Service Quality Dimensions in an Online Context
- A Perspective Comparison of Service Recovery

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“Every company’s greatest assets are its customers, because without customers there is no company”

Michael LeBoeuf, Author of: How to Win Customers and Keep Them for Life
Abstract

Service quality and service recovery has been found to play a significant role in customer satisfaction and future purchase intentions. Many studies have been conducted on how to manage either the company perspective or customer perspective of these two concepts. Using the findings from five qualitative company interviews and three customer focus groups, this study addresses the purpose “to identify similarities and differences between the company and customer perspectives of service recovery in a quality system online”. The research identifies how companies in the service industry work with their websites and customer service as a tool for service quality and recovery. The company perspective is then compared to identified customer preferences in order to find similarities and differences that needs to be improved. The qualitative surveys are based on six dimensions of two existing models for service quality and service recovery online and the findings show similarities in all six dimensions, as well as several differences.

Keywords: Service quality, service recovery, customer expectations, customer satisfaction, customer preferences, customer relationships, E-S-Qual, E-RecS-Qual, brand image, word of mouth
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“Employee roles have changed from ‘doing what I am told by the manager’ to ‘doing what I am told by the customer’.”
(Grönfeldt and Strother 2006)

1 Introduction

This chapter provides the background and research problem for this study. It highlights the importance of online retailers (henceforth e-tailer) delivering service quality in an online environment. A lack of delivered quality may lead to a service failure and it is up to the service provider to restore the customer’s satisfaction, preferably by providing a successful service recovery. There are also two perspectives when it comes to service recovery in an online context; the e-tailer and the customer. It is therefore important that companies understand customer’s preferences in an online context when it comes to service quality and service recovery. It also describes what beneficial outcomes there can be for an e-tailer when understanding customer’s expectations. The chapter concludes with the purpose and research question of this study.

Online shopping is steadily increasing within Sweden and many companies are today operating in a virtual context (Svensk distanshandel 2011). During the past years the daily Internet users has increased in numbers and over 90% of the Swedish population uses Internet on a daily basis (TNS Sifo AB 2010). It has been found that women in the age of 16-44 are the ones that have the highest activity online and their most common interest is to shop clothes (Findahl 2011). Internet shopping has evolved and gives the customer an opportunity to buy products at their own convenience, without any interaction from the service provider of the website (Meuter, et al. 2000).

Online shopping is one type of e-service that companies can provide their customers. Offering e-services makes them a part of the service process and also its outcome (Lovelock and Wirtz 2010). The customers play an important role in an e-service context since they are seen as both the receiver and producer (Grönfeldt and Strother 2006) and how the online retailer manages their e-service can be a critical aspect in order to gain competitive advantage (Lovelock and Wirtz 2010). However, gaining competitive advantages are hard on Internet today since customers do not have the same preference online as they do offline. These preferences could also be hard to fulfill, usually due to mismatches in perceived service.
quality (Holloway, Wang and Turner 2005). Although, service quality is a subject term and Grönroos (2007) states that it is what the customer perceives it to be. It is therefore important that the e-tailer do not promise a certain level of quality and then fail to deliver it. But since an e-service also involves customers as a part of the process, a failure can also be the customer’s own fault. Nevertheless, is it hard to avoid that mistakes happens when it comes to online shopping (Lovelock and Wirtz 2010). But in the end it does not matter who is responsible for a failure, it is up to the e-tailer to repair it. They need to use any necessary action in order to return a customer who has experienced a service failure to a state of satisfaction (Harris, Mohr and Bernhardt 2006).

Service recovery is describing a company’s effort to correct a problem following from a service failure (Grönroos 2007). Performing service recovery is also a way to create and restore customer satisfaction (Lovelock and Wirtz 2010). Service recovery does also emphasize the value of satisfied customers rather than the cost of the recovery (Hart, Heskett and Sasser 1990). Depending on how well a service recovery is performed, the online shoppers satisfaction may become higher or lower (Buttle and Burton 2002). It is therefore important for an e-tailer to be aware of that a service recovery may not be the same online as it is offline (Holloway and Beatty 2003). One difference is that the online shoppers’ interactions are through a computer screen and not in real life, which makes it easier for misunderstandings (Holloway and Beatty 2003). This as body gestures and other human factors cannot be seen (Kruger, et al. 2005). In previous studies it has been confirmed that a service recovery is harder to perform in an online context due to the lack of human interactions. (Holloway and Beatty 2003). Even though a service recovery is harder to perform in an online context, to create satisfaction it is of high importance that e-tailers survey about what their customers expects and wants if a failure happens (Harris, et al. 2006).

1.2 Problem discussion

As mentioned earlier service quality is an important factor within an online context according to Zeithaml, Parasuraman and Malhotra (2002). This as it contributes to the overall experience for the customer and in turn it affects how the customers perceive the company and whether or not they will purchase and repurchase (Shankara, Smith and Rangaswamy 2003). At the same time the customer is vulnerable in many ways towards the company when purchasing online. Even if the website looks serious and professional the customer can never be sure of its trustworthiness. Previous studies have shown that customers worry about the
security when making transactions online (Burke 2002). Customers are exposed when making such transactions since they share personal information and risk economical loss if the other party is unable to fulfill their part of the exchange. The products are in addition only shown in pictures and cannot be touched or inspected before the actual delivery (Grönroos 2007). The expectations of the quality can therefore be higher than the verity and receiving the product can result in disappointment (Solomon, et al. 2009).

A disappointed customer can in turn become a vulnerability for the company since it decreases the satisfaction level and possible purchases (Lovelock and Wirtz 2010). Companies are exposed online since the competition is high (Anderson and Srinivasan 2003) and it is easier for the customer to switch service provider (Armstrong, et al. 2009). The accessibility of Internet today has made it easier to compete and create commodities, which increases the need for companies to capture and maintain the customers’ attention. It has also been shown in previous studies that customers’ turns were they are best served, and therefore it is even more important to meet expectations online (Overby and Lee 2006).

Though, it is difficult for e-tailers to know what expectations and preferences customers have in an online environment (Zhou, Lu and Wang 2009). This becomes a problem especially when the company has a certain point of view that may not consist with the customers’. According to Grönroos (2007) companies are changing from an exchange perspective were the product and production is in focus to a relationship perspective. However, the question is whether or not this way of thinking is consistent with the customer preferences in the online context. An inconsistency would mean that the companies focus on the wrong perspective and risk losing both money and customers (Bitner 1995). This as it makes the satisfaction decrease and the customer to switch to another e-tailer (Overby and Lee 2006), which in turn means monetary losses for the company.

The primary tools to interact with customers online are the website and customer service of the company. These can be seen as quality systems were all parts contribute to the image of the company (Grönroos 2007). The image affects how the customer perceives the overall quality of the company and the decision to purchase or not (Grönroos 2007). It can also help building and maintaining the relationship between the customer and company (Lovelock and Wirtz 2010). It is though harder to build relationships online than offline (Liang and Chen 2009), mainly due to the lack of social presence, which makes both parties unable to see and interpret each other’s body language (Gefen and Straub 2003; Walsh, et al. 2010; Mukherjee
and Nath 2007). The company cannot meet the customer the same way as they do offline, since their only communication tools are e-mail and telephone (Tyrrell and Woods 2004). Therefore it is important that an online retailer is able to find ways to communicate with their customers in order to gain knowledge about what makes them satisfied (Battor and Battor 2010; Mukherjee and Nath 2007). Also to identify existing preferences and expectations, so it can be used as advantages in building trust and maintain relationships (Wang and Head 2007). This in turn helps increasing satisfaction and future purchases.

The relationship and satisfaction can though be destroyed by a quality failure, which can also prevent the customer from coming back (Turel, Yuan and Connelly 2008). A failure also makes the customer powerless towards the e-tailer since they cannot decide how the company chooses to recover the failure. The customer can only make the e-tailer aware of the problem. The power that the company possesses in a failure situation must therefore be handled in the right way in order to restore the relationship and get the customer to repurchase (Sousa and Voss 2009). However, previous studies have shown that customers rarely hand in complaints, which puts the company in a complicated position. This as it reduces the chance to win back the customer satisfaction and at the same time gain valuable information on how to improve the quality systems (Holloway and Beatty 2003). It also obstructs the process of getting knowledge about customers’ preferences, expectations and satisfactions, which could help the company to deliver successful service recovery (Harris, et al. 2006).

When it comes to service quality and service recovery previous studies focus on the company (Harris, Mohr and Bernhardt 2006; Holloway and Beatty 2003; Smith, Bolton and Wagner 1999) or the customer perspective (Ranganathan and Ganapathy 2002; Overby and Lee 2006; Burke 2002). A need to compare the two perspectives can therefore be argued. This as it could provide advantageous information on how to improve the service recovery process in quality systems online.
1.3 Purpose
The purpose of this study is to identify similarities and differences between the company and customer perspectives of service recovery in a quality system online.

1.4 Research Questions
- How do companies work with service recovery in a quality system online?
- How do customers want companies to work with service recovery in a quality system online?
- What similarities and differences can be identified between the two perspectives?
2 Theory

For this study a literature review was conducted and the first theory was service marketing. This concept focuses on the new relational perspective, which integrates the customer as a co-producer of service. Relationships with customers are crucial and they are nowadays a part of the service process. The second theory is moving into an online context and explains how customer relationships are harder to build online. It furthermore describes how important it is that an online retailer meets its customer’s expectations in order to make them satisfied. It describes the importance for an online retailer to communicate with its customers and be able to make the service more personal and tailored. The third theory concerns service quality online, a theory emphasizing that perceptions and expectations are different online and how important trust is in relation to delivering service quality. Customer satisfaction, customer preferences and brand image are the fourth-sixth theories in the review. These theories are describing what positive and negative outcomes these concepts have for an online retailer if the customers’ demands may not be fulfilled. The final theory is service recovery which highlights the importance of knowing how customers react and what they perceive a good service recovery to be.

2.1 Service marketing

For a long time, marketing has been seen to focus on the exchange of value, as the way a company plan conduct and enable the exchange of products with money (Grönroos 1998). This is though an old perspective where the customer is the recipient of goods and marketers segment, penetrate, distribute and promote to the customer (Vargo and Lusch, Evolving to a new dominant logic for marketing 2004). The new perspective of marketing is the relational marketing (Grönroos 2007), or service marketing where the customer is a co-producer of service. This view argues that marketing is a process of doing things in interaction with the customer (Vargo and Lusch 2008) and a central part is to see the consumption as a process rather than an transactional outcome (Grönroos 1998). “This means more than simply being consumer oriented; it means collaborating with and learning from customers and being adaptive to their individual and dynamic needs” (Vargo and Lusch 2004, p. 6) In other words is the traditional perspective of service marketing that service is a good that one gets in exchange for money (Vargo and Lusch 2008). However, when it comes to services there is no such product and therefore the marketing becomes different. This since no ready-made or pre-produced product is available (Grönroos 1998). Therefore the new perspective argues that service is a process where the customer is the co-producer (Vargo and Lusch 2008).
When consuming services, the customer is to a larger or smaller degree a part of the producing process which leads to an outcome for the customer; the service outcome. The consumption of the service process is itself a critical part of the service experience (Grönroos 1998). As companies are changing from this product- or brand-centric marketing to a relational-central approach, the importance of customer relationships is hardly questioned (Khalifa and Shen 2009). Relationship building becomes essential not only to marketing, but to the company as a whole. The ultimate goal is to satisfy the customer and all employees are service providers that have to work towards this goal (Vargo and Lusch 2004). This new research tradition also aims at developing a deeper understanding of the marketing function, based on the customer relations that in fact exist (Grönroos 1989). If the service provider knows the customer’s preferences and has a tailored service to suit customer needs over time, switching cost to another service provider increases. This makes it more likely that the customer will stay loyal to the first company (Bitner 1995).

