company. But following a GDL and therefore defining the role of the customer in the integration process as just a tool to generate a better understanding of the customer (Kuusisto et al., 2012), the companies are both hesitant regarding listening to close to the customer, since they are not sure the customer can express what they would actually want, and they are also hesitant in their own ability to be able to co-create and collaborate with the customer. As Paswan et al. (2009) and Barrett et al. (2015) describe, the customer is therefore limited to an operand role in the innovation process which the company can use as a tool in the idea-generating phases and a passive receiver of created value in the execution-oriented phase. Case 3 shows how the customers can take the bidirectional creator role both in the idea-generating phases and the execution-oriented phases if the retailer is able to create an environment where the customer is able to communicate with them regarding their own user situation. Apoteket however does this mainly because of their higher market orientation, where it constantly tries to assess the view of the customer and understand their needs. The customer could therefore still be seen as a tool for a better understanding.

6.4.5 FINDING 5. THE RETAILERS COMBINE METHODS TO IMITATE A TWO-WAY COMMUNICATION BUT STILL HAVE TO FIND SOLUTIONS ON THEIR OWN

The companies in the study combine integration of the passive user, mainly by observing their behaviour in the digital channels, with active informants expressing their needs through different channels. This can be used either for proactive customer integration as shown by case 3, but also for reactive customer integration as most companies in the study do in the execution-oriented phases to be able to improve the service depending on the needs of the customer.

The special characteristics of the bidirectional creator according to Blazevic and Lievens (2008) are that this type of role in the customer integration takes form as a two-way communication and that the customer is part of the solution finding. By observing the customer or stating specific questions that they want answers to, the company can create and communicate a solution to the customer from the information of the passive user, from the inside-out perception of the company. By also incorporating the communication of the active informant and therefore using the direct communication from the customer, the customer can be said to have been part of the solution finding. By combining the passive user with the active informants, the companies could therefore actually be said to have reached a, although somewhat flawed, two-way communication.

So the combination of methods resembles the use of the bidirectional creator. Still, the responsibility of finding solutions is largely in the hands of the companies with this way of working. The retailers in this study have generally expressed their opinion that it is important to pursue a rapidly performed innovation process, especially regarding the restricted time given to the idea-generating phases. With this in mind, the retailers with a GDL mind-set and with a less market

oriented approach see customer integration as time-consuming and see bigger use in it in projects with higher risk. But using the customer in a more active role could actually be a way of decreasing the time spent in the idea-generating phases. Alam (2006) argues that integrating customers could create a faster NSD process if the customer has already made some of the idea processing work. This is shown by case company 3 who by integrating the customer in a collaborative role were able to find solutions in the actual integration.

The retailers in our study put lots of effort in finding the solutions to satisfy different market or customer needs, and do not seem to reflect upon this being time-consuming, whereas they see customer integration as just that. Da Mota Pedrosa (2012) argues that it is the interpreting and prioritizing between different customer needs that makes the customer integration become time consuming. By using the customers in more collaborative roles where the solution finding is part of the ongoing process and by using more systematic procedures regarding customer integration in the idea-generating phases, which Teece (2007) sees as superior over relying on individuals, the retailers could actually save time by integrating the customers to a greater extent in the idea-generating phases.

6.4.6 FINDING 6. THE GDL AND A LOWER MARKET ORIENTATION REDUCE THE RISK FOR THE RETAILER OF BEING CUSTOMER-LED BUT THIS MIGHT REDUCE THE COMPANIES´ SERVICE DEVELOPMENT AMBITIONS INTO JUST CATCHING UP

The companies driven by GDL shown by the identified type of case 1 chose to get external help instead in the idea-generating phases, or simply relied on their market sensing activities regarding trends and competitor. Case 2 shows that if a company have the ambition of understanding both the latent and the expressed needs of the customer, just integrating the passive user or/and the active informant might not be enough. Instead, when trying to also be customer-oriented besides the other market oriented activities, the customer should be integrated more actively in a collaborating role as case 3 shows. As Kristensson (2003) describes, using a say or see method often is not good enough for extracting the latent needs of the customers. Instead companies who try to listen to the customers in the idea-generating phases take the risk of being similar to Narver and Slater´s (1998) definition of a customer-led company as case company 2 showed.

"Well, the conclusion 'they don´t think this is important' was a bit wrong. You almost had to place the specific question to get the answer"

- Respondent, Analyst, Retailer 2

The companies driven by a GDL and a lower market orientation that predominantly choose to use the customer in a role for feedback in the innovation process decrease the risk of being customer-led. But at the same time, these companies lose the ability of understanding the latent needs of their customer base which Narver and Slater (1998) argue can create competitive advantage. The only choice for a retailer driven by a GDL, besides creating a new service that it can only hope their customers will like, is observing the market and observing other companies to

see if the other companies' customers are willing to use a service. While having good market sensing abilities, regarding the areas besides understanding the customer, will decrease the risk of the service not gaining acceptance, there is still a higher risk taken by the companies driven by a GDL who choose to not try to identify the latent needs of their own specific customer base. As shown in case 5, the case company once tried to launch an ecommerce platform without having assessed if this was a need of their customer base, and that their customers were ready to adapt to the new service. This behavior could have been seen as being proactive if the result would have been satisfying, but this was not the case. Even though the need for a service might be an expressed need in some customer bases, it does not necessarily have to be a latent need among the retailer´s customers, at least not yet. The only possibility to really know that is by integrating your own customers in the innovation process. Otherwise the companies must let others be first adapters and rely on others in finding the possible latent needs of the customers.

6.4.7 FINDING 7. THE LACK OF SDL AND THE GENERAL LOW MARKET MATURITY LEADS TO RETAILERS INTEGRATING THE AVERAGE CUSTOMER

A common trait among the studied cases is that they have not paid much attention to the type of customer that is integrated in the process. This can mainly be seen as a result of the companies choosing reactive customer integration and the customer not being used in a collaborative role. As the companies predominantly choose to use the customer in a reactive way, the representativeness of the average customer gives the companies the information they are looking for. As Sanden et al. (2006) describe, using the average customers might be the most appropriate when trying to create a functioning service. And since the companies generally are not interested in using the customer in a collaborative role, the knowledge level of the customer is not taken into account by the case companies.

But even in case 3 where the case company chose to collaborate with the customer, there was no specific account taken to what customers that were chosen for integration. Through our frame of reference, we have identified two underlying factors that could have pushed the company towards thinking about what customers to integrate. If the company has a SDL, they see their customers as an operant resource; the customer is a resource with underlying skills and knowledge that the company can take advantage of when creating value (Paswan et al., 2009). As shown in the cases, this is not the general view of the customer among the retailers and therefore the different knowledge levels among their customers are not of interest.

The other reason we have identified that could have resulted in that the company would have chosen specific customers would have been if the company would have wanted to differentiate themselves with the new innovation. The case company in case 3 was acting on a market that was mature and highly competitive, and unlike the other companies in the study it was not able to differentiate through its assortment to the same extent. According to our frame of reference, this could have led to the company choosing to integrate low-end customers to be able to create a disruptive innovation as Christensen et al. (2002) describe. However, increasing the work with the digital channels could not be seen as the retailer competing on a mature market. As Christensen et al. (2002) describe, competing on a mature market require great resource

allocations by the company because of the many established products and services that use the same strategy. The digital channels and the possibility of omnichannel instead act like a newly opened market for the retailers on the Swedish market, where they can broaden their business and add attractive attributes to their existing offering as described in the Kano model (Gustafsson et al., 2011). This means that they are required to change the business model as Christensen et al. (2002) argue companies should do on a mature market.. According to Gustafsson et al. (2011), the attractive attributes can raise customer value since these attributes are unexpected for the customer.

6.4.8 FINDING 8. THE COMBINATION OF METHODS CAN IDENTIFY THE ACTIVE INFORMANT AS A LEAD USER AND HELP IN FINDING THE LATENT NEEDS OF THE LARGER CUSTOMER BASE

Even though the companies in this study generally have paid little attention to the knowledge of the customers, there are certain ways of working shown in all cases that resemble using the knowledge of the more knowledgeable customer to be able to understand and find solutions to different problems or possibilities.

Lead users can express latent needs as they are early adopters meaning that the lead user is in front of the market in understanding trends and understand what the market will look like in the future (von Hippel, 1986). But since finding them, understanding who they are and integrating lead users is seen as time consuming and costly (Olson and Bakke, 2001), companies instead choose average customers for representation which is shown in this study. However, all companies in the study rely to a great extent on active informants for either reactive or proactive customer integration. Schuhmacher and Kuester (2012) and Lüthje and Herstatt (2004) describe that a lead user can be someone with a dissatisfaction regarding the service. The dissatisfaction can be seen as that it originates from that specific user being able to understand what the retailer is not providing at the moment because of its higher knowledge. The active informants that actively choose to provide the retailer with their thoughts on improvements could therefore be seen as lead users. The retailer can however not be sure of this since the channels the companies use for communication such as social media and customer service will also let through opinions of customers who are dissatisfied for other reasons than their higher knowledge. As shown in case 3, the retailer can use the expressed need of the active informant and try to identify if the opinion of the active informant is in fact a need among the customers that they have not been able to express, because of some reason. This resembles the way of working that Sanden et al. (2004) describe where the company is able to use the more innovative ideas of the users, but still have to understand more about the underlying knowledge that generated the idea.

To conclude, the expressed needs of the active informer can be the latent needs of the larger customer base. Retailers are not willing to invest in large projects without knowing the benefit for the customer, the company or both. By listening to active informers who can state their expressed needs, the retailer is able to identify possible latent needs of the majority of the customer base. The active informer has a higher knowledge than the passive user and is also

willing to share that knowledge with the retailer. By combining the active informer role with the representativeness of the passive user, the retailer is able to understand what projects to prioritize, hence what latent needs they previously have failed to identify.

6.4.9 FINDING 9. THE RETAILERS REGARD SOME OF THEIR EMPLOYEES AS LEAD USERS

The issue with this way of handling users with a higher knowledge, as mentioned in finding 8, is that the retailer has to rely on the customer coming to them with their opinion, since the characteristic of the active informant is that it provides its opinion predominantly because it wants to let its voice heard (Blazevic and Lievens, 2008). The customer could also express their opinion by simply not consuming the service or product anymore, or just have a general low view about the service the retailer provides as shown regarding the ecommerce platform in case 4. This would therefore result in the retailer not being able to assess what is wrong without starting a bigger investigation into the problem.

One reason that the retailers put little emphasis on the knowledge of the customer seems to be that they see themselves as customers as well. Most companies prioritize the needs of active informants manually and use their own logic to decide if the opinions are worth following. This is because the retailers see themselves as customers with lead user characteristics who are able to understand both the use experience of the customer and the technical aspects of the solution. According to Edvardsson et al. (2012) a lead user can be seen as a co-designer and that puts a higher demand on the level of understanding of that customer. We have observed that both store managers and people in the head offices of the retailers are viewed by the company as customers and therefore take the more active roles in integration. This is especially noticeable in the case companies with the identified type of case 1. These companies lay more emphasis on the technical characteristics of the service reaching a hygiene level, as they still view the service mainly as a good with intangible characteristics.

It should be added that this way of viewing the employees as lead users could lead to the retailer only creating incremental innovations. Olson and Bakke (2001) say that users with high technical knowledge might lead the company in that direction and Magnusson (2009) argues that users with a low experience of the service might create more novel ideas because of them not being tied up to preconceived ideas about the service. The case company of case 3 who is the only retailer with a clear ambition to be a market leader in the digital channels was therefore more active in integrating their customers instead, and puts less emphasis on using in-house integration.

6.4.10 FINDING 10. THE GDL AND THE LOW MARKET ORIENTATION OF A RETAILER TURNS IT AWAY FROM LISTENING TO THE CUSTOMER IN THE IDEA-GENERATING PHASES

A retailer starts from a GDL perspective where selling the assortment is the biggest priority, which shines through in the way it looks upon the customer in the early parts of the innovation process. The retailer tries to create a value offering in the idea-generating phases which it can present as a finished offering to the customer at the launch, similar to how Paswan et al. (2009) describe

how a company with a GDL will operate. Especially in the clothing business, one can observe that the retailer do not see the customer as directing the trend but instead rely on the design or purchase department to be able to either predict or invent what the customer will want a year or two ahead.

With this logic in mind when starting NSD, the retailer does not rely on the customer being able to state the solution because of a perceived lack of knowledge, or in some cases fear that the customer might not be able to express the need that correlates with what they would do in a real life situation. Often being unaccustomed with listening to the customer, they also seem to feel that the knowledge inside the company of how to understand the needs of the customer regarding services by listening to them is lacking. This can be compared to how Day (1994) argues that a company that is market oriented must be good at collecting information about the customer to be able to act upon it. Therefore the less market oriented companies either use external companies which they trust to get an understanding of the customer or decide to not listen to the customers at all in the idea generating phases. The problem with this is not being able to be truly proactive towards the retailer´s own customer base by studying their behaviour. As Atuahene-Gima (1996) says, the companies that are less market oriented can be able to create novel innovations because of them not being tied up to the customers. But instead they must generate the hypothesis themselves and only use customer knowledge for making sure they have chosen the right direction. As case 2 with the childrens´ department shows, this could be a problematic direction for a retailer if the hypothesis is built on the wrong assumption.

The companies start with hypothesizes generated in-house, probably from an understanding of the customer by working closely to them combined with an understanding of the market situation. They then either choose to confirm these hypothesizes by asking the customers or simply wait until the development phase to incrementally fix the issues about their experience of the service that the customers might have. The children's department case however shows that the hypothesizes have to be both well-grounded and well-founded to not generate the wrong conclusions. Starting from a self-generated hypothesis can be time-saving and money-saving but also full of risks if the evaluation of customer needs have been incorrect. The risk grows smaller if the type of service is used by other companies as shown in the identified type of case 1. In that case, there already exists knowledge about that the general customer is able to use these devices, the only need when implementing the solution is to adjust it to the needs of your specific knowledge base.

6.4.11 FINDING 11. THE NATURE OF THE RETAILER MARKET, THE GDL OF THE RETAILER AND THE NATURE OF THE SERVICE PUTS FOCUS ON QUICK AND ITERATIVE DEVELOPMENT OF SERVICES

As easily seen in table 7, the retailers in this study tend to integrate the customers far more in the execution-oriented phases then in the idea-generating phases. This has also been a common theme among the respondents; the need to be quick and get the service to the market for the customer to be able to experience it shown by the following statement.

"…We are working in retail, we are here and now. We lose out every day we don´t do anything. We don´t sit here administrating, we need to be quick and it´s not super important that everything is exactly right [when launching]."

- Daniel Anvell, COO, Intersport

The reason is two-folded; the retailers are guided by a GDL which means there is little emphasis on the customers being part of the idea-process. This is as Paswan et al. (2009) describe because there is a low perception of the customers underlying skills regarding being able to co-create solutions. However, there is a bigger interest of understanding how the customers perceive the service after being launched. Also, the market for a retailer is seen as turbulent, and even though that does not necessarily mean that the retailer consider the environment to be risky, it still puts an emphasis on getting the service quickly to implementation where the retailer is able to rapidly improve and change the service from the customers´ changing needs. Sandberg (2007) argues that customer needs are of less importance in idea generation in dynamic environments, and Blazevic and Lievens (2008) say that in a dynamic environment, what was once the need in the early phases might become obsolete later on. This is clearly highlighted in the way retailers discuss the timing of customer integration.

The specific nature of the service can also be said to increase the possibility for the retailer to be able to work in this way. As Zeithaml et al. (1985) describe, a service differs from a product in that it is produced simultaneously as it is consumed. It is therefore in the nature of the service that the production must be highly interactive and the agile development method the retailers choose to work with can be seen as a function of this perspective of the service. Sandberg (2007) also argues that the importance of customer integration grows when reaching the development stage. By merging the development and the implementation phase, in line with a more agile development, the retailers are able to integrate the customers more with the help of being able to observe them and listen to their opinion of the launched service.

7. THE CONCLUSIONS – WHAT CAN BE CONCLUDED FROM THE STUDY

The ambition with this chapter is to conclude the findings at a higher level in order to answer the general research questions. The purpose of the report is answered by answering the general research questions, from the empirical and theoretical findings, as they are all brick stones of the purpose.

This study aims to investigate why retailers use a certain configuration of customer integration and how they should configure the customer integration to achieve a successful service innovation process

THE TYPE OF INTEGRATION IN THE INNOVATION PROCESS

Q1: Why does a retailer choose different types of integration and how does the choice affect the outcome of the innovation process?

There are mainly two reasons that have been encountered to affect the choice in type of integration and even the choice of integrating customers or not; the company's general market orientation and the company's perceived risk. The less market oriented companies in this study, all belonging to the first identified type of case, avoid integrating the customers in the idea-generating phases. Being less market oriented can be considered to be beneficial if the company want to generate more radical innovation as they are not locked in to the customers' assumptions about how current offers look. This was however not expressed to be the reason by the companies in the first identified type of case. Not integrating the customers early on was explained by fear of misguidance by the customers expressed needs or the need to catch up on the omnichannel retailing trend in which the companies did not believe that the customer could come of use. Instead of integrating the customers the idea was generated from the companies' ability to evaluate trends on the existing market, in order to gain knowledge about what would generate their customers' acceptance of the service. The less market oriented companies then choose to use exclusively reactive customer integration in the execution-oriented stages. The use of reactive customer integration is useful when the customers want to evaluate an existing offer, and as the all innovations resulting from the first identified type of case are only new to the company this type of integration can be seen as appropriate. Not integrating customers in the idea generating phase reduces the risk of being led by customers but not engaging in proactive customer integration increases the risk of not finding customers' latent needs and therefore not generating competitive advantage through the new service developments.

The more market oriented companies in this study, belonging to either the second or the third identified type of case, initiate the innovation process with some kind of proactive customer integration. Highly market oriented companies generally use this type of customer integration to

enable an identification of customers' latent needs and also might lead to the understanding of these type of needs. The second identified type of case did not manage to understand the customers' latent need through the first customer integration and therefore also struggled in creating coherence in the following occasions of customer integrations. In opposite, the third identified type of case manage to do so which resulted in customer integrations that had been chosen with a greater deal of thought. The reason for the usage of different types of customer integration during the development process can be explained by that the companies are more market oriented which implies the willingness to satisfy both customers expressed and latent needs. The division in results can be explained by different degrees of market orientation at the start of the projects, where the second identified type of case company initially had a lower degree of market orientation. If constantly not succeeding in the understanding of customers' latent needs in through the customer integration in the idea-generating phases, and therefore being restricted in creating short term satisfaction through only satisfying customers' expressed needs, the company's development risks of being led by the customers in the development process.

Finally, the company's perception of the risk, both affected by market uncertainty and the risk of unacceptance for the specific project due to changes in the market, affects why and how customers are integrated. Companies who perceive the risk for the project as low tend to not integrate customers in the idea-generating phases or use reactive customer integration in combination with an internally developed idea. They devote a restricted amount of time to the idea-generating phases due to time pressure and then integrate the customers interactively by reactive customer integration due to the turbulent market. They tend to work this agile way as they perceive the general market as uncertain, which results in that they mistrust the customers capability in expressing their true needs or they find themselves incapable in integrating customers in a way that would generate understanding of customers' latent needs. However, in all cases belonging to the first identified type of case, the risk of the specific project was considered as low regarding possible market unacceptance. By not using customer integration at all during the idea-generating phases or letting the customer integration be restricted to reactive customer integration the company avoids being misled by customers during a time of change. However, thanks to the iterative nature of the procedure they let the customers provide them with guidance from their preferences.

The other encountered influence of risk on the development process was in a company who perceived the risk with the project as high. The company's willingness to pursue radical and competence destroying innovation might be explained by the turbulent state that contributes to that the company perceive a greater pressure or willingness to innovate which may therefore encourage the company to pursue the development of a more radical and competence destroying innovation. This identified type of case used proactive customer integration to initiate the project but like those project of less perceived risk this identified type of case also focused on not devoting too much time to the idea-generating phases. The early integration of customers can be explained by letting the customers provide the company with initial guidance in the turbulent technology environment. This company also worked with a similar agile approach in the execution-oriented stages as the companies who perceived to risk with the specific project

as low, however the company both integrated the customers at many more occasions and combined reactive and proactive customer integration. Combining methods for customer integration enables companies to satisfy customers expressed and latent needs which is of greater benefit when the market is highly dynamic. If the company also is market oriented they can maintain a strong competitive position even during uncertainty on the market, which is the case for this company.

THE ROLE OF THE CUSTOMER IN THE INNOVATION PROCESS

Q2: Why does a retailer choose different roles of the customer in the innovation process and how does the choice affect the outcome of the innovation process?

The retailers in our study are generally driven by a GDL, best shown in the first identified type of case, having their focus on selling their assortment in various ways, even though there is some dissimilarity among the cases in how they look upon the customer. The level of market orientation differ slightly in the studied cases, where retailer 2 and Apoteket are more market oriented with a higher focus on being, or becoming, customer oriented. These factors affect the choice of role of the customer in a couple of ways:

The customer is rarely used in a bidirectional two-way communicating role. This because;

- The retailers do not believe the customer can express what they actually want
- The retailers do not feel that they are able to extract and understand the needs of the customer

The only company in this study that did choose to actively collaborate with the customers was Apoteket. This could not be said to be because of the company trying to co-create value with the customer from a SDL perspective. This is also shown by Apoteket not choosing any specific type of customer for collaboration as following a SDL would imply that the company would do. The reason for the company collaborating with the customers was rather their higher degree of market orientation which has led to them constantly trying to understand the customer needs throughout the process, and trying to adjust the offering based on the result from the integration with the customers. Retailer 2 who are also striving for a higher degree of market orientation did not however chose to integrate the customer as bidirectional creators, this could be seen as a reason for that the company was not able to understand the latent needs of the customers in the idea-generating phases.

By not integrating the customers in active roles in the innovation process, the retailers decrease the risk of being customer-led but at the same time they also limit the possibility of understanding the latent needs of their customers. However, the retailers in our study all use a combination of integration techniques with observing passive users and listening to active informants. This combination creates something similar to a two-way communication such as using the bidirectional creator would. The big difference with using the combination of techniques instead of active collaboration is that the solution finding is still fully in the hands of the company.

THE TYPE OF CUSTOMER IN THE INNOVATION PROCESS

Q3: Why does a retailer choose different types of customers for integration, and how does the choice affect the outcome of the innovation process?

Through the frame of reference, different reasons for the companies wanting to integrate customers with specific characteristics were identified. However, the result of the analysis showed that the retailers in this study did not put much emphasis at all on which type of customer they chose for integration. One of the reasons that was identified for this was that the preconditions for choosing customers that were discussed in the frame of reference generally did not exist. The retailers are not driven by a SDL which, in theory, would lead them into putting more focus on integrating customers based on their. Moreover, the reason the services were created was not because the companies wanted to differentiate from a market were their competitors were creating more complex and costly solutions, which is discussed to be a reason for choosing a specific type of customer in the frame of reference. This as the retailers generally view their digital channels and the possibility of omnichannel retailing as a way of broadening their business, not as a way of opening new markets or compete against existing solutions with a different business model.

There were some alternative ways encountered of accessing customer specific knowledge that the retailers in the study used which could be compared to the possibilities of integrating lead users that was identified in the frame of reference. Firstly, by combining different integration techniques early in the idea-generating phases, Apoteket were able to listen to ideas from customers and identify that these ideas was actually be a latent need in their customer base. One of the characteristics of a lead user is its higher level knowledge than the average customer, another is that a lead user is dissatisfied with what the company currently offers with their service and its ability to help in finding solutions. These two characteristics were encountered of the customers that Apoteket used in the idea-generating phases. But since the company cannot know if the customers that approach the company with their opinions are representative for the larger customer base, the company must compare this information with another customer integration technique that is better at assessing a representative view of the average customer. The other companies in the study also used this type of combination of techniques, but only later on in the process when they were able to observe the customers actual behavior, to be able to improve the service depending on which needs were considered the most important in finding a solution to.

Another reason that the retailers do not focus on the characteristics of the customer they chose to integrate is that the retailer considers its employees as having both lead user characteristics and that they understand how a customer would experience the service. By integrating people

such as store managers or in-house employees the retailers feel that they are able to access the view of the customers that have a higher knowledge level about both the process characteristics and the final characteristics of the service. We do however choose to avoid the justification of this kind of alternative integration as this kind of integration in the innovation process is outside the limitations of this study.

THE TIMING OF THE INTEGRATION IN THE INNOVATION PROCESS

Q4: Why is the customer integrated at different stages in the innovation process, and how does the timing of the customer integration affect the outcome of the innovation process?

Two general conclusions have been identified that can be said to have an impact in deciding when retailers choose to integrate customers:

- The retailers want to speed right through the idea-generating phases if that is a possibility
- The retailers believe that the development phase should be agile and ongoing

As mentioned, all retailers in this study consider themselves as acting in a turbulent environment where the needs of the customers change quickly and the retailer must be ready to adapt. They are also generally more or less driven by a GDL meaning that the retailers believe that customers can only respond to the execution of a service when actually experiencing it. Concerning the customer integration in the innovation process of such companies, customers are considered as not being able to provide the company with solutions early in the innovation process. This means that there is less emphasis among the retailers in creating a service that is fully ready when launched, which is something the retailers are ready to accept. This leads to the retailers, especially those driven by a GDL and a low customer orientation, into seeing customer integration in the idea-generating phases as time-consuming and only worth doing if the risk in the project is seen as high. The retailer with driven by more of a SDL and with a higher level of market orientation worked in a similar manner but chose to integrate customers proactively in the idea-generating phases in order to let them provide the company with guidance in the turbulent technology environment.

Knowing that the service might only have reached a hygiene level when launched, the retailers use customer integration to a greater extent in the execution-oriented phases as a way of quickly and reactively improving the service depending on the customers' acceptance and the expressed opinions of the customers. The retailers are more comfortable in integrating the customers when the retailers themselves are able to draw conclusions from how the customer acts, this was especially encountered among the retailers that were less market oriented.

These two conclusions mean that at the time of the launch of the developed service, the retailers are aware that the work with the service is not done. As it is hard to separate the production and the consumption of a service in general compared the product innovation process, the retailers uses the execution-oriented phases for constantly evaluating how they can create a higher customer benefit with the service.

8. MANAGERIAL IMPLICATIONS - SUGGESTION FOR A NEW EMPLOYMENT OF THE ACTION HUB

Following the conclusions of this report, we consider the possibilities for Nepa to be evident. The existing Action Hub offer, described in the introduction of this paper, already gives ground for managing many of the challenges that retailers encounter in the new service development process. By adding important parts to the existing offer that are related to the different cornerstones of what we, the authors, call the puzzle, Nepa can become an important partner to the retailers to rely upon when creating successful service innovations. The managerial implications show both how the innovation process of the retailer should be structured, and also what parts that Nepa needs to improve to be able to create value together with their B2B customers regarding service development.

8.1 HOW WE AIM TO ANSWER THE GENERIC QUESTIONS FROM NEPA THAT LAID AS GROUND FOR THE STUDY

The hypothesis when entering this study was that service development should be an interesting business case for Nepa, for future broadening of the business model. To be able to prove this hypothesis based on the results of this study, we have created an issue tree where the main question is divided into smaller parts that are then easier to answer. The issue tree is seen in figure 5 and is followed by the deeper investigations in how Nepa should take on the subject of service development.

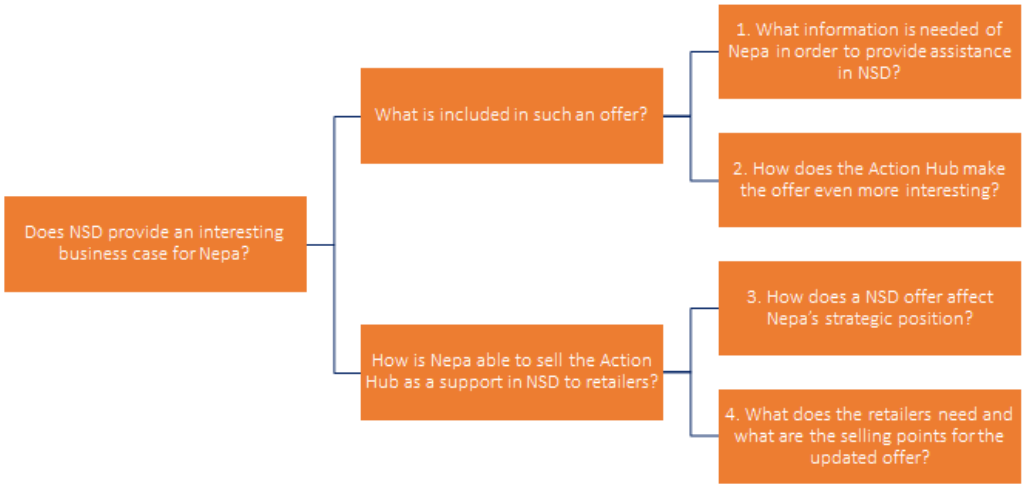


Figure 5 - Illustration of how we have aim to answer the main question in order to provide Nepa with recommendations

Thus, in order to provide you with the answer to these questions the continuous parts of this chapter will guide you through how and why…

8.1.1. …Nepa should provide recommendations based on three main areas
8.1.2. …Nepa can lead the project or assist in different phases, based on data from the Action Hub
8.1.3. …Nepa should mainly incorporate three important corner stones required for NSD and update the Action Hub accordingly
8.1.4. …the Action Hub should be used for building long-term relationships, service development can be offered as an opportunity

8.1.1 NEPA SHOULD PROVIDE RECOMMENDATIONS BASED ON THREE MAIN AREAS – INTRODUCING THE PUZZLE OF CUSTOMER INSIGHT FOR NEW SERVICE DEVELOPMENT

Information from retailers that have taken part in this study show us that there are three main cornerstones that companies use as starting points when deliberating creating new services, the customer insight puzzle in figure 6. These three cornerstones include understanding the trends from the competitive and remote environment, understanding the company´s own customers and having well established routines and processes in order to coordinate customer insights within the organization. In the case study it has been observed that retailers often use more than one of these cornerstones in new service development in order to gain reliability in their search to gain customer insight.

Figure 6 - The customer insight puzzle consisting of three cornerstones

Retailers use insights to the competitive and remote environment to evaluate how their current offers stand against their competition in for example the development of omnichannel retailing. The retailers can also use inspiration for developed services and customer experiences from retailers in other industries. By doing so, the company can discover that this might already be or might become a general customer need and might therefore very well also be appreciated by the company's own customer base. As observed in this study, this was a common approach (for

some retailers more than others) when it comes to developing services for omnichannel retailing where the inspiration often came from retailers in countries where the omnichannel retailing trend has been far more developed. Lastly, retailers also used searched for information about trends in general customer needs in trend reports to be assured that the newly developed service would have a positive prospect.

Customer insights are all the data that retailers use to understand how their own customer base acts and reacts to the offering of the company. Understanding what customers do and what customers say and being able to combine these creates opportunities for companies to be proactive against the whole market. Understanding the competitors and the market trends together with the customer insights gives retailers a solid ground to stand on when choosing what services to develop.

Finally, the last cornerstone involves inter-functional coordination of customer insights that can be seen as the oil in the machinery. In order to develop services at the central level of a retailer's organization, information about customers and local competition must reach the central level. As often mentioned retailers have a valuable position as they have an every-day interaction with their customers shopping experiences unlike wholesale and producers. At the retailers' brick and mortar stores this every-day interaction takes place at a local level, which increases the importance for inter-functional coordination of customer insights to a central level.

As has been shown, each one of these cornerstones is as important as the other in the customer insight puzzle. If retailers rely on exclusively one cornerstone they risk to fail to understand their own customers current and future needs, to not develop any competitive advantage and to miss out on opportunities which leads to low market acceptance instantly or in a near future.

8.1.1.1 NEPA CAN USE ALTERNATIVE WAYS TO GATHER CUSTOMER INSIGHTS – USING ACTIVE INFORMANTS

As mentioned, the inter-functional coordination are the processes within the company that makes sure that the information that is gathered from the outside of the company is connected to the inside processes, such as service development, that tries to translate the insights to value for the customer and the retailer. The inter-functional coordination makes sure that the retailers are able to react and act upon the insights that are gathered from the environment; the environment being either their own customers or others. In this study, the inter-functional coordination has often been shown to be performed from an ad hoc perspective even though the importance of the inter-functional coordination has been fully visible.

The information about what the customer says comes into the action hub through surveys that are connected to the point of sale. Part of what customers say are the information that comes from what they answer on open questions; hence the only possibility in a survey when the respondent is not limited to answers that are controlled by the creator of the survey. The open questions of a survey therefore are an opening for the active informant, the customer that tells it opinion about an offering without being prompted, to let their opinion shine through. The open

questions of a survey can therefore be compared to other channels that retailers gain customer insights from where the customer itself chooses to do so; customer service, social media, feedback in stores etc.

THE EXPRESSION "WHAT PEOPLE SAY" IS NOT CONSIDERED TO BE RESTRICTED TO INFORMATION FROM SURVEYS ACCORDING TO RETAILERS

The Action Hub is a tool for combining what people say with what people do, which creates an interesting possibility of combining methods to be able to understand the customer better. The information that Nepa handles usually is gathered by surveys, but this is not the only information of what people say that retailers handle on a daily basis.

As shown in this study, the active informants of the retailer play an important part in the service development process, both as an idea creator in the early phases of the process or as an identifier of possible improvement areas when the service has been launched. The customers that willingly let their opinion through to the retailer can in that way point out areas in the big data that the retailer should focus on and observe, and by that making the retailer understand if this is an area that needs improvement. By gathering all these different insights and visualizing them together with the more representative views that are already part of the Action Hub, the Action Hub could not only be a tool for customer satisfaction but could also be used as a well-functioning start-up tool for any service development process.

INCORPORATING MORE TYPES OF CUSTOMERS INSIGHTS IN THE ACTION HUB

"It can be enough that three customers have the same problem and believe that it is so serious that they are thinking of going to Expressen or something similar to that. In that case, even an organization as big as this one can get a bit stressed… … But it might be the case that it is in total three customers over all of Sweden, we cannot know that."

As shown throughout the study, the retailers put much emphasis during service development on the view of the customers that willingly come to the retailer with their view about the retailers offer. This can be used in different ways; for example as a way of identifying business opportunities or as a way of improving an existing service. The ways of gathering these views also comes in many shapes; through customer service, social media or letting store managers collect the view of the visiting customers. Although this seems to be an important subject for the retailers, the work with collecting this kind of information still seems to be largely ad hoc and without structure.

For Nepa, getting hold of customer insights relies on quantitative measures through surveys. This gives ground for answering questions regarding the representative customer satisfaction but does not handle the customer insights that the retailers gather by themselves. However, Nepa does already handle the personal views of the individual customer and provide them through the action hub; more specifically through the use of open answers in their surveys.

In this study, the combination of different customer integration techniques has been shown to generate many possibilities for the retailer. The retailer uses the ideas and complaints of the customers and combines it with a method that can assure that the view has a larger representativeness, such as observation of data or surveys. By incorporating the so called active informant, the customer with a spoken opinion can add to the collective customer insights of the action hub. Adding this type of voice of the customer gives two distinctive traits that Nepa can use as selling points for the action hub, which is presented in the two following chapters.

8.1.1.2 NEPA CAN SEIZE THE POSSIBILITY TO GATHER AND STRUCTURE THE INFORMATION FROM THE ACTIVE INFORMATIONS BY IMPROVING THE INTERNAL COORDINATION AMONG RETAILERS

If Nepa would create a software that could gather the insights of the active informants, them being customer service customers, store managers or anyone who has a consumer view of the offering and have an opinion, this would not only be useful from a service development process. Throughout the interviews, this study has shown that the gathering of different forms of customer insights and the combining of customer information methods are often done in an unstructured way and often ad hoc. Examples are information from customer service being collected and then acted upon simply from the opinion of the developer, without incorporating the bigger picture. If Nepa could provide the retailer with a visualization tool that not only, as is the case today, would show the representative views of the customers but also the single customers with a strong opinion, this would be very useful for retailers. As discussed before, this is already done to a smaller extent by visualizing the information from the open questions of the surveys.

8.1.1.3 NEPA SHOULD FURTHER INVESTIGATE THE CONCEPT OF EXPERIENCE MANAGEMENT

There are already companies such as Medallia that specializes on what is called customer experience management. Customer experience management involves overseeing all interactions with the customers to be able to offer a great customer experience. We are not proposing that Nepa steers its entire business model towards suddenly becoming a customer experience management company, but we are saying that by improving the handling of the ad hoc customer insights of the active informant, the Action Hub could act not only as a decision tool but also as a way of improving the inter-functional coordination of the retailers. This could be done by gathering information from customer service, social media and all other customer connection points that the retailers customers use for letting their opinion be heard.

By creating a simple software where employees from customer service, stores or the responsible for social media could store the different opinions of the customers, for example by using a hashtag-solution to identify the most important words, Nepa could then combine this information with the open answers of the surveys. This information could then be visualized in the Action Hub together with the POS-data and the survey data, by using for example a word cloud or some other way of showing the representativeness of the ad hoc customer information. The information from the active informants should be divided into suggestions for improvements and

suggestions for new solutions. Since there is no assurance the information from the active informant is representative for the customer base, the suggestion for improvements should be quantified in some way. This could be done by word cloud solutions or using hashtags when gathering the data. The suggestions for new solutions could be analyzed in a qualitative way by comparing to behavioral data as done by Apoteket. By doing this, the combination of using active informants and big data could be used both for incremental improvements and finding new ways of providing solutions for the company, and all this from a customer insight standpoint.

The active informants, the voices of the customers that willingly let the company hear their opinion without being prompted, can be used as a pointer towards what areas to focus on, both regarding improvements and possible new solutions. Some of these informants will be of little use, but some will have a higher knowledge than the average customer. It is the higher understanding of what the company could give these customers that they do not provide at this moment that creates the dissatisfaction among these customers which they then provide to the company.

Of course, surveys could be used as well to pinpoint parts of the data worth looking for, but that still means that the one doing the survey have to be able to ask the right questions. The active informants could therefore also be used to build hypothesizes which can be quantitatively controlled through the surveys.

8.1.2 NEPA CAN LEAD THE PROJECT OR ASSIST IN DIFFERENT PHASES, BASED ON DATA FROM THE ACTION HUB – PRESENTING THE NEW IMPROVED ACTION HUB OFFER

The Action Hub as it is structured today already creates opportunities by combining customer insights through surveys and the behavioral data from the point of sale, and therefore already acts as a good starting point for a company when evaluating what areas it needs to improve by creating services. We suggest that the Action Hub should be offered as a foundation for establishment of inter-functional coordination and combining information from the competitors and remote environment with what the customer says and does. The customer insights that the Action Hub yields can then be used for making impactful and actionable decisions for general customer satisfaction, or it can be used as a starting point for new service development (NSD), as shown in figure 7.

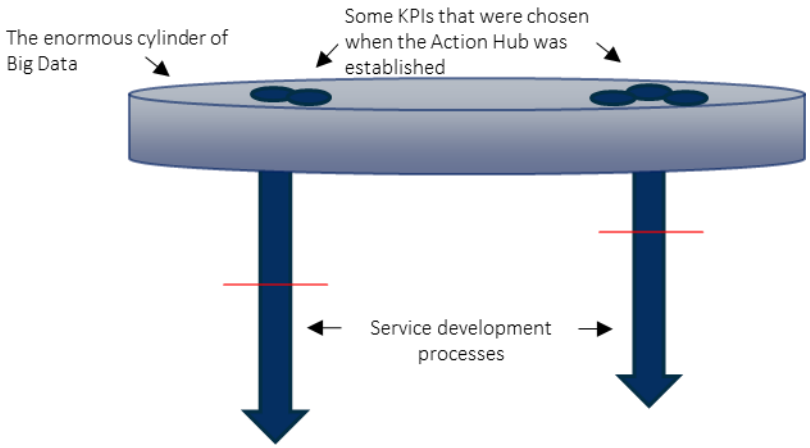


Figure 7 - An illustration of the updated Action Hub offer.

Thus, we suggest that Nepa uses the Action Hub for monitoring important KPI's and gathering data for NSD, upon which guidance can be provided with the combination of consultancy and analysis. As has been observed in this study, retailers have different preferences when it comes to how and why they integrate customers. The Action Hub should therefore not be a fix product; it should be more of an undefined concept that can be applied to all retailers depending on their interest of investment in customer insights. Examples of how the offer can differ between different types of retailers, based on the observations in this study, are shown in table 8.

TYPE A – Customer integration for customer satisfaction	TYPE B & C – Customer integration for customer loyalty and value
Establishing the Action Hub • The gathering of automatically generated data (eg. KPI, NPS, customer feedback and surveys) • Nepa consultation (customer knowledge and knowledge of trade)	Establishing the Action Hub • The gathering of automatically generated data (eg. KPI, NPS, customer feedback and surveys) • Nepa consultation (customer knowledge and knowledge of trade)
Initiation of project and idea generation • Using gathered automatically generated data • Nepa consultation and analysis (customer knowledge and knowledge of trade)	Initiation of project and idea generation • Using gathered automatically generated data • Nepa consultation and analysis (customer knowledge, knowledge of trade and customer behaviour, eg. observations)
Developing the concept	Developing the concept • Nepa consultation and analysis (evaluation of concept, eg. conjoint and experimenting)
Launch Nepa consultation and analysis • Iterative and agile customer integration (eg. A/B-tests and surveys)	Launch • Nepa consultation and analysis (iterative and agile customer integration, eg. A/B-tests and surveys)

Continuous evaluation and follow-up • Using gathered automatically generated data	Continuous evaluation and follow-up • Using gathered automatically generated data • Nepa consultation and analysis (constantly searching for new business opportunities

Table 6 - Examples of how Nepa should interact with the retailer in a NSD process depending on the type customer integration preferred by the retailer.

As explained before, to be able to initiate service development projects a company must be able to gather information about both their own customers and the competitors, and also be able to structure the information. The weight the retailers choose to put on the different corner stones, as discussed earlier, can depend on different factors such as their willingness to differentiate with the service, how new of an idea the service is to the company and to the market and what the general approach towards the customers is within the retailer. The choice to start from a customer insight or from observing the competitive environment gives ground to basically two different ways of structuring the service development process that has been identified throughout this study, type A and type B.

8.2.1.1 TYPE A – CUSTOMER INTEGRATION FOR CUSTOMER SATISFACTION

The first type of retailer that is based on the observations in the case study is the retailer which integrates customer to ensure customer satisfaction. The different kinds of observed configurations of the NSD process used by retailers of type A is illustrated in figure 8. The retailers belonging to this type of retailer would hypothetically say that they do not trust what the customers express or they believe that customers simply cannot express what they prefer. This results in that they have no or limited integration of customers in the idea generation phase. Instead the retailers rush to have the service out on the market as soon as it has reached some kind of "hygiene"-level upon which the customers can react and express their preferences. Instead of integrating their own customers in the idea generation phase the retailers rather chose to keep track of trends on the market. The retailers might even implement existing services, both from companies in the same industry or in other industries, as they believe that this represents or will represent a customer need in the future. Another underlying factor to the limited amount of customer integration is caused by the low perception of risk in these projects, presumely due to the initial efforts in market evaluation of a concept that already has gained market acceptance.

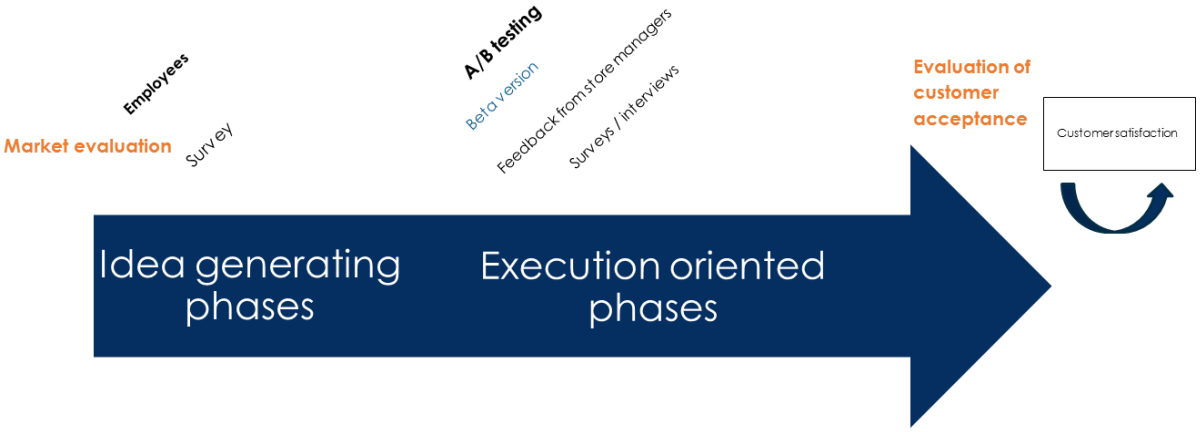


Figure 8 - Observation of methods used for customer integration among type A retailers

By integrating customers in this way with no or limited integration of customers in the idea generation phases the retailers does not open up to innovative solutions that could be generated by customers they could also miss out on guidance in a technologically turbulent environment, such as the trend of omnichannel retailing entails. The iterative approach in the execution oriented phases enables the retailers to make incremental improvements on the developed service and act as an evaluation substrate for customers. When it comes to the development of services with a high level of technical characteristics there are scholars that argue that the customer integration is of secondary interest as customers are incapable of providing companies with valuable information before the service is developed.

Even if this type of retailer has its doubts about relying on what the customer expresses the retailers of type A are not foreign in using customer integration. The sales opportunity of the Action Hub simply depends on how Nepa suggests that the NSD process would be configured with different methods of customer integration as some methods could reassure the retailer of that actionable decision can be made upon these customer insights. Apart from the reliability, type A retailers value getting the service out on the market as soon as it has reached a "hygiene"-level and then working in an iterative approach to evaluate the acceptance among their customers to enable the creation of customer satisfaction.