The hallmarks of a service-centred view are interactivity, integration, customization and co-production, and it focuses on the customer and the relationship (Vargo and Lusch 2004). The relationship perspective is quite natural in service marketing as every company that has a service always will be in some contact with its customers (Grönroos 1998). As mentioned before the service-centred view implies that the goal is to customize offerings, to recognize that the customer is always a co-producer, and to strive to maximize the customer involvement in the customization. This to be able to fit the customer’s needs in the best way possible (Vargo and Lusch 2004).

2.2 Customer Relationships online

Today markets are moving from transactional to relationship economies and every customer forms a latent relationship with the seller, a relationship that should be developed and maintained by the company (Grönroos 2007). Lovelock and Wirtz (2010) describe relationships as a long-term link between the company and customer that gives mutual benefits for both parties and Grönroos (2007) also says that relationships has to be earned, which can be made by delivering service that meet the customer’s expectations. However, it has been argued that as companies grow larger and moves from offline to online environments, maintaining meaningful relationships become a significant challenge (Lovelock and Wirtz 2010).
Customer satisfaction, trust and perceived switching costs work together to have a profound effect on customer relationships (Wang and Head 2007; Gustafsson, Johnson and Roos 2005) and companies need to understand and continuously work on these factors. Communication is one way of creating trust by customers (Mukherjee and Nath 2007; Turel, Yuan and Connelly 2008; Gefen and Straub 2003) and has also been found to play a critical role in building relationships overall (Liang and Chen 2009). According to Mukherjee and Nath (2007) customers expect high quality when it comes to response and information, openness, feedback and speed in response from an online retailer. Therefore when communicating with customers, it is important to use a two-way-communication (Liang and Chen 2009; Turel, Yuan and Connelly 2008; Harris, Mohr and Bernhardt 2006). Toll-free numbers and e-mail are tools that can be used to communicate with customers and to raise the trustworthiness of a website (Gefen and Straub 2003; Mukherjee and Nath 2007; Liang and Chen 2009; Turel, Yuan and Connelly 2008) and as Harris, Mohr and Bernhardt (2006) argue; it should be easy for the customer to contact the company. This in turn will lead to a value-exchange for the company who gets the opportunity to gain information about customer needs and wants (Battor and Battor 2010; Liang and Chen 2009) and at the same time it prevents the customer from getting a negative picture about the company (Mukherjee and Nath 2007).

Creating customer relationships in an online environment is a demanding task according to Walsh et al. (2010), mainly because of the lack of personal interaction between employees and customers. In this absence of physical interaction, how trust can be gained from customers has become a central issue when it comes to managing customer relations online (Mukherjee and Nath 2007). Jackson (2007) further argue that personalization is not about delivering communication, but to provide various types of communication at the right time and place for the customer, meaning the type of information that the customer is ready for at the time. Lee and Lin (2005) agree and adds the importance of protecting the customers privacy, since personalization should not be intrusive. Even though it might be hard to know how to use personalization, the benefits that comes out of the process is among the most important factors to companies when it comes to acquiring, develop and retaining customers according to Jackson (2007). He further argues that the benefits are of a qualitative, rather than quantitative, nature and mention increased customer loyalty and lowered costs. Mukherjee and Nath (2007) also state that personalization significantly impact the relationship benefit and argue that a positive personalized and customized two-way-
communication can help companies a lot when creating a trust-based customer relationship. Jackson (2007) adds that the use of personalization has grown at a phenomenal rate and Liang and Chen (2009) says that personalized information are important drivers for upgraded purchases, premium payment and cross buying.

To manage customer relationships some companies are using CRM-systems (customer relationship management systems). There is perhaps no common definition of CRM (Foss, Stone and Ekinci 2008), but Payne and Frow (2005) defines it as a technology tool providing information about the customer to help the company to better understand the customer; which requires a cross-functional integration between different processes in the company such as people, operations and marketing capabilities (Payne and Frow 2005). However, the commonly accepted belief is that CRM strives to improve customer relationships and loyalty (Mandic 2011). As also can be seen the customer is the focus in CRM (Foss, Stone and Ekinci 2008; Battor and Battor 2010; Mandic 2011) and the most common outcomes mentioned in the literature are customer satisfaction (Battor and Battor 2010; Khalifa and Shen 2009; Srinivasan and Moorman 2005), loyalty (Jackson 2007; Mandic 2011; Liang and Chen 2009) and trust (Mukherjee and Nath 2007; Wang and Head 2007; Turel, Yuan and Connelly 2008; Gefen and Straub 2003). The most important factors to manage from the company perspective when using CRM systems are communication (Battor and Battor 2010; Harris, Mohr and Bernhardt 2006) and personalization/human interaction (Jackson 2007; Khalifa and Shen 2009; Mukherjee and Nath 2007; Wang and Head 2007; Lee and Lin 2005; Liang and Chen 2009; Turel, Yuan and Connelly 2008; Walsh, et al. 2010; Gefen and Straub 2003).

2.3 The image of the brand
A brand can be divided in to either product brand or corporate brands (Hatch and Schultz 2008). A corporate brand stresses the importance of values (De Chernatony, McDonald and Wallace 2011) and consumers often look for brands with an image to convey or match their own needs, values and lifestyles (De Chernatony 2011; Solomon, et al. 2009). A brand often has clear and defined image that customers are attracted to and buying from that brand makes them want to connect themselves with the image of that particular brand and company. (Solomon, et al. 2009). Brand image is according to Hatch and Schultz (2008) how the external stakeholders perceive the company. Kapferer (2008) further discuss that brand image lies on the receiver’s side and that the image refers to in which way certain groups perceive a product, a brand or a company. These groups decide the image based upon how they decode
signals projecting from products, services and communication covered by the brand. The image can thus be the result made by the public after decoding all the various brand messages (Kapferer 2008).

When it comes to service companies’ image is a central role in customer’s perception of service quality (Grönroos 2007). The image should be seen as an asset to the company because it has an impact on customer’s perception of communication and operations (Grönroos 2007). A favorable image enhances the service experience whereas a bad image may tear it down. Therefore, managing image in service companies is a vital part in developing the service offering. Marketing communications such as websites on Internet enhance and can to some extent form images (Grönroos 2007). Further on De Chernatony, McDonald and Wallace (2011) discuss that the way of working with the brand is the same on Internet as offline, only how the brand is presented is different.

However, brands operating online have to work hard to create a successful brand image that manifests into customer preferences for the brand (Sääksjärvi and Samiee 2011). Da Silva and Syed Aiwi (2008) identified the most prominent attributes that are influencing image in an online context; personalization, ease of use, security and customer service. The most affecting attribute was personalization which indicates that building relationships is vital online and that customers are co-creators of corporate brands in an online context (Da Silva and Syed Aiwi 2008).

2.4 Service Quality Online

Service quality is what customer perceives it to be and that companies need to define quality in the same way customers do (Grönroos 2007). Lovelock and Wirtz (2010 p. 406) defines it as “consistently meeting or exceeding the customer's expectations”. Good perceived quality will therefore be obtained when the experienced quality meet the expectations of the customer (Grönroos 2007). Mitra and Fay (2010) says expectations play a significant role in determining customer perceptions and satisfaction, but that the tangible signals of service quality that are available to brick-and-mortar retailers (location, store appearance etc.) are not available online. Tate and Evermann (2010) agrees by stating that the differences between online and offline services may be much greater than is usually acknowledge. Zeithaml, Parasuraman and Malhotra (2002) adds that expectations are not as well formed in electronic service quality (e-SQ) as in the offline environment and is backed by Holloway and Beatty
(2003) who also state that the expectations vary depending on the level of experience the customer has in online shopping.

A common used tool for measuring service quality is SERVQUAL (Tate and Evermann 2010), a model that measure tangibles, reliability, responsiveness, assurance and empathy (Parasuraman, Zeithaml and Berry, SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality 1988). However Tate and Evermann (2010) argue that the model is created for offline environments and suggest three other dimensions that can be used to measure service quality in an online context; perceived usefulness (the outcomes from the interaction), perceived ease of use, and trust. The reason why Tate and Evermann (2010) do not recommend to use SERVQUAL is that offline and online environments differ too much. SERVQUAL focuses on the service providers characteristics and neglect the customers role. But in an online context the customer is active and affects the outcome and thus becomes more worthy of attention (Tate and Evermann 2010). Because of the critique and development of the Internet, Parasuraman, Zeithaml and Malhotra (2005) created a new model, called E-S-QUAL (see appendix 1). This model was ment to offer a scale for measuring service quality delivered on websites online and consisted of the four areas of efficiency, fulfillment, system availability and privacy (Parasuraman, Zeithaml and Malhotra 2005). One important dimension of e-SQ that can be seen is therefore the web site design (Lee and Lin 2005). According to Zeithaml, Parasuraman and Malhotra (2002) evidence exist that service quality delivered through websites is an essential strategy to success and Liang and Chen (2009) argue that a highly interactive website is helpful for collecting customer opinions and complaints. However E-S-QUAL tried to measure service recovery situations, which were not possible if the customers had not experienced a service failure and therefore the model was divided into two (Parasuraman, Zeithaml and Malhotra 2005). The second model was called E-RecS-Qual and was made to be a measurement scale for service recovery situations that occurs online. As can be seen in appendix 1 the model consist of the three areas responsiveness, contact and compensation. These three variables can help measuring the quality of a website’s response when the customer experiences questions or a failure (Parasuraman, Zeithaml and Malhotra 2005).

Lee and Lin (2005) says a website should be readable, visually appealing and tidy and Walsh et al. (2010) further argue that social presence such as warmth and sociability is desirable. Holloway and Beatty (2003) want the opportunity for complaining to be made as easily as possible by toll-free numbers, e-mail addresses and real-time chatrooms since problem solving
is the strongest satisfaction factor after a purchase (Khalifa and Shen 2009). Mukherjee and Nath (2007) also stresses the importance of privacy and security online and to make sure the payment options do not have any loopholes when it comes to security. This as consumers consider security to be the key issue when making an online purchase (Mukherjee and Nath 2007). Personalization is also one important dimension of the website (Lee and Lin 2005). A straightforward communication will increase the level of trust and satisfaction by the customer (Turel, Yuan and Connelly 2008).