8.2.1.2 TYPE B & C – CUSTOMER INTEGRATION FOR CUSTOMER LOYALTY AND SATISFACTION

In opposite to the type A retailers, the hypothetical retailers that would belong to type B and C use customer integration already during the early stages in the new service development process. These retailers are very much influenced by their general high focus on creating value for customers and their perception of the customer as a co-creator of value. They can also be dedicated to have customer loyalty and therefore devoted to listening to their customers. Both of these approaches towards the customers are illustrated in figure 9. Both ambitions results in

creating customer satisfaction trough caring about the customers' interest but the first mentioned ambition can also result in creating customer value if the retailer actually manages in understanding their customers' latent and expressed needs and then satisfying them.

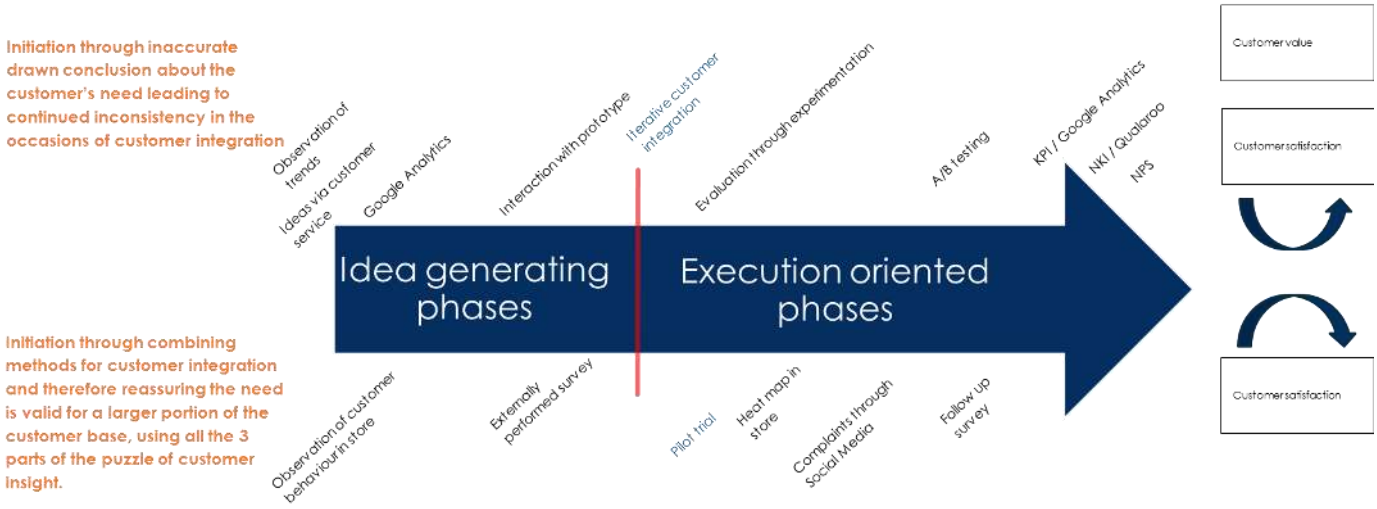


Figure 9 - Observations of methods used for customer integration among type B and C retailers

As mentioned both configurations depending on the different approaches towards the customers starts from some kind of customer insight made from observations. The retailer that has the ambition to create customer value integrates the customer at several occasions, has contingency in the choice of methods and combines them with a greater deal of thought. In this project the perception of risk is higher which leads to that the company aims to anchor the idea among their customers before launch. The retailers that possess this general belief in customers' ability to contribute with valuable information already in the idea generating phases can either have an existing offering that they wish to develop or they could have the intentions to create a service that does not already exists. What makes identifying and understanding customers' latent need so tricky is to know what data should be investigated in order to know what indicates the latent need among the retailer's average customers.

The general willingness and high belief in integrating customers in the NSD process makes the argumentation of the benefits of the Action Hub a bit less challenging. As this type of retailers are more likely to be involved in NSD projects with higher risk they value customer integration methods that provide them with a stable foundation for taking decisions when initiating a project and also continuous occasions with customer integration that minimalizes the risk of market unacceptance. They also value long-term relationship and guidance in NSD projects. As the retailers of type A they value a process that is time saving.

8.1.3 NEPA SHOULD MAINLY INCORPORATE THREE IMPORTANT CORNER STONES REQUIRED FOR NSD AND UPDATE THE ACTION HUB ACCORDINGLY

Throughout this study, we have encountered numerous companies who assist the retailers in different parts of the service development process, ranging from companies specializing in service design all the way to the companies that create the actual hard- or software that acts as basis for the technical characteristics of the service. Nepa already holds a position that is somewhat unique compared to these, and by focusing on three different parts important in NSD, Nepa can create an even more advantageous position, see figure 6. We will first go through what parts of service development that Nepa should focus on, and then discuss how the Action Hub should be updated to achieve this focus.

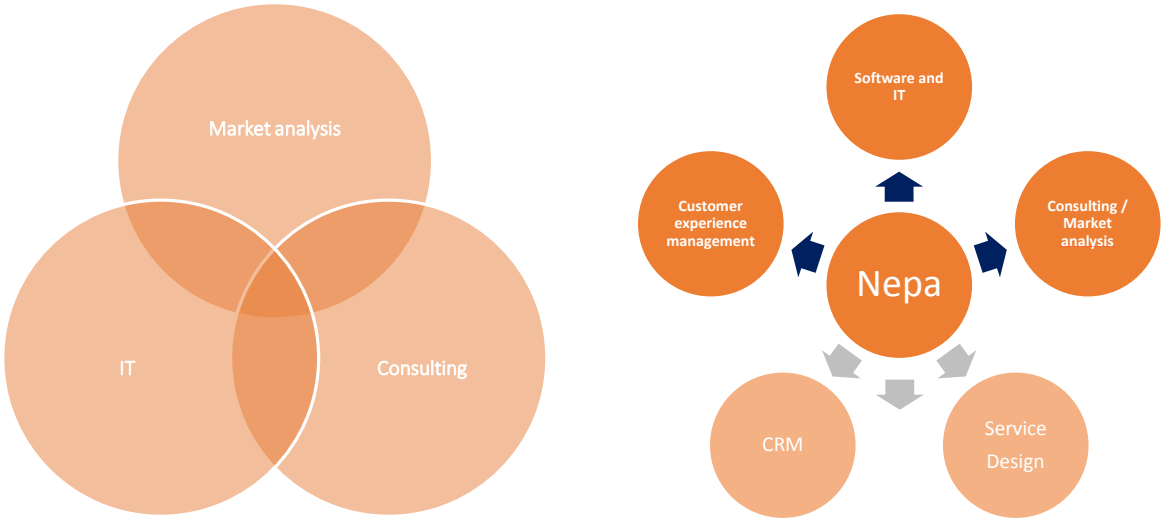


Figure 6 Nepa's current position compared to the new positioning caused by the updated Action Hub offer

8.1.3.1 NSD INVOLVES MANY DIFFERENT BUSINESS OPPORTUNITIES - THIS IS WHAT NEPA SHOULD FOCUS ON

INCORPORATING INSIGHTS FROM A CUSTOMER EXPERIENCE MANAGEMENT (CEM) PERSPECTIVE

This would involve efforts in trying to understanding the end-customers' needs through combining different methods of customer integration. In NSD this becomes necessary as it reassures that the observed needs has reliability, this is considered to be very important for the retailer and is therefore something that Nepa should provide the retailer with. Important insights for the retailer can come both from surveys, customer service and social media. Thus, Nepa should establish ways to collect and visualize all these forms of insights. This creates a position that is close to

customer experience management companies. As has been discussed in earlier chapters there are alternative ways to collect information about customer needs, and each ways has its weaknesses and strengths. Therefore it could be of very much interest in combining different methods for customer integration. For example, Nepa can combine what the retailer's customers do with what both the general representative customer says but also the customers, through for example customer service, that are unique but still can provide important ideas.

CREATING SOFTWARE AND IT-SOLUTIONS FOR GATHERING CUSTOMER INSIGHTS

Software and IT is required to enable automatized generation of certain types of customer insights for validity. This should also enable internal coordination of customer insights. Since the retailers want to see things being done automatically and get information quickly, creating software that can handle multiple forms of gathered customer insights will be of a high value. This is something Nepa already does and which they also should focus on in the future. Nepa could for example create a software that can gather the insights from the active informants and visualize them to be able to incorporate these in the Action Hub. Visualization of such insights may even show to have representability if the number of active informants is constantly accumulated.

TAKING ADVATAGE OF THE EXSITENT CONSULTING AND MARKET ANALYSIS EXPERTISE OF NEPA

As mentioned in the puzzle of customer insights for NSD, apart from customer insights it is important to take the market situation and general remote environmental trends into account when making a decision. Market analysis is important and includes reassuring that the observed needs are representative for a greater part of the retailer's customer base. As Nepa already holds a position as experts of consulting based on customer insights, the consulting and market analysis side of Nepa should be prominent and visible when marketing the Action Hub since these are qualities that are important for the retailer as well.

8.1.3.2 THE NEW EDITION OF THE ACTION HUB HAS THE FOLLOWING UPGRADES

BUSINESS INTELLIGENCE +

The Action Hub as it is functioning today already provides a solid ground for decision making since it contains both what the customer says and what they do. However, this could still be developed further. Incorporating and visualizing all important customer insights from the customer insight puzzle all together on one platform will make it even easier to identify improvement areas and make impactful decisions.

CUSTOMER EXPERIENCE MANAGEMENT

By moving closer to customer experience management, we are talking about taking the insight beyond knowing both what the customer says and what the customer does, into combining insights that pour into the retailer's organization with the information that is gathered by observing customers through data and sending out surveys. Combining methods for customer integration will raise the reliability and make the most doubtful retailer trust in customer insights.

A RELIABLE CUSTOMER SATISFACTION FILTER

With insights from the Action Hub, spring boarding NSD projects together with the retailer will be made easier. This also enables a long term relationship when initiating NSD processes. The Action Hub will provide a "customer lock-in" and enables Nepa to become retailers only business partner in projects concerning customer satisfaction, loyalty and value unlike the external business partners retailers use today.

8.1.4 THE ACTION HUB SHOULD BE USED FOR BUILDING LONG-TERM RELATIONSHIPS, SERVICE DEVELOPMENT CAN BE OFFERED AS AN OPPORTUNITY

This study has in many ways confirmed our initial hypothesis about the Action Hub being a valuable tool for helping retailers in their service development processes. In order to get retailers to invest in the Action Hub Nepa must know what the retailers actually values. Thus, we will conclude this report by stating the three main values that Nepa and the Action Hub offers in the NSD process.

8.1.4.1 THE ACTION HUB OFFERS THE RETAILER SOLID INFORMATION TO ACT UPON WHEN CONSIDERING DEVELOPING SERVICES

The puzzle that retailers start from, with different emphasis on different parts depending on the company, is in many aspects already provided with the visualized data that the Action Hub can provide. The Action Hub should be complemented with KPI:s regarding channel behavior, the previously discussed ad hoc customer insights that retailers receive by themselves and if possible information about larger trends. But other than that, the Action Hub already provides insights about where the retailer is situated regarding their own customers and also compared to the competitors. This shows areas that needs to be improved and what the customers feel about them, and provides the retailer with a strong foundation for service development decisions. The Action Hub can assist in its current form both when deliberating creating new services but also when the service is created to continuously monitor the customers´ perception of the service.

8.1.4.2 THE ACTION HUB CAN HELP THE RETAILERS IN CREATING A LESS TIME-CONSUMING SERVICE DEVELOPMENT PROCESS

What has been encountered numerous times throughout this study is the emphasis retailers puts on the development being fast and effective. Feeling that they need to get the service quickly to the market, the retailers are in need of customer integration methods that are not seen as

time consuming. By coincidence, this is also what Nepa wants; generating customer insights automatically to be able to provide an understanding in a cost-efficient and time-saving manner. Nepa and the retailer therefore have a mutual objective with customer integration, making it fast and cheap while still being reliant.

Also, by establishing a long-term relationship with the retailers through the continuously visualized data of the Action Hub, Nepa also establishes a position where they have an insight into the company and what challenges they already have or might soon encounter. From this position, Nepa can assist the retailer in parts of a service development process, or by taking care of the whole development process regarding the customer experience, and this could be done without further ado.

8.1.4.3 THE ACTION HUB CAN ASSIST IN LOWERING THE RISK THE RETAILERS FACE WHEN DEVELOPING SERVICES

Another issue that the retailers deliberate is whether using customer integration in their service development is worth the effort, time and money. One reason that heavily influences this decision is whether the project is seen as risky or not. The more risk, the more willingness to integrate. This is especially visible in the idea-generating phases were retailers generally are not willing to listen to the customers, but if the risk is high now, they might consider using focus groups and similar methods. This is interesting for Nepa since they can provide the retailers with methods such as conjoint analysis and online focus groups which either imitates a real situation and therefore dampens the risk, or is a more time-efficient method of incorporating the customers early in the service development.

Another more general way of decreasing the perceived risk is by integrating different integration methods which Nepa already provide through the Action Hub. Assisting the retailer with both what the customers say and what they do will provide reliability to the functioning of the developed service. Nepa can also provide reliability by taking responsibility for customer integration all through the development process, from idea generation to execution, which is not performed by many other actors on the market

9. REFERENCES

ARTICLES

Alam, Ian. 2002. Process of customer interaction in new service development. *Involving customers in new service development.* p15-32.

Alam, Ian. 2006. Removing the fuzziness from the fuzzy front-end of service innovations through customer interactions. *Industrial marketing management.* Vol. 35 Issue 4, p468-480.

Atuahene-Gima, Kwaku. Market orientation and innovation. *Journal of business research.* Vol. 35 Issue 2, p93-103.

Barrett, M; Davidsson, E; Prahbu, J; Vargo, S. 2015. Service innovation in the digital age: Key contributions and future directions. *Management information systems quarterly.* Vol 39. Issue 1, p135-154.

Berghman, Liselore; Matthysens, Paul; Vandenbempt, Koen. 2006. Building competences for new customer value creation: An exploratory study. *Industrial marketing management.* Vol. 35 Issue 8, p961-973.

Berry, Leonard L; Dotzel, Thomas; Shankar, Venkatesh. 2013, Service innovativeness and firm value. *Journal of marketing research*. Vol. 50 Issue 2, p259-276.

Berry, Leonard L; Parasuraman, A; Zeithaml, Valarie A. 1985. A conceptual model of service quality and its implications for future research. *Journal of marketing.* Vol. 49 Issue 4, p41-50.

Blazevic, Vera; Lievens, Annouk. 2008. Managing innovation through customer coproduced knowledge in electronic services: An exploratory study. *Journal of the academy of marketing science.* Vol. 36 Issue 1, p138-151.

Bitner, Mary Jo; Morgan, Felicia N; Ostrom, Amy L. 2008. Service blueprinting: A practical technique for service innovation. *California management review.* Spring 2008 Issue 3, p66-94.

Butler, Timothy D; Chang, Woojung; Franke, George R. Musgrove, Carolyn F; Ellinger, Alexander E. 2014. Differential mediating effects of radical and incremental innovation on Market orientation-performance relationship: A meta-analysis. *Journal of marketing theory and practive.* Vol. 22 Issue 3, p235-250.

Carbonell, Pilar; Rodriguez-Escudero, Ana I; Pujari, Devashish. Customer involvement in new serivce development: An examination of antecedents and outcomes. *Journal of product innovation management.* Vol. 26 Issue 5, p536-550.

Chen, Jih-Kuang; Lee, Yu-Cheng. 2009. A new method to identify the category of the quality attribute. *Total quality management.* Vol. 20, Issue 10, p1139-1152.

Chen, Long-Sheng; Hsu, Chun-Chin; Lin, Chin-Sen; Liu, Cheng-Hsiang. 2010. *Total quality management & business excellence.* Vol. 21 Issue 11, p1189-1214.

Christensen, Clayton M; Johnsson, Mark W; Rigby, Darrell K. 2002. Foundations for growth. *MIT Sloan management review.* Vol. 43 Issue 3, p22-31.

Cowell, Donald W. 1988. New service development. *Journal of marketing management.* Vol. 3 Issue 3, p296-312.

Da Mota Pedrosa, Alex. 2012. Customer integration during innovation development: An exploratory study in the logistics service industry. *Creativity & innovation management.* Vol.21 Issue 3, p263-276.

Day, George S. 1994. The capabilities of market-driven organizations. *Journal of marketing.* Vol. 58 Issue 4, p37-52.

Day, George S. 2011. Closing the marketing capabilities gap. *Journal of marketing.* Vol. 75 Issue 4, p183-195.

Drejeris, Rolandas. 2012. Process model of ideas generation for service innovations designing of agricultural sector. *Economics and rural development.* Vol. 8 Issue 2, p23-30.

Edvardsson, Bo. 1997. Quality in new service development: Key concepts and a frame of reference. *International journal of production economics.* Vol. 52 Issue 1/2, p31-46.

Edvardsson, Bo; Kristensson, Per; Magnusson, Peter; Sundström, Erik. 2012. Customer integration within service development – a review of methods and an analysis of insitu and exsitu contributions. *Cluster on managing technology-service fusion, technovation.* Vol. 32 Issue 7-8, p419-429.

Edvardsson, Bo; Tronvoll, Bård. 2013. A new conceptualization of service innovation grounded in S-D logic and service systems. *International journal of quality and service sciences.* Vol. 5 Issue 1, p19-31.

Eisenhardt, Kathleen M. 1989. Building theories from case study research. *Academy of management review*. Vol. 14 Issue 4, p532-550.

Enkel, Ellen; Gassmann, Oliver; Kausch, Christoph. 2005. Managing the risk of customer integration. *European management journal.* Vol. 23 Issue 2, p203-213.

Gallouj, Faiz; Weinstein, Olivier. 1997. Innovation in services. *Research policy.* Vol. 26 Issue 4-5, p537-56.

Gruner, Kjell E; Homburg, Christian. 2000. Does customer interaction enhance new product success?. *Journal of business research.* Vol. 49 Issue 1, p1-14.

Gustafsson, Anders; Löfgren, Martin; Witell, Lars. 2011. Theory of attractive quality and life cycles of quality attributes. *TQM Journal.* Vol. 23 Issue 2, p.235-246.

Havener, Cliff; Thorpe, Margaret. 1994. Customers can tell you what they want. *Management review.* Vol. 83 Issue 21, p42-45.

Hipp, Christiane; Grupp, Hariolf. 2005. Innovation in the service sector: the demand for service-specific innovation measurement concepts and typologies. *Research policy.* Vol. 34 Issue 4, p517-535.

Leek, Sheena; Turnbull, Peter W; Naudé, Peter. 2003. How is information technology affecting the business relationships? Results from a UK survey. *Industrial marketing management.* Vol. 32 Issue 2, p119-126.

Leonard, Dorothy; Rayport, Jeffrey F. 1997. Spark innovation through empathic design. *Harvard business review.* Vol. 75 Issue 6, p102-113.

Lusch, Robert F; Vargo, Stephen L. 2004. Evolving to a new dominant logic for marketing. *Journal of marketing.* Vol. 68 Issue 1, p1-17.

Lusch, Robert F; Vargo, Stephen L; O´Brien, Matthew. 2007. Competing through service: insights from service-dominant logic. *Journal of retailing.* Vol. 83 Issue 1, p5-18.

Lusch, Robert F; Nambisan, Satish. 2015. Service innovation: a service-dominant logic. *MIS Quarterly.* Vol. 39 Issue 1, p155-176.

Lüthje, Christian; Herstatt, Cornelius. 2004. The lead user method: an outline of empirical findings and issues for future research. *R&D Management.* Vol. 34 Issue 5, p553-568.

Kilian, Thomas; Schaarschmidt, Mario. Impediments to customer integration into the innovation process: A case study in the telecommunications industry. *European management journal.* Vol. 32 Issue 2, p350-361.

Kindström, Daniel; Kowalkowski, Christian. 2014. Service innovation in product-centric firms: A multidimensional business model perspective. *The journal of business & industrial marketing.* Vol 29 Issue 2, p96-111.

Kindström, Daniel; Kowalkowski, Christian; Nordin, Fredrik. 2012. Visualizing the value of service-based offerings: empirical findings from the manufacturing industry. *Journal of business and industrial marketing.* Vol. 27 Issue 7, p538-546.

Kristensson, P. 2003. Managing ideas that are unthinkable in advance: A matter of how and where you ask. *Involving customers in new service development.* p127-142.

Kuusisto, Arja; Kuusisto, Jari, Yli-Viitala, Pirjo. 2013. Service development tools in action. *The service industries journal.* Vol. 33 Issue 3-4, p352-365.

Magnusson, Peter R. 2009. Exploring the contributions of involving ordinary users in ideation of technology-based services. *Journal of product innovation management.* Vol. 26 Issue 5, p578-593.

Mannervik, U; Ramirez, R. 2005. Customers as co-innovators: An initial exploration of its strategic importance. *Involving customers in new service development.* p57-76.

Menor, Larry J; Tatikonda, Mohan V; Sampson, Scott E. 2002. New service development: areas for exploitation and exploration. *New issues and opportunities in service design research.* Vol. 20 Issue 2, p135-157.

Ming, Xinguo; Song, Wenyan; Xu, Zhitao. 2013. Risk evaluation of customer integration in new product development under uncertainty. *Computers & industrial engineering.* Vol. 65 Issue 3, p402-412.

Nambisan, Satish. 2002. Designing virtual customer environments for new product development: toward a theory. *Academy of management review.* Vol. 27 Issue 3, p392-413.

Narver, John C; Slater, Stanley F. 1990. The effect of a market orientation on business profitability. *Journal of marketing.* Vol. 54 Issue 4, p20-35.

Narver, John C; Slater, Stanley F; MacLachlan, Douglas L. 2004. Responsive and Proactive Market Orientation and New-Product Success. *Journal of product innovation management.* Vol. 21 Issue 5, p334-347.

Oliviera, Pedro; von Hippel, Eric. 2011. Users as service innovators: The case of banking services. *Research policy.* Vol. 40 Issue 6, p806-818.

Ordanini, Andrea; Maglio, Paul P. 2009. Market orientation, internal process, and external network: A qualitative comparative analysis of key decisional alternatives in the new service development. *Decision sciences.* Vol. 40 Issue 3, p601-625.

Parasuraman, A. 2000. Technology readiness index (TRI): A multiple-item scale to measure readiness to embrace new technologies. *Journal of service research.* Vol. 2 Issue 4, p307-320.

Paswan, Audhesh; D´Souza, Derrick; Zolfagharian, Mohammad Ali. 2009. Toward a contextually anchored service innovation typology. *Decision sciences.* Vol 40 Issue 3, p513-540.

Porter, Michael E. 1990. The competitive advantage of nations. *Harvard business review.* Vol. 68 Issue 2, p73-93.

Sandberg, Birgitta. 2007. Customer-related proactiveness in the radical innovation development process. *European journal of innovation management.* Vol. 10 Issue 2, p252-267.

Sandén, Bodil; Gusztafsson, Anders; Witell, Lars. 2006. The role of the customer in the development process. *Involving customers in new service development.* p33-56.

Sandén, Bodil; Matthing, Jonas; Edvardsson, Bo. 2004. New service development: learning from and with customers. *Involving customers in new service development.* p99-126.