Trust has been defined as the confidence in an exchange partner’s reliability and integrity (Palmatier, et al. 2006). It is a contributing factor of e-service performance according to Lee and Lin (2005) who further argues that it has been identified as a key driver of perceived service quality and customer satisfaction. Service quality is in turn explained by Liang and Chen (2009) as a key driver for building lasting customer relationships. Mukherjee and Nath (2007) says that a trusting customer gives positive word of mouth and that trust have a significant influence on customers further purchase intentions which is also strengthened by Gefen and Straub (2003), Turel, Yuan and Connelly (2008) and Lee and Lin (2005). In a research by Turel, Yuan and Connelly (2008) it was also showned that trusting customers had signifially higher intentions to reuse a service than custmers with lower trust in the service provider.

As can be seen by this, trust is important for companies and according to Lee and Lin (2005) it is also a significant predictor of overall service quality. When it comes to an online environment e-tailers should improve dimensions of reliability, such as capability of delivering products as promised, providing up-to-date and accurate information and strengthen the security of online transactions (Lee and Lin 2005). This in order to enhance customer satisfaction and purchase intentions.

2.5 Customer Satisfaction

It is important for an organization to know what the customers think of its service (Grönfeldt and Strother 2006). Therefore does Solomon et al. (2009) and Smith, Bolton and Wagner (1999), empathize the importance of managing expectations. Thus, according to Anderson and Srinivasan (2003) to remain competitive, firms must continuously work at enhancing perceived value for customers to discourage their switching to competitors (Armstrong, et al. 2009). Moreover regarding to Solomon et al. (2009) if the service or product happens to exceed our expectations, consumers will be satisfied and pleased. There are various
definitions of satisfaction in the literature and Olivier (2010) defines it as “the customer’s fulfillment response, it is a judgment that a product/service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or overfulfillment”. Solomon et al. (2009) further on says that consumer satisfaction is determined by the overall feelings, or attitude, a person has about a product after it has been purchased. Other author’s (Lovelock and Wirtz 2011; Armstrong, et al. 2009) express that consumer satisfaction is an attitude-like judgment following from a consumption of service, that customers have a certain predicted service level in mind prior to the consumption. Solomon et al. (2009) says that satisfaction is highly influenced by prior expectations regarding all aspects of quality. If the satisfaction level does not meet the expectations (Lovelock and Wirtz 2011; Armstrong, et al. 2009), a negative effect will be the result (Solomon, et al. 2009), such as complaints and switching of service provider (Lovelock and Wirtz 2010). Grönroos (2007) further argue that there is a positive relationship between satisfaction with service and goods quality.

According to Solomon et al. (2009) customer’s dissatisfaction is usually due to expectations exceeding the company’s ability to deliver its service. Smith, Bolton and Wagner (1999) further on suggest that to understand customer satisfaction better, managers must survey customers about both disconfirmation of expectations and perceptions of justice. However, Caruana (2002) disagree and say that the main focus of management attention when it comes to customer satisfaction is the most important antecedent, instead service quality. Identifying satisfaction antecedents will also help management learn how to take effective measures to improve overall satisfaction Zeng et al (2009). Grönfeldt and Strother (2006) states that all service organizations must measure customer satisfaction to keep track of satisfaction changes, to be able to respond when changes are seen, before it starts hurting the business.

When firms are able to manage satisfaction the outcome can according to Solomon et al. (2009) have a real impact on profitability. He further on discuss findings from a study, where a large sample of Swedish consumers found that, firms that can offer product quality leads to higher profitability (Solomon, et al. 2009). Other researchers states that when the firms perceived performance falls above the adequate level, customers will be pleased and they are likely to repeat purchases, (Lee and Lin 2005; Zhou, Lu and Wang 2009), remain loyal, (Walsh, et al, 2010) and spread positive word-of-mouth (Lovelock and Wirtz, 2011; Armstrong, et al. 2009). Grönroos (2007), on the other hand separates customer satisfaction
into two levels, satisfied customers and very satisfied customer. He further on states that only the very satisfied customers will show a high repurchasing rate and a high propensity for positive word-of-mouth (Grönroos, 2007). Customers should therefore be offered a service package, which makes them very satisfied (Grönroos, 2007).

When talking about satisfaction in an online context compared to offline context Shankara, Smith and Rangaswamy (2003) say that the satisfaction is higher by customers shopping online than offline. However the medium is not the determinant factor, but the service received. The online channel improves the shopping process by increasing the number of options, enabling customers to sort and gain more information about the products. This makes an online customer more informed than an offline customer and will improve the quality of the choices that he or she makes. This in turn, is according to Shankara, Smith and Rangaswamy (2003) likely to result in a service experience that delivers higher satisfaction when the choices are made online than offline. An increased information level also raises the expectations on the service and an informed online customer is less likely to be surprised or angry at the service received. However there is also a risk by offering service online as the satisfaction could possibly decrease because of the perceived lack of privacy and financial security, human interaction, technology failure and poor interface design (Meuter et al in Shankara, Smith and Rangaswamy 2003).

2.6 Preferences
To get satisfied customers, online stores must meet the expectations, what the customer perceives as important and affective (Ranganathan and Ganapathy 2002). There has been found to be a significant relationship between preferences and the intent to consider, recommend or purchase from the retailer in the future (Mathwicka, Malhotrab and Rigdonc 2001). Therefore the customer’s preferences are an especially important issue in an online shopping context. Customer preferences are the dispositions of the Internet shopper to favor a specific retailer online (Overby and Lee 2006) and different shoppers have different wants and needs. They will simply go where they are best served. For example younger people (under 25) are more interested in personalized and customized offers, discounts and products. Older ones are more pragmatic and have a greater interest in the practical information such as product specifications and usage instructions (Burke 2002). However, keeping delivery promises, security and privacy are of highest importance (Ranganathan and Ganapathy 2002) and customers want to purchase high quality products, to a good price, from a variety of options to choose from (Burke 2002).
It has also been found that Internet shopping invokes multiple value dimensions who additively contribute to preferences towards the Internet retailer and future intentions. The most common value dimensions are utilitarian value; task-oriented shopping where the customer wants to get value for the money, and hedonic value; where the customer shops to get the experience rather than being task-oriented (Overby and Lee 2006). When shopping online, the customer look for accurate product and pricing information, convenient and secure ordering and reliable delivery (Burke 2002) which can be connected to the utilitarian value dimension. This is the most common dimension online since it is convenient and price saving (Overby and Lee 2006). Although if the purpose is to buy personal and lifestyle-oriented products such as clothes, the customers appreciate a fun and entertaining shopping experience (Burke 2002) consistent with the hedonic value dimension, where the experience is the center (Overby and Lee 2006).

There are several features which to the customer preferences should be provided by online retailers, such as information on products in stock, product quality and photographs (Burke 2002). The experience the customer gets by shopping on the same web page over and over again though, makes the visual appeals and experiential features of the website becomes less influencing. This implies that the customer becomes more task-oriented over time (Overby and Lee 2006). Other desired features are to provide knowledgeable, helpful and courteous salespeople, but also to work with the security of the payment methods. Customers worry that the information they disclose will be distributed to other companies without their knowledge and permission. To make personalization effective, retailers must build trust and provide information such as what information is being collected and how it will be used (Burke 2002).

2.7 Service Recovery

As earlier mentioned, customer satisfaction leads to further purchases (Lee and Lin 2005; Zhou, Lu and Wang 2009). And given that customer loyalty, an effect from customer satisfaction (Walsh, et al. 2010), is considered to be harder to gain in an online environment than in offline (Sousa and Voss 2009), managers must survey customers about both disconfirmation of expectations and perceptions of justice to understand customer satisfaction better (Smith, Bolton and Wagner 1999). The perception of justice is whether the customer feels satisfied with the type of recovery given when a failure has occurred. (Smith, Bolton and Wagner 1999) and Mattila, Sho and Ro (2009) further argue that it is important to gain richer understanding of how customers perceive technology-related service failures and recoveries.
given the increasing shopping online, which Holloway, Wang and Turner (2005) agree with and add that the customer’s perceptions, attitudes and behaviors are evolving because of this.

The most common failures that occur in the online environment are delivery problems (Rao, Griffits and Goldsby 2011), website problems (Zhou, Lu and Wang 2009), customer service problems (Holloway, Wang and Turner 2005) and payment troubles (including security concerns) (Holloway and Beatty 2003; Mukherjee and Nath 2007). Smith, Bolton and Wagner (1999) and Mattila, Sho and Ro (2009) says that to satisfy the customer, the recovery needs to be tailored towards the type of failure. Smith, Bolton and Wagner (1999) further argue that there are two types of failures that requires different recoveries; process (from visiting the website to the actual purchase) and outcome (what the customer gets) failures. Holloway and Beatty (2003) says that the recovery must be commensurate with the failure experienced, a statement Smith, Bolton and Wagner (1999) agree with and argues further that in a process failure the customer suffer an emotional loss, and therefore rather wants apology then money. In an outcome failure on the other hand, the loss is monetary and the recovery should involve an economic compensation (Smith, Bolton and Wagner 1999).

However, a study performed by Holloway and Beatty (2003) show that customers perceive e-tailers recoveries as inequitable or inadequate relative to the failures experienced and that it may keep customers from returning to the e-tailer. However the same study also found that online customers do not hand in complaints when a failure has occurred. Something that reduces the online retailers chance to win back the customer and at the same time gain valuable information on how to become better (Holloway and Beatty 2003). According to Gregoire, Tripp and Legoux (2009) customers also hold a grudge against the e-tailer over time and if complaining they then want to cut all interaction. On the other hand Harris, Mohr and Bernhardt (2006) and Harris, et al. (2006) claims that online customers tend to blame themselves for service failures and therefore require a lower level of service recovery to become satisfied again. Harris, Mohr and Bernhardt (2006) continues on saying that firms can still keep the customer coming back, regardless of whom they blame, by providing a satisfying recovery.

McDougal (in Tyrrell and Woods 2004) claims that an effective service recovery do not only fix the problem but also includes processes that help customers feel comfortable with the solution. Sousa and Voss (2009) also adds that operational managers should concentrate on preventing failures and when they occur; resolve the problem, fix the customer relationship
and improve the system so that the failure will not be repeated. Gregoire, Tripp and Legoux (2009) and Holloway and Beatty (2003) also says that there is a belief that strong relationships is helpful in service recovery, but that it actually works the opposite way. As mentioned before customers hold grudges towards e-tailers that have failed in the service and Gregoire, Tripp and Legoux (2009) means that strong relationships can backfire and become hate after a poor recovery. They further argue that customers with a strong relationship to the e-tailer feels more betrayed when suffering a failure and rather want social then monetary compensation (Gregoire, Tripp and Legoux 2009).

It has also been shown in resent studies that the human interaction is of importance when performing a service recovery (Neale, Murphy and Scharl 2006; Zeithaml, Parasuraman and Malhotra 2002; Tyrrell and Woods 2004; Holloway and Beatty 2003). Zeithaml, Parasuraman and Malhotra (2002) says that issues of contact seem relevant most often when problems and questions have occurred with customers. Tyrell and Woods (2004) further argue that customers often want to talk to someone about problems when complaining online, but are prevented from doing so because they can only respond in e-mail, with no options for contacting the e-tailer by phone. Neale, Murphy and Scharl (2006) suggest that e-tailers should use personalized and customised messages to establish trust and commitment by the customers.

2.8 Theoretical justifications
Below the various theories are discussed from this research point of view and how they are important for the study. All theories will be researched more or less from both the company and customer perspective and service quality online is a focus in both perspectives. However service marketing, customer relationships and service recovery will mainly be studied from a company perspective whilst preferences and brand image will be studied mainly from a customer perspective.

2.8.1 Service marketing
The theory implies that companies are changing from a transactional to a relationship perspective. Marketing is seen as a process where the customer is the foundation and a co-producer and without the customer there is no final service to offer. Previous research has studied companies in generally and it is therefore interesting to study the relationship and interaction between the company and customer in an online context.
2.8.2 Customer relationships online
The theory states that it is harder to build customer relationships online than offline. The reason for this has been found to be the lack of human interaction and personalization. It can also be seen that customers do not hand in complaints when having problems which obstruct the companies’ work to increase the quality of the business. It is therefore needed to study how the companies and customers perceive these concepts and how it affects the relationship and intent to repurchase. This leads the research in to personalization which is discussed in the context of communication and how to treat customers when using telephone and e-mail channels.

2.8.3 Brand image
The theory discusses that how companies display and act against their customers are crucial when forming a customer’s image of the company. An e-tailer needs to be aware of the signals they are sending out since the image is created from the customer’s interpretations of these signals. Customers can form an image by several of attributes in an online context and this research focus on building brand image through websites and customers service. The communicated image in turn affects the customer expectations, which can determine the level of satisfaction from a purchase.

2.8.4 Service quality online
Service quality can be seen as the starting position for the company which makes it possible to identify failures and suitable ways for service recovery. The theory argues every step of the purchasing and after purchasing process to be part of the overall quality. The quality in turn affects the customer expectations and plays an important role in affecting the customer satisfaction. It is though harder to gain knowledge about and manage expectations in an online context compared to offline. It has also been stated in the theory that trust plays an important role in the service quality online and especially in terms of payment security and keeping promises. It is therefore interesting in this research to study how well companies deliver quality in an online context through the website, customer service and service recovery process.

2.8.5 Customer satisfaction online
Customer satisfaction is in the literature mentioned to be easier to achieve online than offline due to the larger information flow that exists. It has also been stated that satisfaction leads to returning customers who repurchases. Interesting though is to see whether or not this is consistent in the service recovery process and how it affects the future purchase intentions.
This will be studied in terms of expectations, what the customer wants and expects to get from the service provider.

2.8.6 Preferences
The theory claims that knowledge about customer preferences enables the company to know how to gain returning customers and to build relationships. It has also been found harder to gain this type of knowledge online than offline. The knowledge about customer preferences is valuable for companies as they can use it to find failures and improve the quality. It is therefore interesting to study what the customer values from shopping at a specific service provider; what attributes and qualities that are important to attract the customer.

2.8.7 Service recovery
It has been stated in the theory that service recovery is important in an online context as it contributes to the customer satisfaction. If a failure occurs that are not appropriately recovered, the customer becomes dissatisfied and changes to another service provider. The theory also claims different types of failures need different kinds of recovery such as emotional or monetary. To keep customers and increase satisfaction it is important to know what type of compensation and solution the customers prefer. Then it is interesting to compare this to the e-tailers operation methods so that improvements can be made.
3 Method

This chapter describes the methodology path that was used to collect necessary data to obtain answers to the research problem and research questions. The aim is to both describe how the data was collected, but also to provide justifications to the chosen methods used. A deductive and qualitative research approach was chosen since the nature of the report grew and become descriptive. The research strategy consisted of case studies involving multiple interviews and focus groups were decided to be the most suitable way at aiming the research problem on a deeper level. The sample was carefully chosen by a number of different criterions in order to conduct this report as comprehensive and reliable as possible.

3.1 Research approach
There are various research methods approaches and a researcher need to weigh the pros and cons of each approach to be able to decide the most suitable one for the research (Neuman 2003).

3.1.1 Inductive vs. Deductive Research
When it comes to research, there are two different approaches that a researcher can chose to focus on, inductive or deductive. The inductive research approach is when the researcher starts by collecting data. When the data has been collected the researcher search for patterns within the information and based on that, create a theory. (Bryman and Bell 2007) However, this study will focus on a deductive approach, which refers to when the researcher starts with an already established theory and collect data to test that theory, to either accept or reject it (Bryman and Bell 2007). The reason for focusing on a deductive approach is because this study will not draw conclusions regarding a theory. The direction for this study was instead aiming to apply existing theories using a qualitative research.

3.1.2 Qualitative vs. Quantitative Research
After establishing an inductive or deductive approach the next step is to choose between a qualitative and a quantitative research. The choice needs to be the best suited in aiming the problem for the study (Oghazi 2009). A qualitative research focuses on describing complicated situations in a less formalized way and strives to give a more subject view. This approach strives to give a deeper and more complete understanding of the studied problem with no need to make general conclusions. Quantitative research is when the results need to be transformed in to statistical measurable means in order to make general conclusions. Based on the sample the researcher makes an assumption from the result, making this
approach more formalized. (Bryman and Bell 2007) The differences between a qualitative and quantitative research is that qualitative research use a descriptive method in contrast to quantitative (Sandelowski 2000).

One other difference from the two different approaches is the nature of the data. Soft data, referring to qualitative research are in translated in form of impressions, words, and beliefs. In contrast to hard data that is translated in to numbers referring to the quantitative approach. (Neuman 2003) The advantage with a qualitative research is that it allows a two-way communication with the researched object, using the dialog as a tool to get deep and rich information (Sandelowski 2000). Because the nature of this study that aims to describe underlying reasons around service recovery from both a company and customer view. Therefore a qualitative research has been chosen as the best direction for this report.

3.2 Research Design
There are also several research designs that need to be evaluated when conducting a research and these can be used to give a better guidance and a clearer framework for meeting the research problem and analyze the data. The choice of research design is important because it influences several of the upcoming research activities. (Bryman and Bell 2007) The different research designs are exploratory, descriptive and casual research designs.

*Exploratory* design is fact-finding research that is carried out at the early stages of a major project to clarify the problem and research direction (Bryman and Bell 2007). This choice of research is often aiming to get enough information to conduct a future, more systematic and widespread second study (Neuman 2003).

*Descriptive* research design aims to answer who, what, when, were and how questions. With the goal of making the researchers describe a process and from that make conclusions. (Bryman and Bell 2007) The aim is to explain the underlying reasons, to get a detailed and complete picture, but also describe the background for the relationship and the possible purposes for what causes them (Neuman 2003).

*Casual* design refers to those studies that examines whether one variable causes or determines the value of another variable (Bryman and Bell 2007).
Furthermore if the researchers choice is to conduct a descriptive or a casual research design these designs can move in to two directions, a longitudinal design or a cross sectional design. A longitudinal design examines characters, features of people, groups or other units at more than one specific point at time and lies within a casual design. This also allows notations regarding changes. A cross sectional design, which is a part of the descriptive design, is moreover describing a snapshot of a particular point in time. Advantages are that it is the least costly and simpler to perform (Neuman 2003). Within the cross sectional design the researcher can choose to perform a single cross sectional- or a multiple cross sectional design. The differences between them are that single cross sectional design only uses one case to study while multiple cross sectional use several cases to study. This approach means that the researcher is not only considering one part of, for example a company, to analyze. Instead several parts within that company are under examination (Yin 2009).

This study has used a descriptive research design because the research problem intended to describe differences between a company and customer view. Other reasons for selecting a descriptive research design are because of time and cost constraints, which made this study focusing on the case at a specific point of time instead of describing changes over a longer period of time. This study has also considered more than one company to collect data from. Therefore has a cross-sectional, or more specifically multiple cross-sectional design, been used as several case studies and various parts of the cases have been analyzed.

3.3 Data sources
Data can be collected by either primary or secondary sources or from both for different purposes in a study. Secondary data are available information for the public that has already been collected. This can be used in different studies even if the original researcher collected it
for other reasons. There are also internal secondary data that companies can provide such as e-mails, sales figures or internal documents (Yin 2009). Other sources are external data which is data that the researcher does not need specific access to. This refers to public annual reports, company websites or information collected from different forums either in real life or on the Internet. The advantages of secondary data are that the information may help clarify the research problem, structure the focused area and might help finding gaps within the researched area. This form of data may also help the researcher to provide necessary background information leading up to the issues involving the research problem. Some of the limitations with secondary data are that it might be hard to get hand of because of its lack of availability. It can also be irrelevant, insufficient and inaccurate so therefore must there be careful consideration when using secondary data (Bryman and Bell 2007).

Primary data is in addition information collected first-hand generated by specific research questions. Some advantages with primary data are that the researcher gets spot-on and specific information, which address the researched area. Another advantage is that the material is up-to-date. Primary data has also disadvantages and are perceived as time consuming for the researcher. It is costly and may not give the response and information that were asked or searched for (Bryman and Bell 2007).

Since this was a deductive study secondary data was used as a help, guiding the way to the research problem. This led to useful background information in theories and clarified the research questions. The relevance of the data was carefully considerate and criticized due to the possible inaccuracy. Therefore the study relied heavily on primary data to be able to gain relevant and deep information in the research area. Even though the primary data collection was time consuming and costly it was done to assure up-to-date information for this report.

### 3.4 Research strategy

An important step in the research process is to decide what research strategy to follow and the one chosen need to reflect the research approach. There are different research strategies and they represents diverse ways of collecting and analyzing empirical material. When deciding a research strategy it is important to thoroughly go through the study’s research question or questions. Because this is a determining factor in what strategy to use (Yin 2009), see table 3.1.

The various options are experimental, survey, archival analysis, history and case study as research strategy. *Experimental research strategy* is a procedure with the goal of verifying,
falsifying or establishing the validity of a hypothesis from one or more variables that are transformed to see if there is a conflicting effect. *Surveys* are samplings of individuals from a population with a view towards making statistical inferences about the population using the sample. *Archival analysis* is referred as an observational method, whereby the researcher assesses the gathered material to make an analysis. A *history research strategy* is when the researcher collects and analyses historical documents. Can be performed when there is no access to study relevant situations in a direct way. Finally, there is *case study*, which can be describes as an intensive analysis of individuals, a person, group or event (Yin 2009).