Schuhmacher, Monika C; Kuester, Sabine. 2012. Identification of lead user characteristics driving the quality of service innovation ideas. *Creativity and innovation management.* Vol. 21 Issue 4, p427-442.

Slater, Stanley F; Narver, John C. 1998. Customer-led and market-oriented: Let´s not confuse the two. *Strategic management journal.* Vol. 19 Issue 10, p1001-1006.

Song, Wenyan; Ming, Xinguo; Xu, Zhitao. 2013. Risk evaluation of customer integration in new product development under uncertainty. *Computers and industrial engineering.* Vol. 65 Issue 3, p402-412.

Teece, David. 2007. Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. *Strategic management journal.* Vol. 28 Issue 13, p1319-1350.

Tushman, M.L; Anderson, P. 1986. Technological discontinuities and organizational environments. *Administrative science quarterly.* Vol.31 Issue 3, p439-465.

von Hippel, Eric. 1986. Lead users: a source of novel product concepts. *Management science.* Vol. 32 Issue 7, p791-805.

Zeithaml, Valarie A; Parasuraman, A; Berry, Leonard L. 1985. Problems and strategies in services marketing. *Journal of marketing.* Vol. 49 Issue 2, p33-46.

Yadav, Manjit S; Prabhu, Jaideep C; Chandy, Rajesh K. 2007. Managing the future: CEO attention and innovation outcomes. *Journal of marketing.* Vol. 71 Issue 4, p84-101.

BOOKS

Bryman, Alan; Bell, Emma. 2003. *Business research methods.* Oxford. Oxford university press.

Chesbrough, Henry. 2010. *Open services innovation: Rethinking your business to grow and compete in a new era.* San Fransisco. Jossey-Bass.

Christensen, Clayton M. 1997. *The innovators dilemma.* Boston. Harvard business school.

Denzin, Norman; Lincoln, Yvonna. 1994. *Handbook of qualitative research.* London. SAGE publications.

Edvardsson, Bo; Gustafsson, Anders; Per Kristensson; Magnusson, Peter; Matthing, Jonas. 2006. *Involving customers in new service development*. Singapore. World Scientific Publishing Co.

Johnson, Susan Paul; Menor, Larry J; Roth, Aleda V; Chase, Richard B. 2000. A critical evaluation of the new service development process – integrating service innovation and service design in *New service development: creating memorable experiences.* London. SAGE publications.

Lekwall, Per; Wahlbin, Clas. 2001. *Information för marknadsföringsbeslut.* Göteborg. IHM Publishing. Fourth edition.

Merriam, Sharan B. 2009. *Qualitative research: a guide to design and implementation*. San Fransisco. Jossey-Bass.

von Hippel, Eric. 2005. *Democratizing innovation.* London. MIT Press.

Yin, Robert K. 2014. *Case study research: design and methods.* London. SAGE publication.

INTERNET RESOURCES

Business week. 2005. *Get creative – how to build innovative companies.* http://tools.ashridge.org.uk/Website/Content.nsf/FileLibrary/CE0E1ACC98CDF52D8025794F00464D3F/$file/GetCreative080105.pdf (collected 2015-02-24)

Dataconomy. 2014. *Understanding Big Data: The Seven V:s.* http://dataconomy.com/seven-vs-big-data/ (collected 2015-02-24)

Forbes. 2015. *Retailers turn to omnichannel strategies to remain competitive.* http://www.forbes.com/sites/samsungbusiness/2015/02/09/retailers-turn-to-omnichannel-strategies-to-remain-competitive/ (collected 2015-02-26)

Gartner. 2015. *IT Glossary.* http://www.gartner.com/it-glossary/big-data/ (collected 2015-02-24)

McKinsey. 2015. *Getting big impact from big data*. http://www.mckinsey.com/insights/business_technology/getting_big_impact_from_big_data. (collected 2015-02-26)

UN Global Pulse. 2013. *Big data for development: a primer.* http://www.unglobalpulse.org/sites/default/files/Primer%202013_FINAL%20FOR%20PRINT.pdf (collected 2015-02-26)

INTERVIEWS AND PRESENTATIONS

Anvell, Daniel : COO, Intersport. Interviewed the 8th of May, 2015 (2 h)

Bergek, Anna. Associate Professor of Industrial Organization, Linköping University. Interviewed the 18th of February, 2015 (1 h)

Borup, Jacob. CRM and Omnichannel Development Manager, TOP-TOY. Interviewed the 18th of May, 2015 (30 min)

Ekberg, Eric. Store Manager, MQ. Interviewed the 11th of May, 2015 (45 min)

Kowalkowski, Christian. Associate Professor of Industrial Marketing, Linköping University. Interviewed the 16th of February, 2015 (45 min)

Kindström, Daniel. Associate Professor of Industrial Marketing, Linköping University. Interviewed the 16th of february, 2015 (45 min)

Magnusson, Måns. PhD Student at Institutionen för datavetenskap (IDA) / Statistik (STAT), Linköping University. Interviewed the 13th of February, 2015 (1 h)

Magnusson, Thomas. Assistant Professor at the department of Management and Engineering (IEI) / Projects, Innovation and Entrepreneurship (PIE), Linköping University. Interviewed the 28th of January, 2015 (1 h)

Nordenborg, Björn. Partner, Nepa. Presentation the 21st of January, 2015 (2 h)

Norrman, Charlotte. Ph.D, Assistant Professor at the department of Management and Engineering (IEI) / Projects, Innovation and Entrepreneurship (PIE), Linköping University. Interviewed the 12th of February, 2015 (1 h)

Respondent. Analyst, Retailer 2 : Interviewed the 28th of April, 2015 (1,5 h) and 4th of May, 2015 (1 h)

Stålnacke, Mikael. Head of omnichannel and online, MQ : Interviewed the 22nd of April, 2015 (1 h)

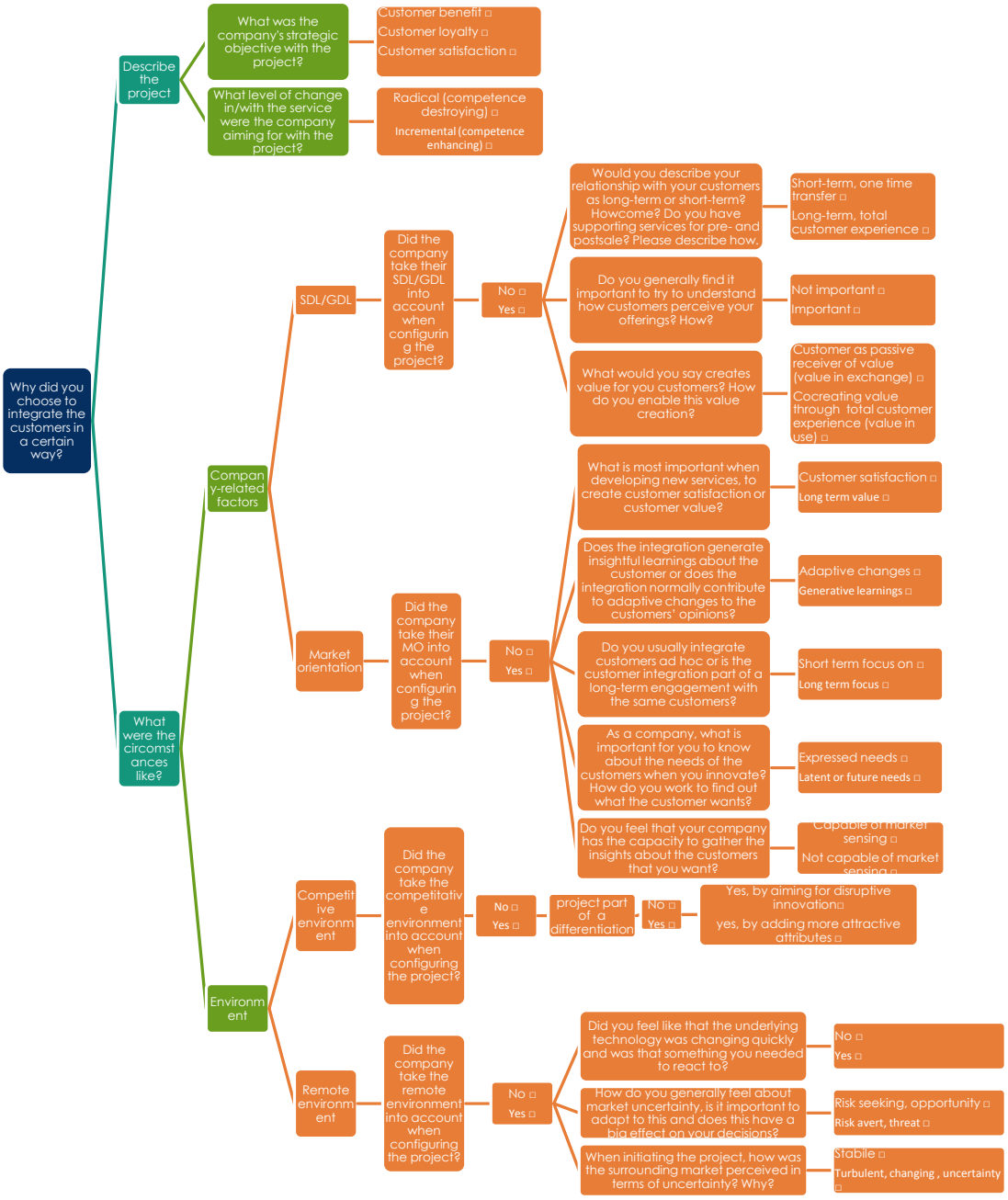
Tingwall, Henrik : Sales manager e-commerce and distance sales, Apoteket. Interviewed the 5th of May, 2015 (1 h)

Von Bahr, Jonas : Regional Sales Manager, TOP-TOY. Interviewed the 11th of May, 2015 (45 min)

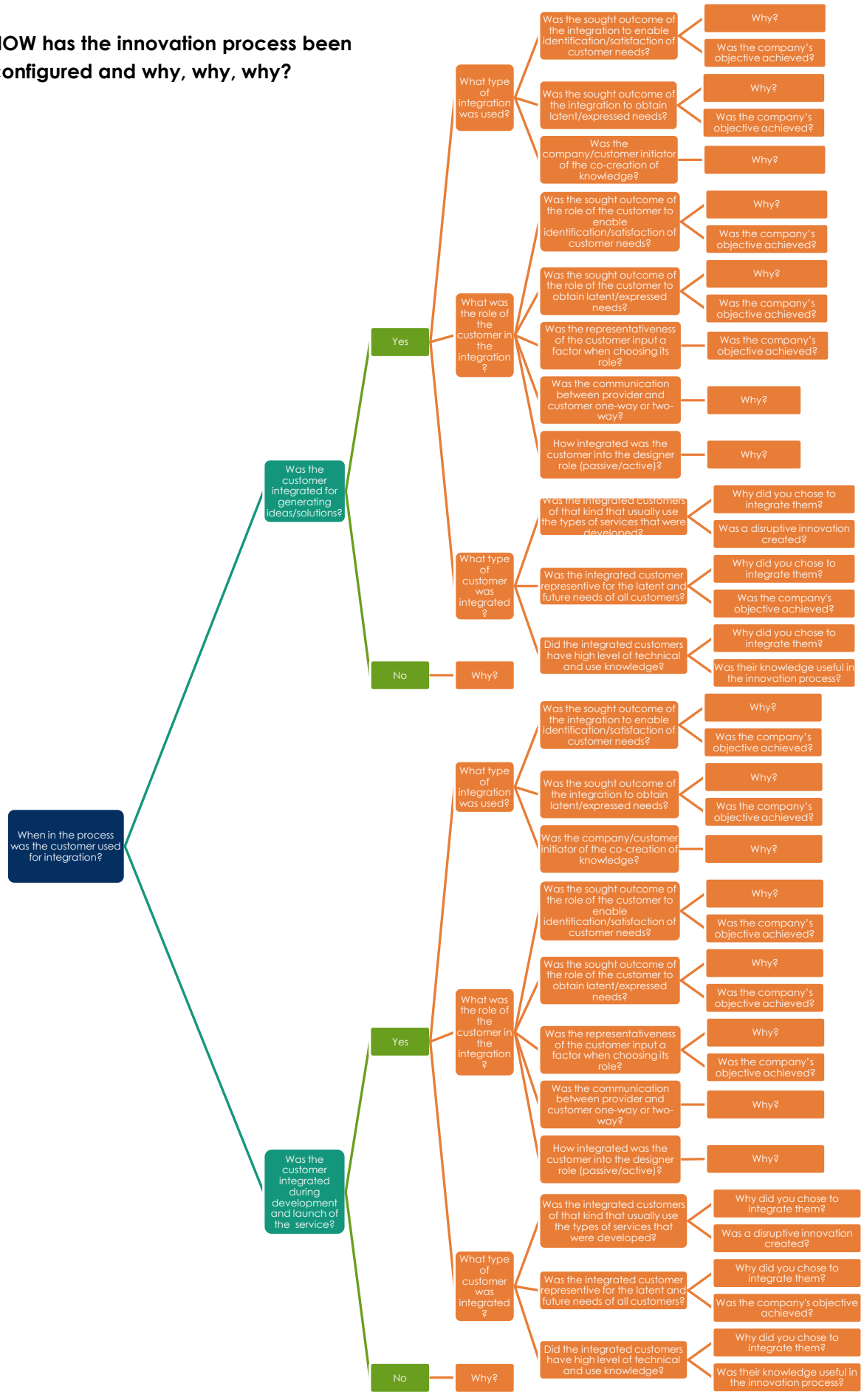
APPENDIX 1. INTERVIEW GUIDE

The interview technique for all interviews was *story telling* which puts effort on the pre work that is done. The interviews essentially started from the questions *why?, how?* and *what was the result?* To enable us to decrypt the respondent answers the following interview guides were created before performing the interviews.

WHY was the project initiated and what were the circumstances like?



HOW has the innovation process been configured and why, why, why?



APPENDIX 2. CASE ANALYSIS

This appendix consists of descriptions of the empirical findings for each case followed by an interpretation and analysis of each case. The interpretation and analysis of each case consists of classifying how the company worked with *the type of customer integration*, *the role of the customer, the type of customer* and *the timing of integration* as well as answering the questions why and what impact each of these factors had on the result of the innovation process. Information and analysis about each separate case company is presented in the following order:

MQ: ORDER ONLINE – PICK UP IN STORE

This case description is based on information from two different respondents. If nothing else is stated, the description of how and when the customer was integrated and the description of the company related and surrounding circumstances come from the first respondent, sometimes also referred to as *Respondent 1*. Information from the other respondent is clarified through referring to *Respondent 2*.

SHORT DESCRIPTION OF CASE COMPANY

Company's name: MQ Retail AB

Business: Fashion

First respondent's name: Mikael Stålnacke

First respondent's title: Head of omnichannel and online

Second respondent's name: Eric Ekberg

Second respondent's title: Store manager

SHORT DESCRIPTION OF PROJECT

This project was one of the bigger projects in the omnichannel development that MQ has implemented. The service is an "order online – pick up in store"-service. The goal of the project was to have 20 % of the purchases online to be picked up via the store as driving traffic to the store is positive for the business. The customer has the possibility to choose when ordering items online if they want to have them sent by the post service or picking them up in one MQ's 117 stores, the latter being without any shipping costs. The service took advantage of the daily shipment that MQ makes from the warehouse to the stores, enabling them to keep down the extra costs for shipping. The service required changes in established operations, as packing and some smaller changes with the order handling in the brick and mortar stores. Some changes were also required to be made in the technical software and applications online and in the store, this to enable the customers to receive a text message when the items have arrived in stores and for the sales persons to "check-out" the order. The result of the implementation has been positive as 50 % of the purchases now go via the store.

DESCRIPTION OF HOW AND WHEN THE CUSTOMER WAS INTEGRATED

The background to the creation of this service came from a competitor analysis. Respondent 1 says that he mainly saw the evolution of these types of services abroad. MQ saw the value in this, both for themselves and for the customers. The idea to this service was an internally developed thesis of how to get more traffic of customers in stores through ecommerce and creating customer benefits through convenient shipping of ordered items. In other projects, MQ has

chosen to send out surveys and this has also been used as starting points for different projects. In this case, the customers were not integrated before later on in the process.

"I don't think they ever could have given us a solution. They could say if it's good or if it's bad." – Stålnacke

The solution was first tested internally, making sure that the system and the operation worked as they should. Respondent 1 explains how they did not have anything to loose when implementing the service as this was only an extra service, and the customers could use the traditional way of ordering clothes online is that was what they wished. The project is considered as successful but Respondent 1 says that he met some skepticism inside the organization during the early stages of the project. Some employees at the home office could not understand why customers would want to use this, describing that this made him unsure if this was a good solution for MQ's customers.

When implementing the company chose some stores for pilot studies. These were used for answering: "*what needs to be developed*" and "*what needs to be better*". To a direct question, respondent 1 agrees that the store managers could be seen, as the head office's customers, since they too would be users of the developed service. Information about how the service was perceived was gathered both from the store managers, about their experience, and also from the end-customer with the store employees as middleman. Respondent 2 explains that for store managers it is important to be accurate about gathering positive and negative feedback. This is mostly done by being perceptive about how the customers feel about their situation and listening to the direct feedback that is given inside the store.

MQ also received positive feedback through the customer service department after implementation and in stores. The customers liked how they could try the clothes in the stores and then return them directly if they did not like them. A change they made was that customers experienced a problem with the logistics chain and complained to/asked the store managers for the goods. Respondent 1 explains:

"It was pretty important to have them along on this change, to have them to be fast on scanning the incoming goods so that the goods not just ended up in the store and then after 7 days the employees says "yes, right, I have goods that needs to be scanned that has arrived", which means that the customer had to wait. Therefore there has been a lot of discussion with them [staff in store] and when the actual launch was, we talked a lot to them about what needed to be developed, what could be improved, what the customers say…"

- Stålnacke

In addition to this, the company quickly experienced a high use of the service where 50% of the purchases online went via the stores. As the goal of the project was to drive traffic to the stores it was considered a successful project.

	service
-	Customers gave feedback through store managers who reported to those responsible for development. Feedback from customer service and stores plus measurable observation of the increased acceptance of the service.

DESCRIPTION OF ENVIRONMENTAL AND COMPANY RELATED CIRCUMSTANCES

The respondent claims that MQ works regularly with trying to understand their customers, by following the development of the customer life cycle and segmenting them from different categories such as where they live. This segmentation is however mainly used for marketing purposes and not as much for understanding the specific customer. Value is something that MQ provides the customers with through offering a good assortment of products, which is argued by both respondents. MQ design and create about ten different private label goods as well as they have other labels in their assortment. Respondent 2 also mentions good service in store as something important for MQ to attract customers. Respondent 2 believes that for a store manager, it is important to understand how the customer perceive the company and their own experience.

"We mainly create value through our fashion and our products, that's mainly what we do. E-commerce is really just another channel to sell it [the products]. Stores are another channel. Of course we want to create value through those channels, but in the end it is the products that is "king" you see."

- Stålnacke

Respondent 1 claims that what makes customers return to MQ is more than their assortment. For example there is the *MQ Customer Club* that has a main purpose of keeping customers loyal. Respondent 1 says that he would like to use customer insights to a greater extent, all through the customer journey across channels to other more thorough quantitative analysis.

Respondent 2 explains that through a system called Maze, the store managers in MQ stores can receive the feedback about their store that members of the customer club can leave through a survey that is automatically sent when a new MQ store is visited. Respondent 2 mentions that the region manager and employees as respondent 1 has access of the customers' feedback but that the feedback often concerns the store and can therefore be handled at the store level. It is through this system that the company nourishes the customer relationship. Respondent 1 says that is proven that the information from these through this source has resulted in some improvements of the business. The company has no tool for foreseeing future business; Respondent 1 explains this through pointing out the limitations when involving the customers in the early development phases of service development. In addition to the customer survey, MQ uses the customer service and sales staff as a source of information about the feedback from

customers. However, there are no established routines for forwarding the information to the developers. In the pilot test of a new service to create *endless aisle* (the customer can order garments online in the store, the company can therefore create a feeling of an endless aisle) Respondent 1 who was store manager in one of the stores that tested this service reported the general feedback through an email to Stålnacke.

One example that does however affect a higher level of MQ is the customers' opinion of the assortment. Both respondents describe how they often get wishes that MQ would expand their assortment. Customer insights is generally very important for MQ, but are mostly used for the evaluation of assortment. However, Respondent 1 explains how results from customer surveys do not always represent what they really want.

"A customer will never say no to the question if he or she wants the assortment to be broader. We have done some customer surveys and asked for what labels should be in the store. There are many that would say "acne", but when it comes down to completing the purchase they don't want to spend money on it. They think that it is cool, and that they want it. But they don't buy it because they can't afford it. There's a fine line when it comes to broadening the assortment and asking the customer."

- Stålnacke

Instead, concerning the assortment, MQ uses the sales data to ensure what sells and what does not, in other words what the customer actually is ready to buy and what it is not when taking other influencing factors into account to complete a purchase. To decrease the risk of not getting the products sold, MQ tests some goods in their assortment before fully launching a greater amount of the line. For example, Respondent 1 says that is has tried launching some clothes online before introducing them in the brick and mortar store.

In more risky project, such as the time MQ remade their webpage, it integrated customers when it had developed a beta-version and let chosen customers test it. The chosen customers were people from the retailer's customer club. When using the beta-version the customers were supposed to answer questions about the page and give feedback of where they experienced problems. Another example of how MQ tries to understand the customer is when they use A&B-tests; letting randomly chosen customers try one version of the webpage. This is more of an experimental way to integrate customers as the changes comes from not confirmed hypothesis from the developers, whatever version of the page that experiences the highest conversion rate gets implemented. The company can also use observation of the buying procedure online to observe for example that customers chose to abort the purchase online at a certain time. From that information it could internally create a hypothesis of why that is or it can combine that information with the comments it gets from customers.

MQ does not want to compete with pure players, the retailer that only compete through digital channesl, but instead feel there is much space left for closing the gap between the brick and mortar retailer and the pure player regarding for example assortment online. The company is very well aware of the development of omnichannel retailing on the market, both how national

competitors and other retailers advance within this field. It considers itself being among the strongest players in the field in Sweden but emphasize that Sweden as a country is far behind international actors. To a direct question, respondent 1 answers that he sees MQ as an 8 on a scale from 1 to 10 in comparison to Swedish competition. The work with omnichannel is due to a direct order from management who believes this is a trend that MQ cannot afford not to follow. Otherwise, it seems to generally avoid being a first mover, and instead firstly try to observe how others retailers work with new solutions and innovations. MQ sees no value in being first movers with services that creates a more seamless integration of channels; instead it is happy to analyze how competitors step on mines and learn from their mistakes. Though, it finds out interesting things on its own. As example, through the continuous customer satisfaction survey it performs, it understood that customers generally perceive the width of the assortment different online versus in stores, and were able to adjust the assortment out of that information.

MQ generally tries to understand the surrounding environment but the responsibility and interest is at the individual level, for example, people inside the organization visiting trade fairs. Respondent 1 describes this as part of the regular work duties.

ANALYSIS OF UNDERLYING FACTORS

Less market oriented/More market oriented

MQ's customer orientation is lower in relation to their competitor orientation and Respondent 1's efforts in predicting trends in the remote environment. MQ tries to understand their customers by letting club members fill in forms about their latest experience at the most recently visited store through the Maze platform. Much of the information does however seem to concern the stores only and is not brought up to a higher, more central part of the organisation. This makes their efforts on market sensing from their own customers rather low, at least in relation to their efforts in awareness of what is going on in other organisations in the market or in the remote environment. This strategy makes it possible for MQ to introduce innovations that are new to the company but might not be new to the industry.

Even though the company cannot be considered to have high market orientation due to the restrictions it has in gathering and using market information efficiently the company can be considered to be more extensive market oriented than customer-led. This as they do not generally integrate the customer in early phases in the development process and let their needs lead the way. However, their lack of interest and information about initially identifying customer needs in general makes the company to be less market oriented. A company that is market oriented focuses on identifying, understanding and meeting customers' needs (Butler et al., 2014). Even though MQ has the ambition to create customer satisfaction, for instance through the Maze system there are no indications that it is not driven by the market and the customers' needs when creating new services. Which, according to Day (1994), market oriented companies are by staying close to their customers and measuring their performance in customer satisfaction.

Moreover, to have high market orientation a company must understand its capabilities in comparison to other competitors and be able to coordinate resources inside the company to understand their customers and create value for them based on these needs (Paswan et al., 2009). Judging from Respondent 1's initiatives in gathering knowledge, both in about their direct competitors and other influencing trends in the environment, and then utilizing this knowledge to create new offerings the company can be considered to have high competitor orientation. The lack of interest to understand customers' needs and coordinate internal resources in order to satisfy these needs results in the company not having a market orientation.

Being less market oriented is not a bad strategy to choose. Companies' that are not market oriented at all have the possibility to create more radical innovations as they are not locked in by customers wants and assumptions of how an offering should be (Butler et al., 2014). However, the company could benefit from first identifying a latent need among the customers and by doing so better the odds of creating a radical innovation (Butler et al., 2014).

Low perceived risk or possibility/High perceived risk or possibility

A reason for the low perception of risk might be that the innovation, that is new to the company, has showed its success in other companies. As Respondent 1 mentions, generally they do not see the benefit of being first movers but rather prefer to evaluate other companies' successes and losses when it comes to implementing a new service.

As Paswan et al. (2009) claim the risk is in the perception of the board and their attitude towards risk can make them act different from other companies in the same environment. We would also like to claim that the general awareness of the market changes resulting in the need of creating a seamless customer experience is clearly apparent to Respondent 1. The market need for omnichannel retailing can therefore be considered to be predictable for Respondent 1. This might be a reason for why he perceives the risk as low when it comes to developing services in line with this trend.

GDL/SDL

The respondent states that MQ has the product in focus. In projects with high risk, he sees a bigger reason to integrate customers to make sure that the project is going in the right direction. There is no indication that the customer is used for co-creation of value, and there is no indication the customer perception of services is a prioritization for the company. As Lusch and Nambisan (2015) say, when moving towards SDL all product innovation projects should be seen as service innovation projects and a possibility of co-creating value with the customers. MQ however has a much bigger emphasis on the technical characteristics of the service and tries to create a solution that is good for the company, and hopefully also for the customer.

Low market maturity/High market maturity

The competition regarding the digital channels is by MQ seen as low. Strengthening the work with omnichannel is because a decision by management who do not see this as something used

for differentiation, but instead a trend that the company cannot afford to miss. MQ does not try to create complex services, but instead tries to create solutions that are of benefit for the company. This does not resemble the environment Christensen et al., (2002) describe where the companies create sustaining innovations.

CONCLUSION

MO	Risk and environmental uncertainty	GDL/SDL	Market maturity
Less market oriented	Low perceived risk or possibility	GDL	Low market maturity

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, AIMING TO USE DIFFERENT **TYPES OF CUSTOMER INTEGRATION**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION PROCESS?

The customers have never been actively integrated in this case and they were only used to give feedback after the service was implemented. Despite this fact, the company did manage to awaken a latent need, or a need that has not been apparent to the company due to other reasons, among their customers. A conclusion can be made that the need was not known for the company through the customer expressing their need. An attractive attribute in an offering is unexpected by a customer and can be seen as a latent need (Gustafsson et al., 2011). These types of attribute do not cause dissatisfaction when not fulfilled but create satisfaction when they are fulfilled (Gustafsson et al., 2011). Respondent 1 entails that he met some doubt about the customer value of the project from within the company and that he only expected that about 20 % of the purchases online to go via the brick and mortar store. What later was shown was that 50 % of the purchases online would go via the store. The positive feedback from the customers and the unexpected acceptance of the service indicates that it was a latent need among the customers.

The company worked proactively to awaken a latent need among their customers, leading the customers in their behaviour, but no proactive customer integration took place. The only time the customers were integrated was when the service was implemented, in the pilot trials, and later on by having the customers leave feedback when the service was up and running. As da Mota Pedrosa (2012) suggests, reactive customer integration is when the customer initiates the knowledge co-creation when expressing their needs, which is the case in both integrations of the customers. From the expressed needs of the customer MQ could then change some attributes, making the service more satisfying to what they wished for and adapting the service to the need of their own customers. Sandén et al. (2006) provide another definition of reactive techniques in customer integration; reactive customer integration is when the company lets customers evaluate a current offering. This technique is very useful if a company wants to receive in-depth

information about a current offering (Sandén et al., 2006). Additionally, Alam (2002) explains that using reactive techniques in the customer integration leads to that the customers only can evaluate existing solutions and experiences difficulties in completely reevaluating the whole concept. This was shown in the "order online-pick up in store" project where the company introduced a new to the company innovation and the customer feedback only led to adjustments of the developed service.

In this project, the company can be considered to be responsive towards their environment but proactive towards their own customers as they are considered to have relatively low capabilities in market sensing. The literature suggests that maintaining an extensive market orientation can benefit from proactive customer integration in order to obtain information about customers' latent needs. However, the idea of this project came from within the company leading to that the customers were not integrated at all in the idea-generating phases and then using reactive customer integration in the execution orientation phase to adjust the offer to their own customers.

It is companies that are highly market oriented that more often tend to involve customers in the early stages of the development process and destroy existing competence and yield radical innovations (Paswan et al., 2009). As the service was only new to the company the need of integrating customers was supposedly lower in early stages in the development process. As Respondent 1 states, he cannot see how customers could help them finding a solution.

Respondent 1 says that the risk is considered as low in this particular project due to there are no cannibalizing effects of the service. Respondent 1 mainly seems to think that it is the risk of the project that reinforces the need to involve customers early in the innovation process, which he perceives as low for this project. The way Respondent 1 evaluates the risk in the projects that have been discussed is by their tendency to cannibalize MQ's existing businesses and not the monetary consequences or the probability of that occurring.

Essentially, the innovation was rather technology driven, as many NSDs are according to Paswan (2009). Respondent 1 says that even though there is much technical development in interesting areas they try to always keep the customer benefit in mind. In this specific case they did not integrate customers in the idea-generating phases, trusting their own perception of what the customer would benefit from.

According to Jaworski and Kohli (1993) the need of integrating the customers becomes secondary when the technological environment is changing, this as they are not suitable to determine what new solutions the company can benefit from. This was showed in the case of MQ as they primary trusted the internal competence in determining the strategy for development towards omnichannel retailing. Further, Narver and Slater (1990) and Carbonell et al. (2009) believe that customer integration is beneficial for a company when the environment offers technology changes that might affect the company. This does not have be contradicting to what Jaworski and Kohli (1993) suggest as the customers can be integrating in later stages of the development process to provide feedback to the company's strategic decision of developing such a service.

CONCLUSION

To synthesize, both that MQ is less market oriented and that they perceive the risk as low are influencing underlying factors to why the customers were not integrated in the idea-generating phases. In the execution orientation phase it was due to that the company is less market oriented that they had to integrate their customers through reactive customer integration.

Idea-generating phases	Underlying factor	Execution orientation phase	Underlying factor
-	Less market oriented Low perceived risk or possibility	Reactive customer integration	Less market oriented

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, USING **DIFFERENT ROLES OF THE CUSTOMER**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION PROCESS?

The customer was not integrated at all in the idea-generating phases, which seems to be because of MQ´s market orientation being focused on competitors and trends instead of the customer. One could argue that MQ used the store managers in more collaborative roles in the execution-oriented phases, since it was it who was more adapt at understanding how the service would function in the actual environment. The store managers had an active role, functioning similar to Mannervik and Ramirez´ (2006) integrated co-designer where they aided in the design of the offering with their user knowledge. The communication with the store managers were also bidirectional which adds to the view of store managers as active in the integration. This in part seems to lead to the decision of not deliberately integrating the end-customers as informants. The end-customers instead were integrated as active informants through the store managers. This had to be the case since the company did not make an active decision of integrating the end-customers. The same can be said about the feedback they received through customer feedback where customers according to respondent 1 gave positive feedback. The information from the active informants was combined with passive user observation from the purchase data. This seems to follow suit with MQ following a GDL. As Lusch and Nambisan (2015) state companies using a SDL see the product as a mechanism for delivering a service. MQ however sees the service firstly as a product that has to be technically functioning and secondly as a service that will ease the experience of the customer. This leads to the active integration of the store managers who will handle the service technical aspects, but not the end-customers who will experience the intangible final characteristics of the service.

CONCLUSION

The store managers were used in an active collaborating role, but the end-customers were more passive in their active informant role. This was combined with passive user observation. This seems

to mainly be because of the GDL of MQ. This puts much emphasis on the store managers being able to analyze the customers and deliver the information to the head office.

Idea generation	Underlying factor	Execution orientation	Underlying factor
-	Type of integration	Passive user Active informant	GDL

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, USING DIFFERENT **TYPES OF CUSTOMERS**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION

MQ have chosen to integrate active customers with high knowledge in other projects but did not choose to reflect on this for this project. They instead chose to integrate the store managers through the pilot stores since they had a better understanding of how to use their part of the service in their own environment. In this particular situation much of the technical characteristics of the project are in the hands of the store managers, who at the same time have an understanding about the user experience of the end-customers. They therefore have a position close to being a lead user. MQ does not seem to have any interest in developing a novel idea but instead wants to create something that is functional for all parts of the value chain, and creates value from existing process characteristics inside the company. Von Hippel (2005) states that the lead user can provide the company with what they would like from the service. As the product is king for MQ, they are firstly eager to make sure that what the store managers wants from the service is understood, secondly what the end-customer thinks about the service.

CONCLUSION

Putting the product first results in the company choosing lead users because of the technical aspects, but not actively integrating end-customers for a better understanding of the intangible final characteristics of the service. The service is not used for differentiation but more as a way of taking full use of the company´s infrastructure, which also leads to eventual market maturity not having a big impact on the type of customer that is integrated.

Idea generation	Underlying factor	Execution orientation	Underlying factor
-	-	Average customer	-

HOW WAS THE CUSTOMER INTEGRATED IN DIFFERENT **PHASES OF THE INNOVATION PROCESS** AND *WHAT* IMPACT DID THAT HAVE ON THE OUTCOME?

The customer was not integrated before the execution-oriented phases. Respondent 1 puts much emphasis on customer integration as time-consuming, which goes in line with Blazevic and Lievens (2008) when they say that customer involvement in the development phase could be a slow process. If MQ would have better functioning procedures for gathering customer insights, the customer involvement could instead be seen as time-saving as Alam (2006) argues. Respondent 1´s view of the customer as not being able to produce a solution for this project, but

just be able to state if the service is good or bad goes in line with Sandberg´s (2007) argument that customer integration are of lesser importance in the idea-generating stages when trying to develop more radical innovations. This since it is the anticipation of customer needs from inside the company that makes these kinds of innovations possible. The view of the people inside of the office regarding the new service as something that no one would use also points to the fact that integrating the customer in the idea generating process might not have been appropriate.

MQ does not seem to be interested in using the end-customer in a bidirectional creator role in the innovation process. This leads them to not integrating the customer directly in the development phase, correlating with Blazevic and Lievens (2008) who say that the customer as a passive user or an active informant are of no use in the development phase. The customer instead comes in as an active informant after deployment.

SYNTHESIS

Type of customer integration				**Role of the customer**				**Type of customer**			
In idea-generating phases	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**	**In idea-generating phases**	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**	**In idea-generating phases**	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**
-	Less market oriented Low perceived risk or possibility	Reactive customer integration	Less market oriented	-	Type of integration	Passive user Active informant	GDL	-	-	Average customer	-

RETAILER 2: THE CHILDRENS DEPARTMENT

This case description is based on information from one respondent. If nothing else is stated, the description of how and when the customer was integrated and the description of the company related and surrounding circumstances come from the first respondent, sometimes also referred to as *Respondent 1*.

SHORT DESCRIPTION OF CASE COMPANY

Business area: Fashion, beauty, children, interior, entertainment and food.

Respondent's title: Analyst

SHORT DESCRIPTION OF PROJECT

The development concerned the new children's department at one of the major stores of the company. The project was initiated because of that the company saw the business opportunity in developing this department as they already had the target customer in store. The purpose of the project was to have the store as the number one shopping destination, have more airborne purchase occasions, longer visits at the children's department and to raise the clarity in the assortment at this department.

DESCRIPTION OF HOW AND WHEN THE CUSTOMER WAS INTEGRATED

This was a project that took a long time from idea to concept development to implementation and customers have so far been integrated at three different occasions in various ways. The development case with the children's department was initiated because the company knew that among its customers there were women/men who had children who shopped fashion and beauty at the company but did not spend as much expenses at the children's department. The company knew that there was room for improvement at this department. The company believed that the children's department had potential and decided to improve the concept at the children's department at one of their flagship stores to later expand the concept to all of the stores in Sweden. The company gave the responsibility of conducting a panel survey to a consultancy firm. The first round of customer integration was with a survey that was sent via email to the panel members of the company's loyalty club that potentially had children. There were about 30 000 customers participating in the survey that had been randomly chosen from the members of the company's existing panel that consists of about 2 million people. The customers of this panel are self-recruited. The respondent explains that even though the ambition is to target the customers with children in this survey it is hard to target these customers as they do not to keep this kind of information about the customers stored. Therefore the consultancy firm did not manage to integrate the target customers for this development. However, they managed to get somewhere close as the participants had either shopped at the children's department or had willingly subscribed to offers connected to children. The panel members are more loyal as a

result of them being self-recruited to the panel. The respondent adds that because of this they tend to be a bit more bias and often more positive towards the survey.

One thing the consultancy firm noticed, among the open comments, was that there was a need of gender neutral clothing among some of the customers. However, changes in the department was still made that actually emphasized the division of genders such as putting up signs that said "boy" and "girl" . This initial survey was done before the respondent was an employee at the company. According to the respondent the need was not misinterpreted but considers that this statement should have been followed up for further investigation, either through another survey or by input from the environment and ongoing trends. Moreover, if the respondent had the possibility to remake any methods in gathering of customer integration it would have been to have conducted a qualitative research to have more in-depth information about the customer and to obtain understanding for the customers and the customers' decision making in purchases. However, the respondent believed that surveys would probably still be needed. The respondent adds that it would especially like to have information about the customers' feelings about the gender perspective.

The second time customers were integrated in the project was after the actual implementation of the new children department at one of the flagship stores. This time it was through a customer flow analysis that was made by an external company. The analysis showed where the customers stopped and where in the store it was too crowded. The main observation from this investigation was that the queues to the cash points were considered too long as the customer flow analysis showed that there was a big share of customers that left their items and left the floor of the department. However, no changes were made with the queuing system at this department at this time.

The most recent time that the customer was integrated was in a follow-up of the new children's department. By this time, the respondent was working for the company. The reason that a follow-up was made was mostly that the company wanted to evaluate the changes that had been made at new department, that the changes had contributed to the goals and evaluate how customers perceived the division of boy and girl clothes due to a discovery at the company's page at a social media channel. It was a complaint that had been posted on the page, the customer had started a thread of comments about the company's separation of genders in the children's department. The respondent decided to ask directly about the gender question in a survey and this time the results from the service were different. The survey showed that there were two clear standpoints in the question, one group of customers that wanted a more gender neutral department and another did not. What was surprising for the company was that almost 33% of their customers had a problem with how the new department was developed to separate the sexes of children.

"Well, the conclusion 'they don´t think this is important' was a bit wrong. You almost had to place the specific question to get the answer"

The respondent

What is interesting to notice is that the respondent claims that studies shows that dividing the sexes in a children's department actually decreases sales, in other words in this case customer satisfaction does not drive profit. What the company decided to do however, was to make the division of "boy" and "girl" less apparent by for example taking down signs and try creating a gender neutral division at the department.

The integration of customers was done through a survey and the chosen participants did not have to have been panel members but the customers were selected to participate due to their purchasing history at the company's children's department. The survey included the question if the customers felt that the shopping experience at the department had had facilitated the experience. Almost 56 % believed so but what was noticeable was that 24 % believed that it had not. Among the open comments the respondent noticed trends in complaints about the elevators leading up to this department. To facilitate for the customer an elevator, only leading directly up to the children's department were installed.

What was also a conclusion of the latter customer integration was that the customers believed that the queues were too long. According to the respondent this was only a visual trick as the queues looked to be long but actually did not take so long time, the respondent based this conclusion on the open comments in the survey and on a own interpretation of the customer behavior. Changes were made by putting up signs above the cash point stating that it is okay to pay for items from this department at other floors as well and a fast track cashier was built. The respondent adds that the external company understood that something was causing a trouble with how the cash system was built but believes that it was not until that the quotes from the open comments in the survey was made and it was made clear what was really the issue as the problem became exemplified.

To sum it up, the customers were integrated at the following phases.

Before	Idea/Concept	Implementation and ongoing evaluation
Observation of customer behaviour	Survey.	Observation of customer behaviour through customer flow. Observation of customers' need through social media. Follow-up with a survey.

DESCRIPTION OF ENVIRONMENTAL AND COMPANY RELATED CIRCUMSTANCES

The respondent means that conducting consumer analysis is a trend in the industry that has been going on for some time, even though players have achieved different levels analysis so far. Analysis with Big Data has been starting to emerge and has been a strong trend. The respondent also believes that it was the competitors that were the main reason for their awakening when it comes to consumer insight. The company started realizing that they had their own relatively big customer club that they were not taking advantage of in getting to know their own customers. The respondent adds that she believes that the company has had an inside-out-perspective, especially concerning how they let fashion trends affect rule over the customer's opinion. The changes in the company environment started to reach different parts of the organization and

resulted in a general need for consumer analysis. Therefore, the company has recently started a more focused work on gathering customer insights and trying to make good use of them. A big part of this was creating the customer insight team which the respondent is part of.

The respondent has had her position for a year and during that time several projects have been planned and/or started with the aim of incorporating the view of the customer in the business. The respondent' work handles insight and loyalty and consist of making sure consumer insight is incorporated throughout the organization. The respondent adds that this is a quite new notion inside the company. The respondent explains that it is important to understand their customers and how the company can improve in order to create customer satisfaction. The consumer insight- function is supposed to act as support for all different business areas regarding customer insights. The company also specifically sees customer insights as a way to differentiate themselves towards the competition. This is mainly because it feels that it has a position that is somewhat unique on the market, and that the main priority is to grow closer relationships with already existing customers.

The company also initiated a project to work with the development towards omnichannel retailing a couple of years ago. What has happened so far is that the company is now planning to create a shop-online service and has assigned the whole omnichannel retailing-project to a specific responsible team. The project was initiated because of that the customers started to require such a distribution channel. The respondent explains that it has become kind of a basic need among customers. The respondent adds that she does not believe that the e-commerce on its own will generate that much in monetary means but will help customers in the pre-purchase phase as consumers wants to plan their purchase in advance. For example, about 50 % of the company customers visit their web page before making a purchase in the brick and mortar store when buying curtains. The respondent explains that if the products are not visible online they might be missing out in sales in the physical stores as well.

ANALYSIS OF UNDERLYING FACTORS

Less market oriented/**More market oriented**

As the respondent mentions, the company has earlier been having an inside-out perspective when it comes to developing offerings to the customer. As a result of the initiation of the customer insight group at the company, that will try to make sure that customer insights flow through the entire organization. According to (Slater and Narver, 1990) market orientation is about understanding customers' needs, asserting competitors to know what they should offer and allocating resources in order to create offers that satisfy the needs of the customers. In each of these areas Retailer 2 has started their work within.

A company that is market oriented focuses on identifying, understanding and meeting customers' needs (Butler et al., 2014). As the respondent expresses, the company's ambition is to try to understand their customers in order to improve their offering correlated to their core values about customer centricity. It is mainly through their efforts with the customer club the company

tries to enable understanding of their customers, by keeping customer information sometimes combined with POS-data and using this information to send out surveys for improvement.

The respondent admits that the customer insights group's means in order to understand the customers are restricted, as they are lacking tools for analysis and sometimes also the empowerment and resources to conduct methods for . However, the customer insight work has just recently been initiated and the respondent says that the methods they have been using so far has been serving the purpose of the integration.

Low perceived risk/High perceived risk

As Paswan et al. (2009) claim the risk is in the perception of the board and their attitude towards risk can make them act differently from other companies in the same environment. The company feels that they have a position where they mainly need to keep their position and strengthen the relationship with their customers. The general perception of risk is either risk seeking or risk avert. When asked about the risk, the respondent does not believe that this is something that would affect how or if customers are integrated.

GDL**/SDL**

The respondent describes customer insights as very important for the company and an important part of the strategic direction. The company tries to create value through a customer experience, not explicitly through the product they are selling but also in communication and in store experience. In comparison to the other cases in this study, the company lays more emphasis on co-creating value with the customer, which according to da Mota Pedrosa is a characteristic of having a SDL. And while discussing other projects, the respondent clarifies that the company is eager to understand the customer perception of the services they provide which Lusch et al. (2007) describes as important if the company is to be able to create value in the provider/customer interaction. Although work still has to be made in fully following a SDL, the company leans more towards that direction than at a GDL. In other projects, the company aim to let the customers take a more active part in the innovation process. This highlights a SDL way of thinking as Kuusisto, Kuusisto and Yli-Viitala (2012) discusses; the customer as a valuable resource in the innovation process.

Low market maturity/High market maturity

There were no sign in the interview that the market is mature by any standards. The company has no distinct competitor and puts more focus on customer loyalty then differentiation. The market does not at all resemble the market situation Christensson et al. (2002) describes as a market of high market maturity with sustaining innovations where the products and services become more and more complex and costly that finally mostly attract customers of the higher end.

MO	Perceived risk	GDL/SDL	Market maturity
More market oriented	Low perceived risk	SDL	Low market maturity

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, AIMING TO USE DIFFERENT **TYPES OF CUSTOMER INTEGRATION**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION PROCESS?

The case with the children's department has faced a lot of various types of customer integrations, using both methods like surveys and observations for both reacting to customer needs and trying to work proactively to satisfy the needs before the customers are able to express them. One of the reasons that the project was initiated was due to an observation of POS-data and customer information that led to the conclusion that there was an issue with why customers did not shop at the children's department. The reason the observation of behavior was initiated is due to Retailers 2 constant concern of understanding their customers. In other words, it was due to the company being more market oriented by nature that this type integration was done.