<table>
<thead>
<tr>
<th>Research strategy</th>
<th>Form of research question</th>
<th>Requires control over behavioural events</th>
<th>Focuses on temporary events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experimental</td>
<td>How, Why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>How, Why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, Why</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Table 3.1 Adapted from Yin 2009, p. 8

Since this study was of a qualitative nature with the purpose of gain deep understanding in a particular subject rather than making statistical inferences, case study was chosen as the research strategy. This was considered the most suitable strategy since it gives deep information and answer research questions of a how and why nature as in this study. The following research questions were aimed to be answered:

- **How** do companies work with service recovery in a quality system online?
- **How** do customers want companies to work with service recovery in a quality system online?
- **What** similarities and differences can be identified between the two perspectives?

As can be seen the last question does not fit the description of a case study research. However, it is of a more analytical than researching nature and is not meant to collect
information itself, but to compare the two case studies. Therefore only the first two research questions relating to the company and customer view are the questions in need of a specific research strategy.

3.5 Data collection method
As described in 3.1 there are two types of research; qualitative and quantitative. The most common data collection method in quantitative research is surveys such as questionnaires. This type of data collection method gives a width rather than depth in the findings (Bryman and Bell 2007). However, this report was of a qualitative nature and the purpose was to get a deeper understanding of the topic. Therefore no quantitative research was conducted as it were considered not to give the desired depth for this report.

Interviews and focus groups are two approaches to collect qualitative data (Bryman and Bell 2007). A qualitative interview has to be flexible since the interest lies in the respondent’s point of view. Therefore rambling is encouraged because it shows what the respondent sees as relevant and important. Unstructured and semi-structured formats are the most common when constructing a qualitative interview. The unstructured format is more or less improvised and may include one or few topics that the researcher asks the respondent and then follow up the relevant answers. The semi-structured format includes an interview guide where the researcher has specific questions and topics that the interview will follow, but has a lot of room for how the respondent can answer (Bryman and Bell 2007).

A focus group can be seen as a group interview led by a moderator, with six to eight participants where the purpose is to get a deeper understanding in a certain topic with help of the respondent’s previous experience in the area (Bryman and Bell 2007). It can be either unstructured or semi-structured and resembles more like discussions in the topic and the moderator’s most important task is to ensure that all respondents get to speak and raise their opinion (Christensen, et al. 2001). The answers and discussions may advantageously be written down and recorded in order to simplify the forthcoming compilation (Christensen, et al. 2001; Bryman and Bell 2007). The respondents should have experience from the topic to be able to participate in deep discussions. They should also have similar lifestyle, basic values and conditions and come from the same demographic, social and economic backgrounds in order to avoid conflicts not related to the research to occur. However, the participants should not be too good friends already as it can lead to only talking to each other and not to anyone else in the group. The focus group per se is beneficially performed in a calm and comfortable
environment to get the participants relaxed and willing to give more to the discussion (Christensen, et al. 2001).

Content analysis can be a part of doing a qualitative research. When conducting a content analysis the concepts used in the research is encoded in order to simplify the compilation of answers and discussions. The content analysis should be carried out before the actual research and by doing so the search for patterns and characteristics is facilitated. In both qualitative and quantitative content analysis characteristics is being coded. In the quantitative research each question and answer gets a code. In qualitative research each concept is coded with a wider base of similar characteristics in each concept, as different respondents possibly gives various definitions and answers when talking of the same things (Bryman and Bell 2007).

As earlier mentioned two qualitative researches was conducted in this report. The first qualitative research consisted of semi-structured interviews with companies in order to gain deeper understanding of how companies in the service industry use service recovery. The choice to use semi-structured interviews was made to make sure the respondents gave a deep and own point of view in the discussion, but at the same time stayed at the topic. The second research conducted was focus groups with customers to get a better picture of how they perceive failures and what they want from a recovery. Also here, a semi-structured interview guide was used to ensure that the discussions remained within the topics, but also offered room for more freely discussions. To simplify the compilation a content analysis was made. The examined concepts were coded and characteristics to each concept were listed to make it easier to find patterns within the respondent’s answers. It also made it easier to recognize when the respondents talked about the same thing but in different words.

3.6 Case design

3.6.1 Company interviews
Company interviews were chosen as the first case study and a semi-structured interview guide was created to build a structure for the interviews. The interview guide was based on Parasuraman, Zeithaml and Malhotra (2005) models E-S-QUAL and E-RecS-QUAL see appendix 1. The reason for using these models was because it described all areas that this research wanted to study and that it is adjusted into an online context. However this research has chose not to focus on system availability as a topic. Since service recovery in a quality system focuses on the process between the company and the customer. System availability focuses more on the technical foundation for a website and was determining not to be relevant
for this study. The other parts in the two models allowed the interview guide to be built around different topics important to the research and were thereafter connected to the interview questions. An operationalization including the interview guide was conducted and can be seen in appendix 2. Here are all interview questions presented and connected to the most relevant theory. The questions are also connected to a specific topic based from the model. A summary of the operationalization is presented in table 3.2. The topics of the model are presented and following is a description on how the researchers of this study connected the topics. Thereafter the relevant theory was also given and what number the related question has.

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>QUESTION SUMMARY</th>
<th>CONNECTED THEORY</th>
<th>QUESTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EFFICIENCY</strong></td>
<td>The ease and speed of accessing or using the company website.</td>
<td>Customer relationships</td>
<td>29, 30</td>
</tr>
<tr>
<td></td>
<td>What attributes the company think is the most important to attract and build relationships with customers and what they want to communicate through the website.</td>
<td>Brand image</td>
<td>2, 3</td>
</tr>
<tr>
<td><strong>FULFILLMENT</strong></td>
<td>The fulfillment of delivery and item availability promises.</td>
<td>E-service quality</td>
<td>6, 9, 10</td>
</tr>
<tr>
<td></td>
<td>How the company works to keep promises through order deliveries to create and maintain customer satisfaction, and the process behind the purchase.</td>
<td>Brand image</td>
<td>4b</td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction</td>
<td>4a, 4b, 7</td>
<td></td>
</tr>
<tr>
<td><strong>PRIVACY</strong></td>
<td>The degree to which the site is safe and protects customer information.</td>
<td>Service marketing</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>How the company works to build customer trust, so that the customer feel confident to shop online.</td>
<td>Customer satisfaction</td>
<td>11, 13, 14</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E-service quality</td>
<td>12</td>
</tr>
<tr>
<td><strong>RESPONSIVENESS</strong></td>
<td>Effective handling of problems and returns through the website.</td>
<td>Customer relationships</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>How the process of handling failures works, the potential timelines for all parts of the process and how important the human interaction is to the customer satisfaction.</td>
<td>Service recovery</td>
<td>15, 16, 21, 24</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E-service quality</td>
<td>16, 23a, 22b</td>
</tr>
<tr>
<td><strong>COMPENSATION</strong></td>
<td>The degree to which the website compensate the customers for problems.</td>
<td>Service marketing</td>
<td>25, 28</td>
</tr>
<tr>
<td></td>
<td>How the company works with compensating the customers when a failure have occurred and how they consider/handle different types of failures.</td>
<td>Service recovery</td>
<td>26, 27, 28</td>
</tr>
<tr>
<td><strong>CONTACT</strong></td>
<td>The availability of assistance through telephone or online.</td>
<td>Service marketing</td>
<td>17, 22</td>
</tr>
<tr>
<td></td>
<td>What channels are available to customers to get in contact with the company when a failure has occurred and what their pros and cons are.</td>
<td>Customer relationships</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer satisfaction</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preferences</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service recovery</td>
<td>18, 19a, 19b, 20a, 20b</td>
</tr>
</tbody>
</table>

Question number 1, 5, 8 are general background information questions asked to get a better understanding of how the companies work.

Table 3.2 Case design summary: Company interview guide.
3.6.2 Focus group

Focus groups were chosen as the second case study and a focus group interview guide was created to build a structure. This guide was also of a semi-structured nature and included topics that were discussed during the focus group. Because of the semi-structured nature, follow-up questions and discussions were able to be made. The focus group interview guide was based on the same models as the interview guide from Parasuraman, Zeithaml and Malhotra (2005); E-S-QUAL and E-RecS-QUAL, see appendix 1. It was also used for the same reasons, to build questions around a model that had relevant topics related to this study. The topic system availability was not used in this case study either because the lack of relevance in this study. An operationalization including the interview guide was made and is presented in appendix 3 and a summary of the operationalization is presented in table 3.3.

<table>
<thead>
<tr>
<th>TOPIC</th>
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<tbody>
<tr>
<td>EFFICIENCY</td>
<td><strong>The case and speed of accessing or using the company website.</strong></td>
<td>Service marketing</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>What makes the customer want to purchase from the online store, what attributes are attracts the most and how it influences the brand image. Also the pros and cons with purchasing online vs offline.</td>
<td>Customer relationships</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E-service quality</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer satisfaction</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Brand image</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preferences</td>
<td>1</td>
</tr>
<tr>
<td>FULFILLMENT</td>
<td><strong>The fulfillment of delivery and item availability promises.</strong></td>
<td>E-service quality</td>
<td>5, 6</td>
</tr>
<tr>
<td></td>
<td>What expectations the customer has on the company when purchasing online, how long they can consider waiting on a delivery before getting dissatisfied and what failures are the most common experienced from a customer view.</td>
<td>Customer satisfaction</td>
<td>4, 5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Brand image</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service recovery</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preferences</td>
<td>5</td>
</tr>
<tr>
<td>PRIVACY</td>
<td><strong>The degree to which the site is safe and protects customer information.</strong></td>
<td>E-service quality</td>
<td>7, 8</td>
</tr>
<tr>
<td></td>
<td>What the customers main opinions and concerns are regarding purchasing and making money transactions online.</td>
<td>Preferences</td>
<td>7</td>
</tr>
<tr>
<td>RESPONSIVENESS</td>
<td><strong>Effective handling of problems and returns through the website.</strong></td>
<td>Service marketing</td>
<td>11a, 11b</td>
</tr>
<tr>
<td></td>
<td>How the customers want to be treated when contacting the company with questions, through different contact channels.</td>
<td>Customer relationship</td>
<td>11a, 11b</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service recovery</td>
<td>11a, 11b</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preferences</td>
<td>11a, 11b</td>
</tr>
<tr>
<td>COMPENSATION</td>
<td><strong>The degree to which the website compensate the customers for problems.</strong></td>
<td>Customer relationship</td>
<td>Scenario</td>
</tr>
<tr>
<td></td>
<td>The various kind of compensations the customers receive, the most common one and the customer’s preferences for different recoveries regarding different failures.</td>
<td>E-service quality</td>
<td>Scenario</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Brand image</td>
<td>Scenario</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service recovery</td>
<td>12a, 12b, 13, Scenario</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preferences</td>
<td>Scenario</td>
</tr>
<tr>
<td>CONTACT</td>
<td><strong>The availability of assistance through telephone or online.</strong></td>
<td>Customer relationships</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>The customers preferences for contacting the company and the problems that can occur.</td>
<td>Customer satisfaction</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service recovery</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preferences</td>
<td>9</td>
</tr>
</tbody>
</table>

1 The scenarios can be seen in appendix 4

Table 3.3 Case design summary: Focus group interview guide.
3.7 Sampling
When doing a qualitative case study two levels of sampling are usually necessary: selecting the case to study and selecting a sample within the case (Merriam 1998). This approach was used for the logistics manager Case study in this report. Step one included selecting the case to study and a list of potential companies was made. Certain criterions had to be met for the companies to be on the list, see table 3.4. Because of time and money constraints the whole service industry could not be researched and therefore a decision had to be made what type of companies to look in to. First a criterion of only using companies in the south of Sweden was stated and after some research, companies performing customer service to end-customers shopping clothes online was found to operate in the same geographical area. A criterion to only use companies operating in that area was stated. When potential cases were identified the next step to select a sample within the case was made. To be able to get as much and accurate information as possible, managers in charge of customer service was chosen to be the interviewee and thereby the sample within the case.