As the respondent explains, the observation strengthened a suspicion that there was a need for this department to change. However, what is interesting to observe is that the need for change was not expressed towards the company but neither was it a latent need among the customers, they were probably aware of why they did not shop at the children's department already. One could argue for that the needs of the customer were not expressed by the customer indicating that the customer integration was not reactive. If it was proactive customer integration it would mean that the attempt to try to understand the customers' needs was obliged and that the needs would be latent, which neither have to be the case. Thus, this represent the category of needs that might or might not be known for the customers but for some reason is not expressed towards the company without being prompted. It might be that the channels for communications of needs are not well established or that the inter-functional coordination of the company is not working as it should. If might as well be that the children's department was lacking some must-be attributes that were causing dissatisfaction. According to Gustafsson et al. (2011) must-be attributes in an offering are attributes that are expected of the customer. To conclude, latent needs could be found through observation of customer behavior but the company must also exclude that the observed need is not an expressed need as well or a must-be attribute. To rule out these two options the company could make sure to establish well-functioning channels for communications to and within the company, enabling the customer to express their needs. To rule out that the observed need is a must-be attribute the company should keep track of ongoing trends in the remote and competitive environment, affecting the standards of companies' offerings.

The survey that was conducted by the consultancy firm provides the company with information about the customers' needs that they both could have reacted to and worked proactively for fulfilling. Some of the questions, mainly those of the characteristic of being close-ended questions, provides the company with information about the expressed needs upon which the company can respond. The questions where the customers are free to comment the information was a bit different, there were signs of that some customers found it important to have gender neutral clothing, one need that was expressed but not acted upon. This would later show that the customer's became dissatisfied. Da Mota Pedrosa (2012) argues for that reactive customer

integration enables companies to receive information about customer needs which in turn, when acted upon, would create customer satisfaction, which was not realized in this case. The survey performed by the consultancy firm showed indication of that customers had an opinion about the gender division of children, this could have been something that the company could have worked proactively to satisfy a future need of their customers. As Sandén et al. (2006) mentions, proactive customer integration is of such kind that enables understanding of customers' latent needs but also the satisfaction of them. Here the company failed to satisfy this specific desire. Once more, as the respondent mentions, the results from the survey could have been combined with another survey or research about ongoing demographic trends to validate the result. This leads to that this round of customer integration only can be classified as reactive customer integration, without the combination with other methods.

The observation of the customer flow showed upon some difficulties for the customer resulting in customers being dissatisfied and leaving the department. Similarly to the gathering of POS-data about the women earlier in this case, the company had to investigate what the customers' needs were from the information of difficulties that they observed. Whether or not the needs can be considered as expressed, must-be attributes or latent it required the company to make an effort in both trying to understand and satisfy them. Once again, the reason for that the heat map was done was probably because of that the company was more market oriented.

The issue with the division of gender appeared again in social media, very many customers started commenting on the post that was made which made the respondent react. The reason why they could observe the complaints on social media is due to that the company is more market oriented. The customers would not provide the company with an insightful answer when not asking the direct question about if gender neutral were important. When asking the direct question the company noticed that there were two different base camps in the question; one that found it to be important to have a gender neutral department and one who did not. The customers who found it important to not separate the sexes were actually dissatisfied when The company put up signs which resulted in the complaints but their opinion were never made clear in the first survey, when not asking them directly about the issue. This indicates that this need could have been a must-be attribute for some of the customers, as Gustafsson et al. (2011) implies that needs of this sort is often not mentioned by customers when asked about attributes that would raise the quality.. The reason this survey was performed was as mentioned to validate the vague result that the earlier survey had shown. The respondent says that it would have been interesting to do a more qualitative research to know more about the underlying factors of the gender issue but that the means were limited. The respondent explains that even though one could see room for improvement, this type of customer integration was a better alternative in comparison with not integrating customers at all.

Market oriented companies use methods using proactive customer integration in order to generate knowledge co-creation and create long term value for the customers by satisfying both customers' expressed and latent or future needs (Narver and Slater, 1998). If companies only succeed in creating short term customer satisfaction when addressing customers' expressed needs and complaints the company risks of becoming customer-led which can be harmful as it

does not create competitive advantage (Narver and Slater, 1998). Today, Retailer 2 fills a unique need among customers and they have no direct competitor, however they have many competitors in the separate business units, especially with the rise of ecommerce. The need for having a proactive market orientation might not have been all that palpable. At this point Retailer 2 is not customer-led as they combine the occasions of reactive customer integration with some proactive techniques as well, which is important to maintain and maybe also emphasis in order if they want to avoid becoming customer-led.

CONCLUSION

The company used reactive customer integration, both when responding to the complaints of the customers and when creating a more gender neutral department. Retailer 2 integrated the customer through proactive customer integration at two occasions, both times by observing the customer behavior in order to understand their needs. The overall most influencing underlying factor to the choice of type of integration is that the company is market oriented and gets even more market oriented in the course of the development process. The reason for some specific methods of customer integration is to follow up an already performed survey or the method might be chosen because there was a lack of means to do it differently.

Idea generation	**Underlying factor**	**Execution orientation**	**Underlying factor**
To some extent proactive customer integration. Reactive customer integration.	More market oriented	Proactive customer integration. Reactive customer integration. Reactive customer integration.	More market oriented

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, USING **DIFFERENT ROLES OF THE CUSTOMER**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION PROCESS?

Mainly the customer was used in passive roles throughout the innovation process, with the customer being more active when identifying problems through social media without being prompted. Not using customers in more active roles is part in the company just being able to react to the information. The survey created by the consulting agency in the early phases was able to gather representative needs through asking them questions. However, the question mark regarding gender that was found in the open questions was not followed up, to figure out what view of the customer that was representative for the customer base. This highlights two important

issues with asking customers through surveys which are closely related to Blazevic and Lievens (2008) discussion about different customer roles;

1. If the correct question is not stated from the company, the passive user can´t give good guidance when trying to find the solution.
2. If the customer willingly gives information through open questions, acting as an active informant, there is no direct way to ensure that the specific customers view is representative for the total customer base.

By combining the information from the active informant that was gathered in the early phases with stating the exact question in the survey used in the later phases, the company was finally able to understand what the latent customer needs regarding gender was. The same thing can be said about combining the information from the active informant through social media with the passive representativeness of the survey to find the solution to the latent need of the bigger customer base. If the active informant had not stated its expressed need, the company might never ask questions regarding that subject and by that understanding that this was a general feel of the customer base.

CONCLUSION

The role of the customer in the idea-generating was generally passive since the communication was one-way, the aim was to get representativeness and the outcome was the expressed needs of the customer. This follows from the company´s market orientation moving towards being more proactive but that their ability of sensing the market is lacking. Day (1994) describes market sensing as the ability of the company to notice an emerging problem and trying to understand what this originates from. By not combining different roles of the customer in the idea generating phases, the company drew the wrong conclusion about the latent needs of the customer. As of now, the company is customer-led and is able to handle the expressed needs of the customer, but not the latent needs. By putting a bigger focus on customer insights with the introduction of the respondent role, the company was able to correct this afterwards by putting bigger focus on the SDL and moving closer to co-creating the experience with the customer.

Idea generation	Underlying factor	Execution orientation	Underlying factor
Passive user	More market oriented	Passive user Active informant	SDL

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, USING DIFFERENT **TYPES OF CUSTOMERS**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION

The company took very little notice of the type of customers that were chosen for integration. This was partly because that they lacked possibility of choosing the specific customers they wanted, especially for the first survey where the optimal solution had been to be able to identify the mothers who were customers at the store but not of the specific department. By identifying them, those customers could have been instrumental in identifying problems already in the early

phases of the project, instead of having to correct problems later on. Since the service developed in this case does not depend on a difficult technical solution, the user knowledge would have been the most important factor in being able to generate solutions in the idea-generating phases. As Schuhmacher and Kuester (2012) states, users that have a large dissatisfaction with existing services provide the ideas with the highest quality. If the company would have combined the eventual dissatisfaction of these customers with finding out who are regular visitors of the store, they could have used this information to choose who should be selected for more qualitative, co-creative interaction. By identifying mothers and using them in an active co-creational role in the idea-generating phases, the company could have been able to identify many problems that instead had to be reactively corrected in the execution-oriented phases.

CONCLUSION

Using the average user in the execution-oriented phases provides the company with the representability they are after, which makes it reasonable not to focus on the knowledge of the customer in these phases. Being in a position where the company feels that their position is unique and that the main objective is to keep the customer loyal, not differentiate versus the competition, reduces the importance of targeting non-costumers or low-end customers.

Idea generation	Underlying factor	Execution orientation	Underlying factor
Average	-	Average	-

HOW WAS THE CUSTOMER INTEGRATED IN DIFFERENT **PHASES OF THE INNOVATION PROCESS** AND *WHAT* IMPACT DID THAT HAVE ON THE OUTCOME?

The respondent describes that the problem with the integration in the early phases for generating solutions was that when using a survey, the company has to state a specific question to be able to gather the information they need. Oliviera and von Hippel (2011) state that using reactive methods to gather information are better than not using any methods of gathering information at all. The problem here however seems to be that the company would have had to state the exact question to be able to understand this specific need of the customer. What complicates this even more is the fact that it in this case was two divided camps with different views of how to structure the children's department. Not before stating the exact question in the customer integration that was performed in the later stages of the process, the company was able to come to this conclusion. This is because the customers who choose to share their opinion through open question can be seen as active informants as described by Blazevic and Lievens (2008). This means that they willingly share their view of the service, but also that they cannot be seen as a representative for a larger population. When many users answer specific questions on the initiation of the company, representativeness can be gathered and the problem is able to be solved.

The customer flow analysis was a quantitative way of analyzing the customer behavior and could therefore not be conducted before the actual launch of the department. By combining the passive observation of the customer together with the expressed needs of the customers through the survey, the company was able to generate a full picture of what the problem was and how to handle it. So, not before actually being able to study the behavior of the customer in the execution-oriented phases, the company was able to understanding what the customer wanted to experience.

SYNTHESIS

Type of customer integration				**Role of the customer**				**Type of customer**			
In idea-generating phases	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**	**In idea-generating phases**	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**	**In idea-generating phases**	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**
Reactive Proactive customer integration	More market oriented	Proactive Reactive customer integration	More market oriented	Passive user	More market oriented	Passive user Active informant	SDL	Average	-	Average	-

APOTEKET: THE MOBILE SOLUTION FOR PRESCRIPTION MEDICINES

This case description is based on information from one respondent. If nothing else is stated, the description of how and when the customer was integrated and the description of the company related and surrounding circumstances come from the first respondent, sometimes also referred to as *Respondent 1*.

SHORT DESCRIPTION OF CASE COMPANY

Company name: Apoteket AB

Business: Pharmaceuticals

Respondent's name: Henrik Tingwall

Respondent's title: Sales manager e-commerce and distance sales

SHORT DESCRIPTION OF PROJECT

Apoteket wanted to produce a service where customers could order prescription medicine with their cellphone or any other mobile unit, in order to improve the service for the customers and make it easier to access their prescription medicine. The result was a service where the customer can buy their prescription medicine online with e-legitimation or with other solutions for identifications online. Then the customer can have the medication sent to their home or get it at an authorized representative, if it is not heavy medication or have to be handled in certain ways, lastly the customer can also choose to collect it at one of Apoteket's stores.

DESCRIPTION OF HOW AND WHEN THE CUSTOMER WAS INTEGRATED

About ten years ago Apoteket developed ecommerce, and as the company then had monopoly the only objective was to increase the availability for the prescription medicine. For 3-4 years ago Apoteket started to notice that customers were not only using their webpage through computers but also through mobile devices such as tablets and cellphones.

The customer was integrated in various parts of the innovation process and also in various ways. The starting point of the whole project was, as mentioned, from an analysis of customer behavior through the digital channels using a tool called google analytics. They combined this finding with input from customers via the customer service who had asked why Apoteket did not offer the possibility to order prescription medicine through the cellphone. The respondent says that responding to what customers say through the customer service can be hazardous because it might be hard to understand if the view represents a larger population.

"It can be enough that three customers have the same problem and believe that it is so serious that they are thinking of going to Expressen or something similar to that. In that case, even an

organization as big as this one can get a bit stressed… … But it might be the case that it is in total three customers over all of Sweden, we cannot know that."

- Tingwall

That is why Apoteket relied on two different customer integration sources when initiating the project; so that they could feel more certain that using the cellphone to a larger extent was a specific need of a larger population of the customer base.

In the development phases, random customers were invited while visiting a pharmacy to take part in tests of the mobile solution. This was made in two different ways. Firstly by just showing a paper draft where the customers could point out suggestions. In a second test round, customers were invited to try the solution at the headquarters where it was developed. The respondent explains that mostly small, incremental changes were made after these tests from the suggestions of the customer. He also says that he prefers these kinds of tests in the development phase since they are fast and cheap.

"*These big investigations… in some ways you just do not manage those. It often gets pressured regarding time*"

- Tingwall

It is important for the company to get the product to market quickly and therefore, they feel it is better to launch and develop further after that then try to perfect everything in the idea generating phases and the development phases. The respondent mentions that he sees observation such as this as preferable to surveys when they are trying to develop a truly novel service, and that he would like Apoteket to have a general principle that they always incorporate methods for understanding the situation of the customer in the innovation process, and not only limit themselves to using surveys to get input from the customer.

After the launch, Apoteket analyzed the statistics of how the customers were using the service, which is something they generally do when they can get automatic information about the customer as they do through the digital channels. They also received feedback via the customer service department.

To sum it up, the customers were integrated at the following phases.

Phase 1 – Trying to get a hold what needs to be done	**Phase 2 – Built, develop a prototype, let the customer test**	**Phase 3 – Implementation, ongoing testing, iterative**
Observation of customer behavior by Google Analytics. + Customer views through customer service department	Letting the customers evaluate a paper draft of the new service. Testing and evaluation with customers.	Letting the customer test while sitting beside them (external company). Evaluation: Observation of customer behavior [ongoing].

DESCRIPTION OF ENVIRONMENTAL AND COMPANY RELATED CIRCUMSTANCES

Apoteket is an actor on a market that has some unique characteristics. Apoteket is still owned by the government but after the deregulation is run as any other stock company. Having been on a monopoly market, the Apoteket has earlier been able to work with big projects without the pressure of competitors dictating how to work. When the other actors entered the market, Apoteket had to find ways to compete and being close to the customer was seen as one way. The respondent sees the pharmaceutical market as being saturated. This is since the different actors all rely on the same type of products.

Apoteket have a spoken ambition of being ahead of the competition regarding work in the digital channels. They tend to start their work from some type of customer need, where they follow behavior, analyze purchase data or use NKI (customer satisfaction index) to see what they can do better as a company. The respondent believes that for finding out future needs, observation is the best way to do it and since Apoteket want to lead the market this becomes important. The respondent explains that Apoteket generally tries to integrate customers in different phases in different projects, and he believes that the best way of doing so is creating some kind of prototype.

The knowledge about the customer needs is combined with trying to keep track of trends on the market, both through personal observation from persons such as the respondent that are interested in keeping track, but they also have a department that are responsible for this. Apoteket also might choose to take a different path depending on what the competitors do;

"If, as example, a competitor have launched anything like this [the service], then it suddenly goes from us having an offering that is quite good to the customer not viewing it as particularly good at all. So it is kind of a race in that way".

- Tingwall

The respondent says that the basis for Apoteket´s operation is its quality, that they have products that are quality proofed, and that is the direction that the company starts from. Integrating the customers is therefore a result of the company trying to make sure that the products and services they offer are of good quality.

ANALYSIS OF UNDERLYING FACTORS

Less market oriented/**More market oriented**

According to the respondent, Apoteket tends to always start by trying to identify a customer need when developing a new product or service. By trying to use this knowledge in combination with gathering information about their environment and competitors, what the respondent calls the puzzle, they develop new offerings in accordance with the market need. This puzzle that the respondent calls it, resembles what Paswan et al. (2009) describes as market orientation; a company's ability to efficiently gather and use customer and competitor information and also to have well-functioning inter-functional coordination to allocate resources to enable creation of value by satisfying the customers' needs.

A company that is market oriented focuses on identifying, understanding and meeting customers' needs (Butler et al., 2014). As mentioned, Apoteket first try to identify the customer need in a potential new product or service and proceeds the development from that need. This indicates that the company is more market oriented. Apoteket uses NKI (customer satisfaction index) in such way that if it is decreasing the company is willing to makes a change. Day (1994) describes that when a company measures their performance in satisfied customers the company is typically market oriented.

Market oriented companies have more of a proactive approach with a focus on identifying and satisfying customers' latent needs are called market oriented (Narver and Slater, 1998). The respondent explains that Apoteket has an ambition of being ahead of their competition regarding the work in the digital channels. The company has also shown that they have no restrictions being a first mover, indicating that the company both have a proactive customer orientation as well as a proactive market orientation.

Low perceived risk or possibility**/High perceived risk or possibility**

Apoteket's proactive market orientation discloses the company's attitude towards risk. As the company do not hesitate to be a first mover when it comes to developing new offers but rather find it to be a competitive advantage this indicated that Apoteket is not risk avert. The respondent seems to have the same intentions for the company in the future as well as he intends to further develop services that competitors have caught up with to differentiate. As known, the attitude towards risk or possibility is something subjective and a company's attitude towards risk often lies with the board's perception of it (Paswan et al., 2009). Being the first mover has advantages as respondent one mentions but is has its disadvantages as well which increases the risk of the project. In the development of the project of the mobile solution for prescription medicines where the first mover disadvantages were for example: struggle with the pharmaceutical regulatory, technical solution, education of customers and acceptance among customers.

GDL**/SDL**

Apoteket generally tries to integrate the customers actively in their innovation processes. Even though the quality of the products are a main factor for them, starting from a customer need and making sure that the services are created together with the customer highlights the *customer as a valuable resource to the process*-thinking that Kuusisto, Kuusisto and Yli-Viitala

(2012) describes regarding SDL. The respondent also explains that they measure customer satisfaction over time by measuring customer satisfaction index. When companies have a SDL, they prioritize understanding the customer value over time (Lusch et al., 2007).

Low market maturity/**High market maturity**

Apoteket previously worked on a monopoly market, the mere definition of an unsaturated market. When competition was allowed, due to new regulations on the Swedish market, Apoteket saw an opportunity in using the digital channels to differentiate themselves towards their competitors, which goes in line with Christenson et als. (2002) description of how a company could act on a mature market. The innovation had to be completely new since the e-market for prescription medicine had not been opened yet due to no one exploring the possibilities of using the cellphone for this specific use.

CONCLUSION

MO	Perceived risk	GDL/SDL	Market maturity
More market oriented	High perceived risk or possibility	SDL	High market maturity

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, AIMING TO USE DIFFERENT **TYPES OF CUSTOMER INTEGRATION**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION PROCESS?

Apoteket is a company who is open with that they want to be ahead of their competitors regarding the digital channels. The project was initiated by a combination of listening to the customers through the customer service and noticing a change in customer behaviour from observing their preferences in what platform to use. The reason these two methods were combined was that the company was that the company wanted to be certain they understood the need of a representative amount of customers. In other words, by combining this type of integration with observation, Apoteket was however able to identify that what was an expressed need of some customers actually was a latent need in their average customer base. Sandén et al. (2006) further discuss the benefits of combining proactive and reactive customer integration in order to identify customers' latent needs in order to create value by both satisfying both expressed and latent needs. In this project, by combining the methods, the integration became proactive since latent needs of a larger population was understood because of the expressed needs of a few customers.

Apoteket continued to work proactively in the execution-oriented phases by trying to understand how the customers would use their solution. Since the solution was new to the customers, also in terms of the entire market, Apoteket put much emphasis in understanding how the customers would use it. The different ways of testing the concept resembles what Kristensson (2003) referrers to as make, where the customer is actively involved and expressing their needs

through experimenting. According to Kristensson, this is a better way of identifying latent needs of the customer. Since this is mainly associated with NPD, using it in concept testing where there is much focus on creating the technical and tangible characteristics of the service makes good sense. Later in the execution-oriented stages, Apoteket used reactive customer integration to make sure that the solution was well suited for the customer needs.

Da Mota Pedrosa (2012) describes proactive customer integration as when the company tries to identify and satisfy customer's latent or future needs. By proactively using customers in both the idea-generating phases and in the execution orientation phase Apoteket has succeeded in both identifying and satisfying customers' former latent and future need.

Market oriented companies use methods using proactive customer integration in order to generate knowledge co-creation and create long term value for the customers by satisfying both customers' expressed and latent or future needs (Narver and Slater, 1998). Market oriented companies use methods using proactive customer integration in order to generate knowledge co-creation and create long term value for the customers by satisfying both customers' expressed and latent or future needs (Narver and Slater, 1998). As Apoteket are considered to be more market oriented it is not hard to make the conclusion that customers were integrated through proactive customer integration in the idea-generating phases. This is also in accordance to how the respondent also describes that they try to identify the customer need in all of the offers that they develop.

As mentioned the company were first movers and that came with some first movers disadvantages and risks, both in the technical solution, in usage of the service, market acceptance and in whether or not is would be accepted due to the ruling regulations in pharmaceutical distribution. The respondent indicates that integrating the customer in the manner that they did is due to that they want to minimize the risk. Here is when the respondent talks about the iterative customer integration in this project:

"But then when you actually develop the service, I would like to say that you involve the customers as a part of the development itself, but you really try to enter the market with something that is real, but you do it in a risk minimalizing way… In the brick and mortar world you only pick one store so that you don't ruin everything if it would show that it was all wrong. Then you do a thorough follow-up. When we do things online we don't launch all at once but we test in smaller iterations. Then we also always have some kind of pilot trail before it goes totally live so to say"

- Tingwall (2015)

One could argue that the innovation was technology driven and that it was the availability of cell phones that drove the development. According to Paswan (2009) many NSD are technology driven. But we want to argue for that the development was rather driven by the change of customer behaviour that was enabled though technological progress, one thing that Apoteket had observed. However, either way, the service entailed technological aspects and two different approaches are discussed in the frame of reference. Narver and Slater (1990) and

Carbonell et al. (2009) believe that customer integration is beneficial for a company when the environment offers technology changes that might affect the company, as the customers can lead the way through the uncertainty. However, according to Jaworski and Kohli (1993) the need to integrating the customers becomes secondary when the technological environment is changing, this as they are not suitable to determine what new solutions the company can benefit from. Apoteket chose to integrate customers early on, which led to a successful observation of customer behavior and a suitable guidance in development.

CONCLUSION

The customers were integrated through proactive customer integration in both the idea generation and execution orientation phase. The most affecting underlying factor for using proactive customer integration in the idea-generating phases is considered to be that the customer is more market oriented and the reason for the chosen approach in the execution orientation phase is to minimize the risk due to a high perception of risk.

Idea generation	**Underlying factor**	**Execution orientation**	**Underlying factor**
Proactive customer integration	More market oriented	Proactive customer integration Reactive customer integration	High perceived risk or possibility

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, USING **DIFFERENT ROLES OF THE CUSTOMER**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION PROCESS?

The beginning of the project was a combination of using the passive user for observation and incorporating the view of active informants through the customer service. By doing this, Apoteket were able to both get a deeper understanding of the view of the customer while at the same time making sure the view was representative for the customer base by observing the virtual footsteps of the customer. As Blazevic and Lievens (2008) shows, this creates a position where the company is the primary solution-finder in the early idea-generating phases. By using the active informants only as problem identifiers and not for finding solutions, Apoteket handles the risk that Mannervik and Ramirez (2006) mentions; that the customer integration when listening to active informants could become reactive and only result in an incremental improvement to already created innovations.

Apoteket waits until later before using the customer for two-way communication. This is when they show them paper sketches of the proposed service; to make sure that the generated idea concept follows from a closer understanding of how the customer experiences the service, and also when they let customers test a developed solution in the cellphone. The customer could though not be seen as a bidirectional creator as Blazevic and Lievens (2008) describe them, since the knowledge of the customer is not taken into account. By not addressing the knowledge of the customer but instead choosing random customers from the customer base,

Apoteket are able to create small, incremental improvements of the developed concept. If customers with a higher knowledge would have been chosen, this customer integration could have led to larger improvements in the testing phase.

Apoteket´s market orientation shines through in the continuous use of the customer in various roles throughout the innovation process. Apoteket have an evident proactive approach towards the market where they have a large focus on having the lead in the development race. This steers them towards using the customer in a more active role when they have the chance, as opposed to how da Mota Pedrosa (2012) describes reactive customer integration where there is no active collaboration. By using methods such as observation and experimenting to understand the latent needs of the customer, Apoteket are able to let their market orientation steer the innovation process towards making more novel solutions. Apoteket also has a SDL which shows in that they are interested to try co-creating in the innovation process with the customer, and that they generally lay much weight in assessing the customers' perception of the services. As the respondent mentions, the co-creating customer integration in this project however seems to rather be to be able to correct mistakes then to create a longer lasting relationship. The respondent also mentions that the general motion of companies that he perceives towards getting the innovation faster to the development stages does not depend on wanting to develop the services more in co-creation with the customer. Instead, he argues that this is because there is a bigger emphasis on getting the services out to the public at a faster rate.

CONCLUSION

The customer was used in many different roles ranging from passive to active. This is because the market orientation of the company demands a close understanding of how the customer perceives the service while it is at the same time important to get the representativeness of the full market. Customers were able to co-create but this could not be concluded to be because of Apoteket specifically having a SDL, but instead was due to Apoteket having a high market orientation with a high need for trying to understand the customers' needs.

Idea generation	**Underlying factor**	**Execution orientation**	**Underlying factor**
Passive user Active informant Bidirectional creator	More market oriented	Passive user Active informant Bidirectional creator	More market oriented

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, USING DIFFERENT **TYPES OF CUSTOMERS**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION

There were not much consideration taken towards which customers that were integrated in the innovation process. The respondent says that he does not see it as that important if the customers that are chosen for testing are of a specific target group. Mainly this is because the competition pushes the companies into launching their services faster and faster. The respondent

is aware of this maybe not generating the best result, but believes that it is more important to have a fast innovation process then something that is totally correct before taking it further. As Olson and Bakke (2001) says, using a lead user could possibly have created an even better service earlier in the innovation process, but this is also seen by the authors as time consuming, something Apoteket seems to agree with. As lead users mainly are capable of creating ideas and solutions in the early phases and the company rather wants to lay an emphasis on the later stages, the average customer is chosen for integration. This also leads to not using customer integration as a way of creating a more long-term relationship with customers as having a SDL would imply.

However, without knowing it, it could be seen as that the company have used customers with lead user characteristics in the initial customer integration. According to von Hippel (1986), a lead user is someone who is in front of the market in understanding trends and is in some ways able to foresee the needs of the future. Schuhmacher and Kuester (2012) argue that lead users usually have dissatisfaction with the current service. This is also argued by Lüthje and Herstatt (2004) who says that there might be a mismatch between what the company is offering and what the customer would like out of them. The active informants that let the company knew that they wanted to be able to order prescriptions through their cellphone could be said to possess the above mentioned characteristics and could therefore be seen as ccustomers with lead user characteristics. As Sanden et al. (2006) explains the big issue about lead users is to be able to identify those that are truly able to predict the average customers' future need. This is also touched upon by the respondent who says that listening to active informants could be tricky, since it is hard to know if their opinion is representative. By combining the information from customer service with observation of behavior, the company was able to identify that the opinion of the active informant might be valuable and was able to react upon that. The integration of customers with lead user characteristics could therefore not be seen as chosen because of the underlying factors; instead it was a result of using proactive customer integration in the early phases of the innovation process.

The respondent says that the customers that were used for collaboration in the idea-generating and the execution-oriented phases were able to point out small incremental improvements. By being more deliberate in choosing customers who have a high user experience of using the technology there is a good chance that the customer could have given better and more defined feedback and this could have created a better starting point for the further development.

CONCLUSION

Apoteket used customers with lead user characteristics early in the innovation process, even though it might not have been a deliberate decision. This was made possible by the combining of different integration techniques, leading to proactive customer integration. This was mainly because they were looking for opportunities from a customer insight view because of the high maturity on the market. Apoteket did not choose to integrate any specific type of customers after that.

Idea generation	Underlying factor	Execution orientation	Underlying factor
Lead user Average customer	High market maturity	Average customer	-

HOW WAS THE CUSTOMER INTEGRATED IN DIFFERENT **PHASES OF THE INNOVATION PROCESS** AND *WHAT* IMPACT DID THAT HAVE ON THE OUTCOME?

The project was initiated with customer integration and this was a result of the company being proactive towards the customer and them trying to identify the latent needs of the customers. Since the solution to the identified need would be something totally new to the customers, Apoteket choose not to integrate the customer for generating solutions but instead generated the idea all the way to the concept building before integrating the customer again. This correlates with Edvardsson et al. (2006) argument that the customer will have a difficulty of thinking of an innovation that can answer a need. Though, Sandén et al. (2004) argues that customers are able to generate novel ideas when experimenting. So for Apoteket to be able to incorporate the customer in the idea generation, they first had to get the process far enough that they had something to give the customer to experiment with. Asking the customer about how to create the solution for the need would probably have been of no use. Magnusson (2009) argues that a lead user could have both stated the problem and found a solution for it. The lead user however needs both high user and technical knowledge which is not possible in this case where the solution is relatively radical and there is nothing similar out on the market.

Incorporating the customer early in the execution-oriented phases through testing goes in line with the company´s proactive approach towards the customer. Also, as the respondent states, Apoteket like to take the service to the market as fast as they can because of the competitive environment. This creates a situation where they choose a fast and cheap solution in the development stages whereas a deeper investigation of the customer experience is performed after the service is launched.

SYNTHESIS

Type of customer integration				Role of the customer				Type of customer			
In idea-generating phases	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**	**In idea-generating phases**	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**	**In idea-generating phases**	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**
Proactive customer integration	More market oriented	Proactive customer integration Reactive customer integration	High perceived risk or possibility	Passive user Active informant Bidirectional creator	More market oriented	Passive user Active informant Bidirectional creator	More market oriented	Lead user Average customer	High market maturity	Average customer	-

INTERSPORT: THE ECOMMERCE PLATFORM

This case description is based on information from one respondent. If nothing else is stated, the description of how and when the customer was integrated and the description of the company related and surrounding circumstances come from the respondent.

SHORT DESCRIPTION OF CASE COMPANY

Company´s name: Intersport

Business: Sports gear and clothing

Respondent's name: Daniel Anvell

Respondent's title: COO

SHORT DESCRIPTION OF PROJECT

Intersport had launched a platform for ecommerce earlier which was seen as a benchmark-project IT-wise. Following a change in management, customer surveys were sent out to investigate how customers felt about the platform. Many negative answers led to the decision to build a new ecommerce-platform from scratch. Over a five month period, the platform was developed and launched where the development process was divided into sprints. The result was a success, earning Intersport the recognition of having the e-commerce platform of the year.

DESCRIPTION OF HOW AND WHEN THE CUSTOMER WAS INTEGRATED

The project was initiated by letting external firms perform investigating surveys and interviews, to understand how the customers felt about the existing ecommerce platform. Results indicated that the platform gave an unclear impression and lacked usability. The surveys and interviews was not solution oriented but simply used for understanding the existing situation. Intersport quickly drew findings and guidelines from the material which they could use for the further idea development. Most of the idea generating was made in-house and was based on wider strategic goals that the company had set up after changing their management not long before the initiation of the platform. The respondent says that they did not choose to integrate the customer directly in the idea-generating phases. Instead they created reference groups with people inside the office, and other groups containing store managers. The store managers were asked about the opinions of the customers. The reason for not integrating the customer directly was said to be time pressure, the project were supposed to be done within five months. The respondent states that he has integrated customer in the early phases before when working with other companies and that they would probably have chosen to use a reference group of consumers if time was not a factor. He says that the main positive factors he sees by doing this is

being able to see if what the company is doing is good or bad. But he also adds that he sees problems with integrating the customer early in the process;

"I often tell the story about ecological food. It is something that many states that they want if asked, but they [the customers] are not always willing to pay for it. And that's where you have to find tools for seeing if it really is something that you [as a company] should do. And that's hard sometimes."

- Anvell

Intersport chose to launch the ecommerce platform quickly, after reaching what the respondent calls a level of hygiene of the service. In the view of the respondent, not before the customer has something to experiment with, they are able to identify problems with the solution. The customers are important when approaching the details but now when creating the concept. The respondent believes that when working in retail, it is more important to get your services quickly to the market because the rapid changes of customer behavior and needs. By getting the services launched quickly and then continuously developing the service, the company is able to follow the customer depending on where they are going. Therefore, after implementation a continuous work with developing the service is done. A/B-tests are performed where the customers randomly are able to see different versions. The result of these tests are measured against chosen key performance indicators (KPI) where the company can see which version generates the most clicks, buying decisions etc. Complaints from customers via customer service are placed in what the respondent calls an "administration-box" which the company then prioritizes on the basis of the importance of the change. This is often done from common sense, but sometimes regular complaints are matched with analysis of customer behavior using google analytics. The behavior analysis can be such things as how long customers stay at webpages, if this leads to them actually buying and where customers close down the webpage. A-/B-tests can also be used to experiment on these questions. Results are measured in whether the complaints to the customer service about the subject get fewer or not.

Phase 1 – Initiation	**Phase 2 – Fortifying the chosen direction**	**Phase 3 – Launch and development**
Customer survey for generating understanding about the subject.	-	Performs A-/B-tests with randomly chosen customers. Connects customer service complaints with analytics of behaviour through google analytics.

DESCRIPTION OF ENVIRONMENTAL AND COMPANY RELATED CIRCUMSTANCES

Intersport has gone through major changes in management over the past 7-8 years. The company had an ambition in moving from a franchise company into a centrally owned company. This was an ongoing process in the middle of the first decade of this century, but a shortage of money to be able to buy the stores from the existing franchise owners created a

situation where the strategy had be reversed. This led to a change in management and direction. The new management, which the respondent is part of, chose to create a new strategy direction with six prioritizations, including such things as a focus on omnichannel, strengthening the offering and making the structure of the company simpler. The main goal was to strengthen the position as the Swedish leader of store chains focusing on sports. This included differentiating in their offer in comparison to their competitors on the market, by not focusing on sports fashion and not trying to compete by prize structure. Intersport does not want to try to compete with prizes but instead put much emphasis on the human capital inside the firm. Also found in the previously discussed survey was that the customers see Intersport as a very strong brand. Their customers come to the store to buy strong labels not caring to much about the cost of the products. Compared to competitors, Intersport has high average purchases but lower conversion rate.

The respondent puts much emphasis on that the digital channels should not be seen as something separate from other channels of the company but instead every channel is just one more way to sell the products, kind of in the same way that the customer regards all channels as just one more way to learn more and/or purchase the products. He also states that discussions about buzzwords as the concept of omnichannel retailing comes once in a while. The respondent find it important to not discuss it because it is a buzzword but to see it for what it really is; a change in the customer preferences when it comes to the purchasing process.

"At the end of the day, it is about selling. It can be good to name stuff, but in some way it is about selling and these changes [omnichannel] happen now and then… … it gets unnecessary attention in my opinion. 94 % of [market of sporting goods] sales still go through the stores. But it is important from a purchasing decision perspective."

- Anvell

According to the respondent, there is a culture inside the company of being keen about handling the customers, although this might not have been as evident when Intersport fought with their management issues. The respondent also adds that the company has not been good enough at incorporating the need of the customer when creating the assortment, but instead suppliers have been able to promote their most important lines in the store regardless whether this was something the customer specifically wanted. Intersport have no clear ambition to push the development of the market in areas besides those that are close to the customers, meaning the actual retailing is where it is most important to understand the future needs of the customers. In areas that are more process-driven, it is more important to reach a hygiene factor and that everything goes smoothly from a business perspective.

The respondent describes that the industry that many retailers are active in is exposed to a lot of changes which especially affects the way they work with development. In accordance to the company's flexible attitude when it comes to coping with this turbulence is having a flexible and iterative development process with shorter idea generation and planning phase.

"…We are working in retail, we are here and now. We lose out every day we don´t do anything. We don´t sit here administrating, we need to be quick and it´s not super important that everything is exactly right [when launching]."

- Anvell

The company has recently launched a beta version from *Virtual stores*. The service includes having a tablet in the store where the customer can go online to order and buy clothes from Intersport's assortment. This is a so called endless aisle solution as this service is supposed to create the perception of a greater assortment than what the brick and mortar stores have in store. This project was initiated with that a sales person from Virtual stores came to the company with the service and as the company had a hole to fill in there offered customer journey they decided to try it. The company has the possibility to form the service as they want, right now they are discussing how payment should be done.

"How do you like to pay in one of these stations? Do you want to tap in your in a personal payment information in a public computer? We don't think so. Other surveys shows that the customer don't want to do so either. But now we have reconciled with the owner [of store with the beta version] and he tells us that it would be very good if the customer could make an order directly in the station without using an accompanying application. So okay, the customer believes that the current solution is too much of a hassle, that was something new. What's left to do is to try and see. It is in this way that we build a concept"

- Anvell

Besides reconciling with the store owner of the store where Intersport try the beta version of the service by Virtual stores, they perform interviews with customers in store. To try to quantify the result the company uses surveys with customer in store. However the respondent admits that these surveys has not been put together in a structured manner and they often lack the possibility for open answers as it is hard to compile and therefore conclude anything. The questions asked in interviews and surveys are results of hypothesis generated from within the company, but always with the customer benefit in mind.

"… then of course we base a lot of the questions on our gut feeling, some call it common sense"

- Anvell

ANALYSIS OF UNDERLYING FACTORS

Less market oriented/More market oriented

A market oriented company focuses on identifying, understanding and satisfying customers' needs (2014). Even though the respondent expresses that the company always try to start the development of a service from a customer benefit, the evaluation of the customer benefit is

often made by the employees themselves and not by customers, therefore the company cannot be classified as being market oriented. One could argue that the employees are consumers themselves and could therefore play the role of role of the customer, there are however no existing literature that grants the fact that the employees might be bias. For example, although employees hold valuable information about the company's internal processes at the same time as they are consumers and could therefore generate more reasonable solutions. Customers often are more innovative in their ideas and can provide the company with objective feedback.

Furthermore, Paswan et al. (2009) describes as market orientation as a company's ability to efficiently gather and use customer and competitor information and also to have well-functioning inter-functional coordination to allocate resources to enable creation of value by satisfying the customers' needs. Although the company works so some extent, the company cannot be considered to be prominent within all dimensions. Despite the company using their inter-functional coordination for communicating customer information in a well-functioning way, this information is mostly information about customer's expressed needs. According to Butler et al. (2014) companies with high market orientation has a close and long-term relationship with their customers which makes it easier for these companies to identify and understand customers' latent needs. Which cannot be said to describe Intersport's relationship to their customers.

Instead, due to what the respondent explains as a highly turbulent market, the company uses a more agile approach when developing new services.

Low perceived risk or possibility/High perceived risk or possibility

The respondent does not mention risk as an influencing factor when talking about what has been the reason for integrating customers in different ways. However, the respondent puts great emphasis on the uncertainty when launching the service and the inability to predict customers' needs in a turbulent environment caused by unpredictable changes in the customers' purchase behavior. According to Paswan et al. (2009) highly turbulent markets and high degree of perceived environmental uncertainty is also associated with higher risk or possibility and this perception of the risk depends on the attitude among the managers of the company. Even though market turbulence is discussed, the respondents' perception of risk is never mentioned. One could therefore conclude that even though the respondent is highly aware of the environmental uncertainty he does not perceive this as a threat but rather as an opportunity for change.

According to Paswan (2009) many NSD are technology driven. This is something that the respondent has perceived as being the case for their market as well.

"Right now it is so driven by technical changes; there are way more technical solutions than business cases."

- Anvell

The uncertainty of market acceptance the launch of the ecommerce platform can be considered to be low in comparison to the uncertainty of market acceptance of the service by Virtual stores. The differences in how these two services related to the turbulent environment and technological uncertainty might have been the reason for this. During the early stages of the development of the ecommerce platform, so called sprints, the customer was never integrated. However, customers were integrated already during the beta version of the development of the service by Virtual stores, indicating that the uncertainty and risk of unacceptance might have been higher for the latter project.

GDL/SDL

When management set out their new strategic direction, focus was on strengthening different parts of the organization. Getting a closer relationship to the customer was not part of this, but instead more focus was turned inside-out, on assortment and employees. The respondent also sees omnichannel not as a way to get closer to the customer, but instead chooses to see it from an inside-out perspective where the company can sell their assortment in more ways. Intersport therefore sees the customer as a receiver of value which goes in line with Barret et als. (2015) description of a company with a GDL.

Low market maturity/High market maturity

The respondent discusses differentiating towards customers regarding assortment, but not through providing the customers with the opportunity of shopping through digital channels. Since just 6 % of sales go through the ecommerce platform, this is mainly seen as a tool for marketing and building brand and not as much as a way to differentiate towards customers. As Christensen et al. (2002) state, there are markets were companies' tries to develop complex and costly services which only creates value for the higher end segment of users. Here instead the company is fine with getting a decent service to market that every segment can use. Stating that a hygiene level at launch is enough shows that the attributes of the ecommerce platform are not created to be attractive for the customer, but only to reach a must-be level as showed in the Kano model (Gustafsson et al., 2011).

MO	Percieved risk	GDL/SDL	Market maturity
Less market oriented	Low perceived risk or possibility	SDL	Low market maturity

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, AIMING TO USE DIFFERENT **TYPES OF CUSTOMER INTEGRATION**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION PROCESS?

Da Mota Pedrosa (2012) describes reactive customer integration as when a company receive information about customers' expressed needs which in turn, when acted upon, create customer satisfaction. This was the type of integration that was used both when the project was initiated and when the new ecommerce platform was launched. As Sanden et al. (2006) states, reactive customer integration could be useful when the purpose is to map the customer's

attitude towards an existing service, which is the case in this project. One could easily understand that Intersport chose not to integrate customers through proactive customer since they did not feel that the customer should be part of the solution finding, and also since the main purpose was strengthening the offering, not changing it because of the future needs of the customers. Intersport chooses to launch the service rapidly after it having reached a level of hygiene, as the respondent calls it, or a so called minimum valuable product (MVP). After that, incremental adaptions to needs of the customers were made. Once again, using reactive customer integration in every iteration.

Intersport being low market orientated contributes to the way that customers are integrated because of that since the company is not constantly focused on the market they are not able to foresee on how their customers would interact with the final characteristics of the service. Thus, reactive customer integration is necessary, in this case after each iteration of the agile development process. How Intersport keeps a responsive approach towards their customers influences the type of integration by often leading them to choose reactive customer integration when integrating the customers, this is in accordance to what da Mota Pedrosa (2012) says about companies having a responsive customer orientation; Companies that keep a responsive approach to their customers' needs can be considered using reactive customer integration. However, as mentioned, reactive customer integration at single occasions can be useful when the purpose is to map the customer's attitude towards an existing service (Sanden et al., 2006).

The respondent describes how there are much going on within technological development that could somehow affect their business, this has resulted in that there are more technical solutions than business cases as he puts it. Therefore, the respondent explains that they must see customer benefit in the services that the launches. This customer benefit is often evaluated by the employees themselves and the customer is rarely integrated in early stages of the development process to assess a new solution. However, Intersport try to make sure to use a flexible development process instead, as with the development with Virtual stores, making both the idea generation and execution orientation phases shorter in order to rapidly getting feedback as they prefer having the process iterates from reactive customer integration.

Narver and Slater (1990) and Carbonell et al. (2009) believe that customer integration is beneficial for a company when the environment offers technology changes that might affect the company, as the customers can lead the way through the uncertainty. However, according to Jaworski and Kohli (1993) the need to integrate the customers becomes secondary when the technological environment is changing, this as they are not suitable to determine what new solutions the company can benefit from. According to the agile way that Intersport operates accordingly to both theories, the customers provides them with guidance early on in the development process but at the same time they do not let customers decide them in what solutions are suitable and not as they integrating customers is of secondary interest.

Moreover, Slater and Narver (1998) believe that when a market is highly dynamic and turbulent the generative learning with customers becomes of higher importance. The agile development processes that Intersport uses are very contributing on the generative learning for Intersport.

However, as their market orientation is perceived as low and as they have no established long-term learning activities with their customers they do not reinsure their competitive position through the integration of customers. Narver and Slater (1998) explains; Market oriented

companies who are engaged in long-term learning activities are able to modify their offers based on the learnings to maintain a strong competitive position even during uncertainty on the market.

CONCLUSION

The customers were initially integrated through reactive customer integration. However, during the idea-generating phases when deciding on different configurations, features and general concepts the customer was never integrated. The reason being that the company is less market oriented and has a low perceived risk of unacceptance of the new ecommerce platform while the general perceived risk or possibility does not influence that much. The customer was then integrated in different iterations through reactive customer integration, once again the reason being that the company is less market oriented.

Idea generation	**Underlying factor**	**Execution orientation**	**Underlying factor**
Reactive customer integration	Less market oriented Low perceived risk or possibility	Reactive customer integration	Less market oriented

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, USING **DIFFERENT ROLES OF THE CUSTOMER**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION PROCESS?

The company generally chose to include the customers in passive roles, either from using them as passive form fillers in the initiation phase or in a slightly more active role in the development/implementation-phases. Using the customer as a form filler is because of the company creating a new application which means that no observation of behavior in the old application can be done. The company is not willing to integrate the customer in a co-creational role because of them feeling that they have that knowledge inside the company. The respondent feels that the customer might say something but do another in the actual purchase situation. With a SDL, the customer should be seen as a resource with underlying skills that the company can act upon (Paswan et al., 2009). Since this is not the case, Intersport is guided by a GDL where they see themselves as delivering value to the customer.