<table>
<thead>
<tr>
<th>Sample criterions for case study: Company interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
</tr>
<tr>
<td>Size(^1)</td>
</tr>
<tr>
<td>Operating range</td>
</tr>
<tr>
<td>Operating location CS</td>
</tr>
<tr>
<td>Presence channel(^2)</td>
</tr>
<tr>
<td>Head office location (for potential visits)</td>
</tr>
</tbody>
</table>

\(^1\) The value is an estimated annual turnover calculated based on the European Commissions definition of SMEs from 2006. See appendix 6 and 7

\(^2\) The presence channel implies the medium used for clothes shopping, that is the medium who needs support from the company.

Table 3.4 Sample criterions for case study: Company interviews.

In summary the population for the first case study; company interviews, was large companies in the service industry who performs customer service to the end customer that shops online. The companies were located in the south of Sweden, not further up than Stockholm. The choice of using large companies was based on the increased chance that the customer population was familiar with the companies various systems and processes, which would give
the two researches a more equal basis to stand on.

The second qualitative research was a focus group. It was conducted with a convenience sample which is a sample that is simply available to the researcher because of its accessibility. Even though a convenience sample is hardly representative for the whole population (Bryman and Bell 2007), due to time constraints as well as the purpose of getting deep discussions rather than width, this method was chosen to get a deeper understanding of the customers. The criterions that had to be met by the participants were as can be seen in table 3.5.

<table>
<thead>
<tr>
<th>Gender¹</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age²</td>
<td>18 - 34</td>
</tr>
<tr>
<td>Interest</td>
<td>Clothes shopping</td>
</tr>
<tr>
<td>Experience</td>
<td>At least 5 separate purchases of clothes online</td>
</tr>
</tbody>
</table>

¹ Statistics show that females shop clothes online more often than men. (Statistics Sweden 2012)

² Statistics show that the most active online shoppers are in the age of 16-24 and 25-34 (Statistics Sweden 2012). Normally to be able to do a money transaction in Sweden one must have turned 18 years old (Swedish Consumer Agency 2011) and therefore the population age was decided to be 18-34.

Table 3.5 Sample criterions for case study: Focus group.

In summary the population for the second qualitative research; focus groups, was females in the age of 18-34 with an interest in clothes shopping. They also had to have experience from at least five separate purchases of clothes online.

3.7.1 Sampling frame
In order to select a sampling frame the different nature of the cases had to be considered. For the interviews a list was first created to identify companies that met the set criteria. The list was then filled in with contact information by researching the company websites and search engines such as eniro.se, hitta.se and google.com. This was made in order to find phone numbers, e-mail addresses and names of the persons to contact. For the companies that did not provide this type of information, or only had contact options to customer service or the head office presented, a phone or e-mail was sent to the address/number accessible to get the
right information.

For the focus group persons already known to the researchers were contacted and asked if there was an interest in participating. Since these were already known, no research on internet, websites or search engines had to be made. Instead the respondents were found and contacted through already existing contacts in phonebooks, facebook and by face-to-face connection. For the focus groups further away from the starting base, persons already known to the researchers were contacted and also asked to bring one other person that met the criterions.

<table>
<thead>
<tr>
<th>Sampling frame</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of method</strong></td>
</tr>
<tr>
<td>Interviews</td>
</tr>
<tr>
<td>Focus Groups</td>
</tr>
</tbody>
</table>

Table 3.6 Sampling frame.

3.7.2 Sample selection

The sample size of the company interviews were determined by a number of different factors. As mentioned before, a list was first created with potential companies to contact. This list ended up with 14 different companies. After contacting the companies on the list it was found that five of these did not meet the fourth criteria of operating in Sweden and thus were removed from the list. These companies were either not founded in Sweden or had their customer service outsourced, and therefore they performed their customer service outside Sweden’s boarders. Three of the remaining companies were not able to participate and yet another company had no opportunity for a personal interview, but offered to answer questions via e-mail. However, the risk of losing too much depth in the information by the lack of body language and the ability to make follow-up questions during the interview was decided to be too high and the offer was turned down. The remaining five companies wanted to participate and the number of companies was decided to be accurate enough to go through with the research. Therefore company visits and personal interviews were booked with five companies.

Another positive aspect was that the companies who were able to participate came from
various conditions and had different backgrounds. Three of the companies were originally mail-order companies that transcended to operate online. One of these three was also an outsourcing company who performed customer service to other companies’ end-customers. The fourth company was originally an offline brand who recently expanded to operate both online and offline. The final company was younger than the rest of the companies and only operated online. See summary in table 3.7. The variety in company type was likely to affect the result of the interviews, but at the same time offer a greater width to the research. It was also interesting to study whether or not the different backgrounds affected the processes and views of customer service and service recovery.

![Table 3.7 Sample summary for case study: Company interviews](image)

The focus group sample size was determined by two steps. The first step was to decide where to perform the focus groups. The desired locations where listed as Gothenburg, Halmstad, Växjö and Markaryd since these were all cities where the researchers had most contacts in south of Sweden. However due to time and money constrain not all of these cities could be visited and as Gothenburg was furthest away and would cost most to visit, it was removed from the list. Halmstad was also removed from the list because of time constraint. The second step after deciding locations was to contact people in the cities that fitted the criterions and that could be interested. As Växjö was the starting base, more people were asked to participate in Växjö out of convenience.

Table 3.8 shows how many persons that were asked to participate in each city and how many that was able to. Markaryd was the city with minimum contacts and therefore only one focus group was conducted in this area.
3.8 Sample size: Focus group.

Table 3.8 Sample size: Focus group.

<table>
<thead>
<tr>
<th>City</th>
<th>Växjö</th>
<th>Markaryd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of people asked</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Received respondents</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Number of focus groups</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Respondents per focus group</td>
<td>6.6</td>
<td>6</td>
</tr>
</tbody>
</table>

In summary, the sample size was determined into three focus groups with 6 respondents each. They were performed in two different cities. Only two respondents did not answer the inquiry to participate and were not included in the focus groups.

3.8 Data analysis method

The final step is to analyze data, meaning reviewing, categorizing and simply compiling the gathered data in an understandable way (Yin 2009). This study has taken the nature of a qualitative research and this step consisted of performing a qualitative data analysis. A qualitative data analysis is considered difficult because the strategy on how to compile it and what technique to use have not been clearly described (Bryman and Bell 2007).

There are two common methods of qualitative data analysis, analytic induction and grounded theory. Analytic induction as a concept is according to Bryman and Bell (2007 p. 538),” An approach to the analysis of data in which the researcher seeks universal explanations of phenomena by pursuing the collection of data until no cases that are inconsistent with a hypothetical explanation (deviant or negative cases) of a phenomenon are found.” If the researcher finds a case that does not match the stated hypothesis, the hypothesis needs to be reformulated so that case can be excluded from the study or reformulated so that the case can fit the study (Bryman and Bell 2007).

The second method is grounded theory, a far more used framework for qualitative data analysis (Bryman and Bell 2007). This method is referred as the “theory that was derived from data, systematically gathered and analyzed through the research process. In this method, data collection, analysis and eventual theory stand in close relationship to one another” (Strauss and Corbin, p. 12 in Bryman and Bell 2007). The key process in grounded theory is the process of coding. Coding is often the starting point in qualitative data analysis and involves several stages and considerations when the researcher wants to start and is in the process of coding. The researcher should start with transcribe, meaning to write down the data, preferably as soon as possible. It is useful so no important information is forgotten and
this opened up a chance to code the data as the researcher proceeds. This gives a better understanding of the data and helps the theoretical sampling. After writing down the data there is a need to read through the transcripts several times to reduce the amount of data, making it more readable and at the same time transform and coding the data. This can be done by highlighting key words or taking marginal notes. This refers to the actual coding phase and will help the researcher to interpret and theorize the relationships in the data. When the coding part is done the researcher needs to review the coding frame and start thinking about organizing and displaying the data in a way that conclusions easily can be drawn. This may also reveal patterns and connections between the codes (Bryman and Bell 2007). Pattern matching is important because if the patterns are consistent can the case studies internal validity reinforce the result (Yin 2009). Moreover should the researcher think about identifying data and existing concepts and focus on the relationships to the existing theories in the research (Bryman and Bell 2007).

This study focused on grounded theory because the report had its foundation in theoretical concepts. Choosing the qualitative approach and aiming to gain deep understanding about the research problem, grounded theory helped the data to fit the chosen theories. The research was conducted by multiple case studies consisting of five companies operating in fashion industry and three focus groups. Since the nature of the research involved a lot of information, data reduction and pattern matching was the main focus through the analyze phase. As stated earlier, multiple case studies were conducted to gain depth in the studied problem. The same procedure has been used for both interviews and focus groups and has been summarized in four steps, see table 3.9.

After the collection of all data was completed, each case was rewritten multiple times in order to compress the material and make it more appealing, readable and concrete. When removing redundant data was done the coding started. Since the interview guide to both company interviews and focus groups were built upon and therefore had close connected to the theoretical chapter this made it easier to link the answers to the stated concepts.
Table 3.9 The steps of grounded theory. Authors own construction.

<table>
<thead>
<tr>
<th>Step</th>
<th>Transcribe</th>
<th>Data reduction</th>
<th>Data display</th>
<th>Pattern matching</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Write down the data from each separate case</td>
<td>Reduce the amount of data, start coding and colorcode concepts</td>
<td>Rewrite the data on each case to make it readable and understandable</td>
<td>Noting relationships, identifying concepts connected to the theoretical framework</td>
</tr>
</tbody>
</table>

When using color coding as a way to connect and find patterns between the key concepts and the theories. It simplified the process of finding similarities and differences among the answers from the cases.

### 3.9 Quality Criteria

When conducting a research it is important to assure quality. Two important criterions in establishing and assessing the quality in a research are reliability and validity. Reliability refers to the consistency and the stability in the measurement of a concept (Peter 1979). This involves replication of another case study and the purpose is to minimize mistakes and errors in a study (Yin 2009). Other ways to assure reliability is to conduct a research consisting of multiple case studies and to use certain case studies protocols (Bryman and Bell 2007).

Validity concerns the degree to which a measurement instrument measures what it is intended to (Peter 1979). There are several ways to establish validity in a research and for this qualitative research is content validity, construct validity and external validity most relevant and will be presented and discussed in the next paragraph.

#### 3.9.1 Content validity

Content validity, also known as face validity, refers to that the content of the measure reflects the concept(s) that are considered. This way of establish validity can be endorsed by asking other people if they see a clear connection between the concepts and the measurement of it. Other people in this context are not indicating that anybody should review the measurement, but instead experts or experienced persons who has knowledge within the studied area (Bryman and Bell 2007).

For this study there have been several efforts in confirming the content validity. The interview guide was pre-tested by the tutor of this research who gave valuable input on improvements in
making the questions for both company interviews and focus groups more precise. There were differences in the two cases because the interview guide was aimed to a person within a company who had a certain pre-understanding about some of the concepts. To increase the validity this was under careful considerations when writing the interview guide for the focus groups because the respondents had no pre knowledge of some of the concepts used in the thesis. To prevent misunderstandings the focus group interview guide was also tested and discussed by two respondents fitting the criterions of the target group. These two respondents were also chosen on the criterions that they were familiar with the concepts from studying at the marketing program at Linnaeus University and that they previously has conducted focus groups themselves.

3.9.2 Construct validity

Construct validity is to which extent an operationalization distinctly measures the concept it is supposed to measure (Bagozzi, Youjae and Lynn 1991). There are three ways to use when trying to increase the construct validity; using multiple sources, establish a chain of evidence and allow key informants to review drafts (Yin 2009).

For this study all of these three ways was used as an effort to increase the construct validity of the research. Multiple sources were collected from both interviews and focus groups, as five interviews and three focus groups were conducted. This to ensure a high credibility from the information collected. In order to make the interviews and focus groups more validated, they was recorded and the answers from the respondents confirmed and checked three times to prevent incorrect information. The researchers had throughout the interviews and focus groups a chance to explain certain questions and give examples when something was not clear, which raised the validity as it gave the respondents time to think and to provide accurate and more specific answers.

Before conducting the interviews a brief guide were sent to the visited companies in order to give them an idea of what topics the interview was concerned about, see appendix 7. This may have lowered or raised the construct validity. It may have lowered the validity since it gave the companies a chance to prepare possible bias information. However it might instead have raised the construct validity in terms of providing more correct information. Moreover did the researchers of this study not provide the whole interview guide, but instead a brief list of topics and therefore the construct validity was increased. The original transcripts from both interviews and focus groups were saved to make sure that the information presented was
accurate. Other possible mistakes that could have lowered the construct validity are that the interview guide was written in Swedish and thereafter translated into English. This may have led to translation errors in words or sentences.

Several key informants reviewed the collected and presented material in this study. The examiner and other students at Linnaeus University have reviewed the drafts numerous times to strengthen the construct validity. These different techniques were used in order to create a chain of evidence, ensuring that all information was credible and as correct as possible.

3.9.3 External validity
External validity refers to the delimitations where the findings from the case studies results can be generalized (Yin 2009). External validity in qualitative research has been criticized because using only one case in a research is not seen as a good foundation. These opinions are grounded is criticism when comparing qualitative and quantitative research though, such as case studies and surveys. Meaning that it is more reliable to draw generalization from statistical measures, as surveys then from case studies where the conclusions are drawn from analytical generalizations (Yin 2009). To be able to draw general conclusions the case study needs to be replicated several times. This research conducted multiple case studies concerning both interviews and focus groups to assure external validity. This enabled the use of replication logic by using the same interview guide for all case studies and strengthened the theory provided from the research.

3.9.4 Reliability
A necessary factor in determine whether or not the research is valid are that the used measurements are seen as reliable. And as mentioned before is reliability to which extent the consistency and the stability are measured of a concept (Peter 1979). Reliability focuses on one main aspect, the repeatability of the research (Yin 2009). This involves replication of another case study and the purpose is to minimize mistakes and errors in a study (Yin 2009).

When conducting a qualitative research the reliability criteria has been criticized since it is hard to replicate the same methods that are used to measure qualitative data. This as the measurements is not as clearly stated in a qualitative research as it is in a quantitative research (Bryman and Bell 2007). In order to increase the reliability Yin (2007) suggests that case study protocols and databases are used. For this study no such tools as case study protocols or databases were used. However, to raise the reliability in this qualitative research the researchers used multiple case studies. As mentioned before the original transcripts were
saved. Both interviews and focus groups were recorded and are available for the public. Considering the difficulty of replication in qualitative studies, a lot of effort was put into the details of each step during this research process.

3.10 Summary
This chapter has presented the research approach for this study and has aimed to clarify the researcher’s choices and justifications regarding each step of the process. Presented in table 3.10 is a graphical overview of the process in this methodology chapter.

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**Figure 3.2** Graphical overview of the methodology path
4 Empirical chapter

4.1 Company interviews

The first step in gathering the empirical data was to conduct company interviews. Five interviews were carried out with large companies in the service industry, performing customer service to end-customers who shop clothes online. Table 4.1 shortly present the companies and the employment position of the interviewees. A larger presentation of the companies can be found in appendix 8. The interviewees will be mentioned in the text as their position and then the company. For example the sales manager from company a will be named “Sales manager A”.

<table>
<thead>
<tr>
<th>Company</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founded</td>
<td>1990 as a mail-order company</td>
<td>1994 as a mail-order company</td>
<td>1997 as an offline company</td>
<td>2004 as an online store</td>
<td>1992 as a mail-order company</td>
<td></td>
</tr>
<tr>
<td>Began operating online</td>
<td>1995</td>
<td>Late 1990's</td>
<td>2008</td>
<td>2004</td>
<td>1996</td>
<td></td>
</tr>
<tr>
<td>Size in millions €</td>
<td>127</td>
<td>209</td>
<td>81</td>
<td>123</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target group</td>
<td>Sales manager</td>
<td>Customer service manager</td>
<td>Logistics manager</td>
<td>Customer service manager</td>
<td>Customer service manager</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>140</td>
<td>1000</td>
<td>2000</td>
<td>150-200</td>
<td>209</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.1 Presentation of the interviewed companies

4.1.1 Efficiency

The navigation of the website was a returning focus by the companies. All the interviewees except the logistic manager C mentioned this as one of the main focus. It should be easy for the customer to search and find products and customer center manager B have a function on the website where customers can search for products or information. They try to provide as much information as possible on the website to reduce the e-mails and phone calls.
Customer service manager D also mentioned that the website should look attractive and have regularly updates. The product descriptions are important to be accurate according to sales manager A who also thought a product description should contain both hard and soft values. A hard value was described as facts and a soft value as when the company has a feeling for the product; such as the size is smaller than normal or the color is darker than in the picture. For example a product that is not in stock should not be exposed at all on the website. The attractiveness of the website was also important to logistic manager C who thought that it is very important to always provide news on the website. Both customer service manager B and logistic manager C wanted the customer to be met by new products every time they visit the website and along with customer service manager E freshness, news and a modern website were said to be the major focus on these companies’ websites.

A major difference between online and offline stores are according to sales manager A the human interaction. They said that one cannot meet the customer the same way online as one do offline. Though online something called affiliate systems can be used. These systems recognize what the customer is buying and suggest other products that the customer might want to buy. It gets more accurate the more often and longer the customer shops at the same store. Logistic manager C also said that social media is becoming increasingly important because of the fact that there are less human interaction online. Customer service manager E however did not think there is any different to build relationships to customers online and offline, only the channels used are different.

Customer service manager E said that companies need to map customer behavior and build upon that when communicating with the customer. A customer who calls the company when having problems is for example more likely to answer questions over the phone than by an e-mail. To gain as much information as possible about the customer, customer service manager E said they have a home-made CRM-system. It contains information from all parts of the company and provides them with detailed information showing strengths and weaknesses. They communicate by texting, e-mails, invoices, catalogues and phone calls, but do also conduct customer surveys and focus groups. Customer service manager D also used a CRM system in the company. Sales manager A, customer center manager B and logistic manager C on the other hand did not see any need for a CRM-system. Sales manager A preferred to use several smaller systems that involve all parts of the company separately. They measure call durations and partake of customer satisfaction index to monitor satisfaction with the customer service.
Customer center manager B on the other hand presented themselves as a market driven company and worked with dispatches, texting, e-mail and TV-commercials. They are not very personal in their customer service but are working towards becoming that. They work with more than one brand and discuss with the brands how they should communicate. Customer service manager B thought it is harder to build relationships online, but if one finds a good way of doing that it could be seen as a great competitive advantage. It is easier to provide information online, but the customer service is often seen as correct and professional, but not personal. They said there are fewer instruments to work with online than offline and that there are a lack of human interaction, body language and how to perceive signals.

4.1.2 Fulfillment
There were some differences in how the companies communicated between customer service and the warehouse. Sales manager A and logistic manager C had all departments including warehouse at the same place and it was easy to communicate between the different departments. Sales manager A said they mark all their products and thought it is very important to not mix products. An orange t-shirt size small is not allowed to be placed next to the same orange t-shirt size medium for example to minimize the errors when picking and packing the orders. They did not have the same person picking and packing orders which gives them a double check that all products are correct. The logistics manager C’s company work in smaller teams and these teams are working close together. Quality checks are made to make sure that the orders are being as accurate as possible. They said they make spot checks by randomly choosing packages to open and see that everything is correct. If a failure has occurred without the company noticing it, the customers will let them know.

Customer center manager B and customer service manager D had more than one warehouse. The customer center manager B’s company had one large warehouse in Sweden by the head office, but also outside the country. Their plan is to have all the products in the Swedish warehouse in the nearest future. This as delivery problems can occur when they have to send for products from another country. All communication was said to be made through the computer system and it is unusual to use direct contact between the customer service and the warehouse. They depend on the system to get it right from the beginning. To ensure that all orders are accurate they have one person picking the right product. Then a large machine scans each product, putting them in bins where another person is working with packing the orders. All packages are then weight to make sure they have the right weight that the products should have. Customer service manager D said they have two warehouses; one of which is
located at the head office and one located approximately 100 meters away. In the nearest future the two warehouses are becoming one. The customer service manager D did not have an explicit system to make sure orders get as correct as possible but they do regularly inventory the warehouses to make sure they have all products they suppose to have. They also learn from their mistakes and constantly strive to increase the communication. They try to listen to their customers and by that find new ways to change. Customer service manager D mentioned that the workloads and persons working influences how many failures that occur during a day.