When the service is ready to be launched, the company sees good use in observation of the customer behavior. By combining the observation of customer behavior with the information from the customer in an active informant role, the company is able to understand what needs of the customer to prioritize when developing the service further. It can also be seen as that the customer was used in a passive role as an active informant to the store managers who

forwarded the information from the customers to the developers. However, it is hard to know exactly what type of needs that was identified by the store managers, and how the information was transmitted from the customers to the store managers.

Using the customers passively can be seen as a result of the common GDL of the retailer, which Intersport is an example of. The GDL results in a combination of the company not believing the customer is able to state what they actually want in the future, since they believe that the customer needs might change quickly, and that the company feels that they are not good enough in co-creating value together with the customer through methods such as focus groups. This leads to them instead choosing other ways of getting the customer knowledge through the use of secondary sources, such as the store managers and external companies. As Narver and Slater (1998) conclude, a company who strives for a higher market orientation should add methods for trying to understand the latent needs of the customer. The market orientation however has a greater impact in the execution-oriented stages where it is important for Intersport to constantly change the service after the changing customer behavior, but still does not use the customer in a collaborative role.

CONCLUSION

Intersport is mainly interested in using the customers in passive roles for feedback of what they so far have created in the innovation process, or as a resource in understanding what solutions the company can create by themselves. Having a GDL creates a situation where Intersport is not interested in using customers as bidirectional creators.

Idea generation	**Underlying factor**	**Execution orientation**	**Underlying factor**
Passive user	GDL	Active informant Passive user	Less market oriented GDL

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, USING DIFFERENT **TYPES OF CUSTOMERS**, *WHY* DID THEY DO SO AND *WHAT IMPACT* DID THAT HAVE ON THE OUTCOME OF THE INNOVATION

When integrating the customer in the innovation process in various ways, the company does not seem to have paid much attention to which customers that were chosen for integration. Since the customer was mainly used for feedback of the developed service, the company sees it as more important to get representativeness and therefore chooses the average customer by for example randomizing the output in the A- and B-testes. Since Intersport sees the digital channels as of way of developing their existing sales and feel that they can deliver value by creating functional digital innovations, the market they see themselves as operating on is by no means seen as mature. The attractive attributes of the offering as Gustafsson et al. (2011) discusses are not yet expected of the customers, and Intersport can therefore rely on not developing novel or disruptive innovations. In this case, the average customer can be used to state their concerns

which will be enough to create a functional innovation; this is especially true if the setting is familiar for the customer (Sandén et al., 2006).

In the idea concept generation, the respondent talks about the company choosing to integrate store managers, in-house respondents and using external help instead of the actual end customer. Choosing to use in-house respondents is partly because the company sees the management and head office as end consumers as well, which means that they both have user knowledge and also an understanding of the technical and business aspects of the idea generation that they don´t feel that the regular end consumer has. These respondents can therefore in some way be seen as lead users, but not as customers.

CONCLUSION

As Intersport is not creating the service for differentiation, and they see no value in co-creating with the customers, they pay no specific attention to the knowledge of the customer.

Idea generation	Underlying factor	Execution orientation	Underlying factor
Average customer	-	Average customer	-

HOW WAS THE CUSTOMER INTEGRATED IN DIFFERENT **PHASES OF THE INNOVATION PROCESS** AND *WHAT* IMPACT DID THAT HAVE ON THE OUTCOME?

The company chose not to integrate the customers to a great extent in the idea generating phases, because of it being seen as time consuming. Early in the idea-generating phases, they used the customer for problem identifying similar to how Havener and Thorpe (1994) believe the customer should be handled in the early phases. Being afraid of listening to the customer in fear that the customer cannot state what their actual action would be, the later stages of the idea-generating phases is the sole responsibility of the company. This follows by the company not using the customer as a bidirectional creator which is the only way the customer is able to be part of the solution-finding, according to Blazevic and Lievens (2008). As Sanden et al. (2004) shows, the customers can create more novel ideas but these might be of less use to the company. Since Intersport does not feel the need to create a genuinely novel innovation, but instead wants something that reaches a hygiene factor, not using the customer for generating solutions is reasonable. Intersport put a bigger emphasis at integrating the customers in various ways in the execution-oriented phases and enhanced the possibility to do so by getting the service quickly to launch. This leads to the implementation phase and the development phase being just one phase, as a result of the characteristics of a service.

SYNTHESIS

Type of customer integration				Role of the customer				Type of customer			
In idea-generating phases	Contributing underlying factor	In execution-oriented stages	Contributing underlying factor	In idea-generating phases	Contributing underlying factor	In execution-oriented stages	Contributing underlying factor	In idea-generating phases	Contributing underlying factor	In execution-oriented stages	Contributing underlying factor

Reactive customer integration	Less market oriented Low perceived risk or possibility	Reactive customer integration	Less market oriented	Passive user	GDL	Active informant Passive user	Less market oriented GDL	Average customer	-	Average customer	-

TOP-TOY: THE CLICK AND COLLECT SOLUTION

This case description is based on information from two different respondents. If nothing else is stated, the description of how and when the customer was integrated and the description of the company related and surrounding circumstances come from the first respondent, sometimes also referred to as *Respondent 1*. Information from the other respondent is clarified through referring to *Respondent 2*.

SHORT DESCRIPTION OF CASE COMPANY

Company's name: TOP-TOY A/S, Denmark, filial Sweden

Brands and licenses: BR Leksaker and TOYS R' US

Business: Toys

First respondent's name: Jonas von Bahr

First respondent's title: Regional Sales Manager (prev. Omnichannel, Sales and Service Manager)

Second respondent's name: Jacob Borup

Second respondent's title: CRM and Omnichannel Development Manager

SHORT DESCRIPTION OF PROJECT

The service that was developed was a so called "click and collect"-service where the consumer can order toys online to pick them up at any store. The development of this service was initiated as the company had an ambition to develop their omnichannel retailing, blurring out the borders between the respective store's different channels which Respondent 1 believes is a consumer criteria, to raise the customer satisfaction. Today click and collect has been implemented in the stores and is running smoothly, however the company has experienced some differences with the acceptance of the service among their consumers between the different countries where the service has been launched, where the acceptance for the service has been lower in Sweden than for example Denmark. Respondent 2 says that the initiation of the project was largely due to the company wanting to catch up in the omnichannel development.

DESCRIPTION OF HOW AND WHEN THE CUSTOMER WAS INTEGRATED

The project was initiated from an inspiration from other actors on the omnichannel market, especially on the American and English market where Respondent 2 believes that the companies have come further in the omnichannel development. The click-n-collect solution has been around for many years, so this was a new-to-the-company innovation. The technical solution was built in-house, and no customer integration was done in the phases before launch. According to Respondent 2, this was mainly because TOP-TOY thought that they had a strong

business case and that the risk was seen as small since the solution was known to the market. Respondent 2 says that companies such as Walmart have shown that these solutions should bring 20 % of customers that buys online to collect their purchase in store.

The project team was made up with technical developers and other people that respondent 1 was unsure of which role they had. The development process was flexible, where changes were made from feedback from the user and end-user. There was a deadline for the first delivery of the service. Respondent 1 mentions that this type of process was probably chosen to enable the service to ensure that it was adaptable and fulfills the right functions that the consumer wishes to have. The time or the risk was not considered as factors to the deadline, but the respondent believes that it was there because all projects needs a deadline.

Respondent 1's role at the time was omnichannel, sales and service-manager and was therefore responsible for the implementation in all of TOP-TOYS Swedish stores, his role included informing and educating the shop staff and also to receive feedback from them. Respondent 1 entails that some stores are better than others in receiving changes and also giving feedback. The respondent remembers that some store managers gave him feedback about the service that he then informed the development team with, resulting in that the service click and collect changed in the second iteration of development. Respondent 1 believes that the store managers functions in two roles, both as responsible for the stores but also responsible for understanding the customers role in using the service. Additionally, Respondent 2 mentions that the company observes data about the customers, such as the ratio of how many users that chooses to collect their items in the store. The result of those measurements was part in deeming the service as successful.

Initiation of project	**Implementation and ongoing/iterative development.**
-	Customer feedback from stores to the respondent and further delivered to the development team for improvement. Observation of purchase data

DESCRIPTION OF ENVIRONMENTAL AND COMPANY RELATED CIRCUMSTANCES

TOP-TOY's businesses involve the affiliates BR Leksaker, which is a family owned business from Denmark, and the license for the brand TOYS R' US. The stores of TOYS R' US are larger and are often located a bit further from city centers while the stores of BR Leksaker are smaller and can be find in the centers. TOYS R' US has a larger assortment of toys and has slightly lower prices than BR Leksaker while BR Leksaker focuses on being closer to the customer and having personal service. Respondent 1 believes that he reason customers return the TOP-TOY's stores is brand awareness. Both stores have differences between customer and consumer, where the consumer can be considered to be parents or grandparents who often are those who buy the toys and

experience the interface of services related to purchasing and distribution. The customers on the other hand are children, where the target customers' ages differ between the stores. The respondent adds that TOP-TOY tries to address the children in the stores and focus on their needs. The respondent also mentions that he believes that the reason that consumers shop at TOP-TOYS stores is due to brand awareness, where the location and brand communication through the stores location is considered as a factor. The reason that their consumers also shop at their stores online, Respondent 1 believes, is thanks to that consumers remember their brands from earlier exposure of them.

There are mainly three different ways for consumers to complain and leave feedback to the company; the customer service that can be reached via email and telephone and the customer can also leave their opinions in store. The respondent explains that such cases mostly concern the store and can therefore be handled and solved at the store level.

TOP-TOY's competitive environment consist of some large players, these larger companies do however only distribute toys online respectively in brick and mortar stores. The toy industry is not the most mature business for distribution and communication online. This was something that TOP-TOY got to experience back in the 90's when they tried to launch an online store without success. The company's largest competitor Lekmer has only one physical store that they established last year. This makes TOP-TOY the only player in Sweden that has multiple channels and that has started to invest in omnichannel retailing. When it comes to the development of services towards omnichannel retailing the respondent finds it hard to compare TOP-TOY to competitors as there is no Swedish retailer in their business that has the prerequisites for developing such services. The respondent adds that the developing team most probably look at other companies within other businesses to find suitable solutions.

Respondent 1 says that the company are aware of the changes in the remote environment concerning the changes in customers purchasing behaviour and Respondent 1 is sure that this was something that is considered when developing services, for example in the development of click and collect. Respondent 2 says that choosing to integrate customers or not often depends on the risk assessment that is done. Respondent 1 describes how countries like the United Kingdom and the United States are far ahead in the development of services to obtain omnichannel retailing. The respondent continues with mentioning that he himself in his own role often think about himself as a consumer and can therefore obtain a critical view of the external environmental surveys that he studies but also when he talks to consumers. He wants to say that TOP-TOY therefore tries to find the complete solution for a service that is optimal for the consumers without it being over developed. Respondent 1 also mentions that he believes TOP-TOY generally tries to work in an agile way when developing new services.

Respondent 1 provides some information about an unsuccessful launch of a former version of a web shop during the 1990s. A web shop was launched once more in the middle of the first decade of this millennium with a more successful outcome. Respondent 1, who were not an employee at the company back then can only provide us with his analysis of the matter. He

believes that Top-Toy´s customers were not ready for such a service and describes how the toy industry was not the most mature industry online.

"To be well in advance is not always good timing"

- Von Bahr

ANALYSIS OF UNDERLYING FACTORS

Less market oriented/More market oriented

Respondent 2 describes how Top-Toy for this service used inspiration from the United Kingdom and the United States in the development of omnichannel retailing, as companies in these countries are way ahead in the development of solutions for the seamless customer experience. Given this example in efforts to sense the market, at this moment TOP-TOY rather relies on ongoing trends than relying on the change in customers' behavior causing this change. According to Butler et al. (2014) a company that is market oriented focuses on identifying, understanding and meeting customers' needs. Thus, given how Butler et al. (2014) describes market oriented companies, TOP-TOY is not market oriented but rather has it focus on existing solutions in the industry as they have no ambition to "reinvent the wheel".

One might argue that TOP-TOYs focus on changes in the environment, such as the need for omnichannel retailing, leads the company to have high market orientation. This is however not the case. Paswan et al. (2009) describes as market orientation as a company's ability to efficiently gather and use customer and competitor information and also to have well-functioning inter-functional coordination to allocate resources to enable creation of value by satisfying the customers' needs. As the company is not prominent in all three dimensions, the company is not considered to have a high market orientation. Furthermore, market oriented companies have more of a proactive approach with a focus on identifying and satisfying customers' latent needs (Narver and Slater, 1998). Even though the company has introduced solutions that are new to the company and might therefore be proactive towards their customers' needs they do not keep a general proactive approach towards the market.

Even though we have limted information on the matter, we know that TOP-TOY back during the 1990s tried to launch a web shop without any further success. About ten years later a web shop was launched again, which has been successful. As this was before Respondent 1's time at the company he can only provide us with his analysis of the matter. Respondent 1 believes that the unsuccessful launch of the web shop back in the 1990s was due to bad timing and he underlines the fact that the toy industry was not the most mature business online back then. This implicates that being a first mover, even if only in your own business, can have disadvantages. Respondent 1 believes that when the web shop was re-launched, the market was ready for such a service. Even though we are unaware of the effort made to sense the market we find it fair to say that the company's market sensing abilities can be considered to be somewhat restricted. As Day (1994) describes it; market sensing is a company's capability in awareness of trends and changes

on the market which describes whether the company is good at both collecting information about customer needs and also acting on it.

As mentioned, instead of having high focus towards the market TOP-TOY rather has the focus on recognition of their brand and on having a great assortment and low prices at the TOYS R' US stores and on being close to the customers and personalized service at each BR Leksaker store.

Low perceived risk or possibility/High perceived risk or possibility

As Paswan et al. (2009) claim the risk or possibility is in the perception of the board and their attitude towards risk can make them act differently from other companies in the same environment. When asked about the risk, Respondent 2 says that the risk of a specific project most certainly has an impact on how a customer is integrated. For example Respondent 2 describes how they integrated customers earlier in the development process by asking them about changes that would occur when developing services of the new BR customer club. Their general perception of the risk caused by turbulence in the environment related to the trends of omnichannel retailing can be considered to be low as both respondents seem to be aware of what needs to be done to cope with these changes.

GDL/SDL

TOP-TOY's approach to the consumer differs between the two stores. As Respondent 1 explains, in the stores of BR Leksaker they try to make sure to be closer to the customer and are aiming for personalized service. The TOYS R' US stores focuses on having a great assortment and generally low prices. The respondent further explains that consumer and customers are two different things in their case and how they focus on the customer, the children, to be a store that satisfies the need of them. The respondent explains that when it comes to delivery, payment and interaction with TOP-TOYS different channels it is the consumer that takes part. This creates a situation where the company might lean more towards SDL when designing the stores for the actual customers, but are leaning towards a SDL when creating services that are directed towards the consumers of the service. Lusch and Vargo (2004) say that leaning towards SDL means seeing the customer as an operand resource. By dividing the customer into two, the consumer (the parent) becomes an operand of the customer (the child), which leads to the company not actively seeking to create value with the customer.

Moreover, when it comes to the investments they have done in service development within omnichannel retailing, the respondent explains that it is mostly for the consumers' sake, for creating a better shopping experience. When talking about what he believes makes the customers come to TOP-TOY, Respondent 1 says it is probably because the location of the stores and the strong brand name.

Low market maturity/High market maturity

TOP-TOY have a position where the competition is low, since they are able to combine the brick-and-mortar store with the online experience, something no large competitor on the Nordic

market does to the same extent. The market for the created service can therefore be seen as low, and not in need of Christensen et als. (2002) differentiation measures.

MO	Perceived risk	GDL/SDL	Market maturity
Less market oriented	Low perceived risk or possibility	GDL	Low market maturity

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, AIMING TO USE DIFFERENT *TYPES OF CUSTOMER INTEGRATION*, **WHY** DID THEY DO SO AND **WHAT IMPACT** DID THAT HAVE ON THE OUTCOME OF THE INNOVATION PROCESS?

The customers were not at all integrated in the idea-generating phases in this service development. The customer integration in this project took part in the later, execution oriented phase by transferring the voice of the customers via the store manager to Respondent 1, the sales manager of Sweden, who took the matter further to the development team and made changes to iteration 2. Respondent 2 describes how they observed the purchasing data online to know how much the traffic to the brick and mortar stores had increased, upon which they could see that the implementation of the service had been successful, even though there were higher acceptances in some of the countries than others. This type of integration can mainly be considered as reactive customer integration as the company clearly reacts to the expressed needs of the integration. The observation of purchase data was rather a validation of that the service could be considered as successful and did not contribute to the identification of a customer need. Da Mota Pedrosa (2012) describes reactive customer integration as when customer initiates the knowledge co-creation through making their expressed needs apparent for the company, upon which the company can react. The company is considered to be less market oriented due to the lack of efforts in constantly understanding their customers and not being prominent in all dimensions of market orientation. Companies that keep a responsive approach to their customers' needs can be considered using reactive customer integration as according to da Mota Pedrosa (2012).

Less market oriented companies is less focused on identifying, understanding and meeting customers' needs (Butler et al., 2014). A company that uses the responsive approach to customers' needs is restricted to handling problems and exploiting possibilities in the short term (Narver and Slater, 1998). On the other hand, companies that are not market oriented might be able to create more radical innovations, since they are more separated from the customer and not as locked in to the customers' assumptions of how the service should be. The ambition of creating a radical innovation was not expressed by any of the two respondents. Respondent 2 rather describes the service to only be new to the company. Therefore this cannot be considered as the reason to why customers' were not integrated in the idea-generating phases.

The company admits that the risk is an influencing factor in how they chose to integrate customers. As for this particular project the risk was perceived as low according to Respondent 2. As he explained they took inspiration from an existing service that Walmart had developed, therefore they had a strong business case as the respondent puts it. In other words, the risk of low

acceptance of the service among their customers was not considered to be high as they were not first movers. The general low perceived risk and the low risk for unacceptance can be considered to be the influencing underlying factor in this project that makes the company not integrate customers at all in the idea-generating phases. This as in earlier cases, when the risk of unacceptance was considered to be higher the customers were integrated in earlier stages of the development process.

CONCLUSION

Both that the company is considered as less market oriented and that they perceived the risk for this project as low are underlying factors to why the company chose to not integrate customers in the idea-generating phases. The assessment of the company as being less market oriented has a greater impact on the customers being integrated through reactive customer integration during the execution oriented phase.

Idea generation	**Underlying factor**	**Execution orientation**	**Underlying factor**
-	Less market oriented Low perceived risk or possibility	Reactive customer integration	Less market oriented

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, USING DIFFERENT *ROLES OF THE CUSTOMER*, **WHY** DID THEY DO SO AND **WHAT IMPACT** DID THAT HAVE ON THE OUTCOME OF THE INNOVATION PROCESS?

The customer was only integrated in the later stages as a passive user through observation of customer behavior and as an active informant for feedback of how the service had been through observation of behavior after the implementation. This can be seen more as a result of the possibilities of big data giving the company easy access to the data, and not a deliberate decision to integrate customers to understand them. As many of the other retailers in this study, TOP-TOY chooses to use the store managers for gathering customer information and relies on them understanding the customers' perception of the service. This since the store managers are a channel for the customers to give their feedback as active informants. Since active informants are not representative on their own (Blazevic and Lievens, 2008), the store managers acts as the source that decides whether the information is representative for a larger mass or if it is an individual opinion. As Blazevic and Lievens (2008) describe, the active informant is a form of reactive integration and the customer predominantly wants to let their voices heard. The company therefore has to rely on the customer firstly using the service and secondly wanting to let their voices be heard. By leaning towards a GDL, the company is not predominantly interested in understanding the customers' perception of the service, but instead is happy if the reaction to their value offering is good enough for them to use. This puts the customers in the position of only being a passive receiver of created value, not the co-creator of value that Barrett et al. (2015) says SDL should imply.

CONCLUSION

TOP-TOY uses their technical solution and employees inside stores, but does not try to actively integrate customers to get a better understanding of their perception of the service. Where customer integration actually takes place, in the execution-oriented phases, this can be seen as a result of the companies GDL.

Idea generation	Underlying factor	Execution orientation	Underlying factor
-	Type of integration	Passive user Active informant	GDL

HOW DID THE RETAILER CONFIGURE THE INNOVATION PROCESS, USING DIFFERENT *TYPES OF CUSTOMERS*, **WHY** DID THEY DO SO AND **WHAT IMPACT** DID THAT HAVE ON THE OUTCOME OF THE INNOVATION

TOP-TOY uses the average customer for integration throughout the innovation process. The observation is done to show representativeness and the active informants become representative through the store managers trying to perceive the general need of the customers. Respondent 2 says that these kinds of solutions are common on the market, and the process is mainly about catching up. However, what he does not know is if TOP-TOY´s own customers will perceive the service in the same way that the companies on for example the American market would. Edvardsson et al. (2012) talks about separating knowledge into technological knowledge and user knowledge. Since the technical characteristics of the service will not meet the customer to a great extent, the user experience would have been the only factor to consider if TOP-TOY would have liked to integrate a specific type of customer. By only wanting to be reactive towards customers and aiming to understand the representative view of how the service is perceived, this becomes rather unnecessary and therefore a customer with no specific kind of knowledge is chosen. TOP-TOY instead relies on the greater understanding of the service of the store managers who adds both a contextual understanding of the deliverance of the service and a customer view of how it is experienced. Although not as evident as in the case of MQ, it can be seen as TOP-TOY uses lead users. Not in the form of customers but instead the store managers. The end-customer perception of the service is therefore seen as less important, following the GDL of the company.

CONCLUSION

The average customer is used for understanding the customer perception of the service after it has been launched. This is a result of the company wanting to be reactive towards the customers.

Idea generation	Underlying factor	Execution orientation	Underlying factor
-	-	Average customer	-

HOW WAS THE CUSTOMER INTEGRATED IN DIFFERENT PHASES OF THE INNOVATION PROCESS AND **WHAT IMPACT** DID THAT HAVE ON THE OUTCOME?

The timing of the integration in this project was largely dependent on having a service that the customers could use, and the risk assessment made by the company. Alam (2006) says that customer involvement could speed up the process if the ideas come from the customer. In this case, the initiation comes from a market perspective which makes this view of customer integration redundant. Instead the company chose to observe and listen to the customers, although not to a large extent, in the execution-oriented phases. This is done to make sure that the service has reached market acceptance and is continuously evaluated precisely as Edvardsson and Tronvoll (2013) describes.

Da Mota Pedrosa (2012) and Blazevic and Lievens (2008) believe there this no use for an integration in the development phase that is not about co-creation, which leads to Blazevic and Lievens (2008) drawing the conclusion that the passive user or the active informant is of value in these phases. By launching the service quickly and using iterative development, TOP-TOY creates a situation where they have a two-way communication with the customer, by simultaneously observing and listening to them.

SYNTHESIS

Type of customer integration				**Role of the customer**				**Type of customer**			
In idea-generating phases	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**	**In idea-generating phases**	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**	**In idea-generating phases**	**Contributing underlying factor**	**In execution-oriented stages**	**Contributing underlying factor**
-	Less market oriented Low perceived risk or possibility	Reactive customer integration	Less market oriented	-	Type of integration	Passive user Active informant	GDL	-	-	Average customer	-