The last interviewee, customer service manager E, did not have the warehouse in the same location as the customer service or head office. They rely on that the computer system is showing correct information and it is unusual to communicate between the customer service and the warehouse. To make sure orders are correct they scan all products. The products are then controlled one more time when packed and every order is being counted of products. Every day there is a diff between how many products there should be in a package and how many there are. Since every package is counted these problems are easily detected. However if the right amount of products are packed it can be hard to detect failures. This since the right amount of products is packed, but maybe someone is the wrong one. To be able to find out what product that is wrong one have to open the package and control it one more time. Then it can be detected that the product in the package was supposed to be for someone else and it becomes a chain of error.

According to customer service manager E customers are having different expectations when shopping online. The companies were doing various things to gain knowledge about these expectations. Customer service manager E conduct surveys and analyzes how customers are talking to each other on the Internet. However they still thought they are bad at knowing what the customer wants and expects when entering and ordering from their website. In general they thought the customers want short delivery times and expect a customer service of the highest quality. The customer service manager E also stated that “the goal is to be better than the others; you want to be number one. No one remembers number two”

Customer service manager D said the customers always expect to get what they have ordered, quickly and without failures. If a failure still occurs, a very good customer service is expected. The company also thought honesty is an important part of expectations, to be able to admit when they have done something wrong, apologizing and working towards gaining back the customer’s trust. Trust was also a factor customer center manager B was working to achieve
when dealing with expectations. They wanted to exceed quality and deliveries and measure satisfaction by asking the question; *how likely is it that the customer will recommend us to someone else?* This work provided the company with statistics that can show what need to be improved. The customer center manager B also said “*trust is something you get from having products that the customer wants, meeting expectations and deliver on time. It is very important to deliver what you promise*”

Sales manager A also measured satisfaction and call durations, always trying to improve the customer service. They had to consider the business company’s restrictions and values though, such as the customer is always right. To deliver on time is the most important and of the greatest concern according to logistic manager C. This as; “*many customers order clothes that they are going to wear on the same weekend*”. Another important variable is the garment that needs to be fulfilled, for example by making sure that the color on the picture matches the reality.

**4.1.3 Privacy**
The most common ways of paying these companies were credit card, invoices in various forms and cash on delivery (COD). Credit card was an option at all companies except from one company; customer service manager E. The reason for this, he said, is that they started as a mail-order company where credit cards were never considered. They had not had the time to catch up with all the parts of having an online store yet, but will probably provide credit card as a payment option within a year from now. Invoices were provided from all companies in various forms. Three of the five companies were using the invoice company Klarna for this service. Klarna is frequently used by companies in different industries and are considered a safe choice. “*Klarna is a large company in the invoice business and has their consistent way of working*” according to logistics manager C.

Customer center manager B and customer service manager E had their own invoice system and customer center manager B a department that secures the system by working side by side with the banks, providing payment options of standard security. Customer service manager E offered two types of invoices from their own system where the customer can either get a standard invoice to pay or have an account where all the orders are collected during one month. Then an invoice concerning all the orders made during that month would be sent to the customer.
Cash on delivery was the last payment method and is used by four out of five companies. Only logistics manager C did not provide this payment method. It means that the customer will pay the order when he or she gets the package and not before that. An additional fee is normally added when choosing this payment method. Sales manager A also provided the option Internet bank, meaning that the customer has to log in to its Internet bank and using a code provided from the bank to be able to pay.

The companies were doing various things to make sure that the payment methods are safe for the customers. Customer center manager B, customer service manager D and E had the label secure e-commerce which means that they are following specific restrictions that has to be met in order to get the label. For example the Swedish privacy protection law has to be met and contact information for the company has to be provided. Logistics manager C and customer service manager D said their companies were secured by VISA and MasterCard, meaning that the customer always have to go through 3D-secure when paying by credit card. 3D-secure is an extra step before actually paying and require a password known only by the customer and normally the bank. Without this password the payment will not be accepted. Customer service manager E recommended customers to look for the VISA or MasterCard certification when paying by credit card online as these indicates that the website and payment method is safe. He further stated that “Internet is always insecure; you can never know what is secure, but you can minimize the risks”

They also added that invoice is the most secure payment method for the customer. At the same time invoice is the most insecure method for the company who cannot be sure if they will receive the money they sent products for. Customer service manager D agreed that invoice is the safest payment method for the customer and believes that it is safer to shop and pay online from Swedish companies. Mainly because it is easier to contact the company if something goes wrong.

4.1.4 Contact
The companies had some different opinions about how the customer should be able to contact them. Sales manager A and customer service manager E provides both telephone and e-mail contact, but prefer telephone. This because a two-way communication is used, follow-up questions can be asked and thereby the problem can be solved right away. Customer service manager E also added that compensation could be given directly. On the other hand were the risk of queuing and that the first person cannot solve the problem and therefore need to
forwarding the customer to someone else possible disadvantages. Logistics manager C and customer service manager D only offered e-mail contact and think this is the fastest way of handling problems and customer contact. Customer service manager D added that “it gives us the opportunity to handle more than one case at the time and the possibilities of logging e-mail history are a large advantage”.

This was something logistics manager C agreed with and added that they can keep statistics and that it is possible to use e-mail free in different countries. Another advantage mentioned by logistics manager C is the flexibility in time. This was backed up by customer service manager E who said that e-mail is a free channel and does not close after working hours. One can stay overtime to answer e-mails which cannot be made with phone contact. Logistics manager C also said that the most common questions asked concerns deliveries and stock status which makes them not needing telephone as a contact option; the cases are solved very fast. A lot of the information is also already written on the Internet so that the customer can find it easy. The risks of misinterpretations or misunderstandings were a common concern for all companies when it came to e-mailing. According to logistics manager C this happens a lot, but customer service manager D claimed it depends on the customer’s experience. If the customer is experienced in online-shopping the misunderstandings are fewer than if it is an inexperienced customer. According to customer service manager E “one must be very skilled to write e-mails without misinterpretations”.

Customer center manager B provided both telephone and e-mail contact and said that how the customer contacts them depends on their problem or question. If the reason for contact is monetary such as payment and invoices, the customer rather call. Telephone is also the most common way of contacting when a failure has occurred. Sales manager A and customer service manager E also said that age is determine when choosing contact channel. Younger customers are more likely to e-mail rather than calling the company in contrast to older customers. According to sales manager A and customer center manager B, e-mail is getting more common and sales manager A believed it is related to the development of the Internet. According to sales manager A “The people shopping online today have grown up with a laptop in their knee since they were 3 years old. That is the target group coming now”.

Customer service manager E thought it is important to know ones target group before choosing what contact channels to provide. A statement that was backed up by sales manager A that said e-mail is more fact based and less personal, and how well an e-mail channel will
work depends on the target group. In order to reduce the amount of received e-mails had customer center manager B improved their FAQ (frequently asked questions) information on the website, so that the customer could find answers to the more simple questions on their own. Logistics manager C also said that customers that are upset enough will call their front desk and then be forwarded to the right person and customer service manager D called customers who still had not had their cases resolved after a long time.

4.1.5 Responsiveness
Four of the five companies had standard regulations on how fast an e-mail or phone call should be answered. Only logistics manager C did not work with this, but were discussing the matter in order to create standard regulations in the nearest future. However a customer contacting the company of logistics manager C can expect an answer within minutes. He further argued that “the reason for not having a standard regulation is that the Internet increases all the time, and by that the questions are increasing too”.

Customer center manager B and customer service manager E had the secure e-commerce label which means that an e-mail has to be answered within 48 hours. However both companies wanted to be faster than that and had the goals 24 hours respective an answer the same day, preferably within 8 hours. Even though sales manager A did not have the secure e-commerce label, their goal was also to answer e-mails within 24 hours. These companies also provided contact by telephone and customer center manager B wanted 90% of the phone calls to be answered within 1-2 minutes, a time limit shared with sales manager A. Customer service manager E had the goal to answer at least 70% of the phone calls each day. Then 90% of them should be answered within reasonable time. What the term ‘reasonable’ means is determined by the customer. A customer who wants to complain or return something is more inclined to wait a bit longer than a customer who wants to place an order. Customer service manager E further stated “in today’s society, no one sends an e-mail and get an answer within three days, and think it is ok”

Customer service manager D only offered e-mail contact and the standard goal was to answer each e-mail within 3 minutes. The standard time limit depended on what type of case that is concerned. If it was a larger and more complicated problem they are dealing with, it will take longer to solve. All cases should be solved during the fourth e-mail the latest. If the case is not solved by then a special team takes off and evaluates what the next step should be. Sometimes
if the case is of a more complicated nature it is easier to call the customer to solve the problem.

To have a good manner in the customer service was also important to logistics manager C. They thought quickly responses, good manner and informing customers proactively when problems have occurred is a good way of building customer relationships. Logistics manager C also uses newsletters by e-mail and the social media Facebook as a foundation for building relationships. They added that the website itself is a way of building relationships and personally they are presenting parts of the staff online to provide a feeling of a higher human interaction. Customer service manager D said that the customer should always be treated the best way possible. One should start a conversation in a friendly way, present themselves and thank the customer for contacting the company. The conversation should also end in a good way and all e-mails should contain a lot of information about the problem, how to solve it and the next step. Therefore customer service manager D educates new employees for three days and then they are given a two weeks internship in how to treat customers before they get to work on their own. Customer service manager D further argued “the customer gives us jobs; they are our most important asset”.

However customer service manager E said it is always important to be humble, listen and to hear the customer’s version when meeting the customer, regardless of where the meeting takes place. The customer is always right, unless what the customer want is completely unreasonable. Customer service manager E said “one time a customer wanted me to personally drive several miles to come to him, get the return and provide him with another product. It was just not possible”.

4.1.6 Compensation
The most common failures that occurred according to the companies are problems with size (wrong size is sent to the customer or the size is smaller or larger than normally), wrong products sent to the customer (could be failures in the warehouse when picking and packing orders), damaged products and delivery delays. In addition, according to sales manager A it occurs production errors, meaning for example sewing errors and that a product do not look like the picture in real life. Customer service manager D also mentioned that when there are a lot of people ordering at the same time, it happens that a product goes out of stock while the customer orders it and therefore they cannot send the product. Lastly logistics manager C said
it sometimes happens that a product is missing in the order, which normally is a result of a failure when picking and packing the order at the warehouse.

<table>
<thead>
<tr>
<th>Failure</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrong product</td>
<td>C, B, E</td>
</tr>
<tr>
<td>Wrong size</td>
<td>A, D, C</td>
</tr>
<tr>
<td>Damaged product</td>
<td>B, E</td>
</tr>
<tr>
<td>Delivery delays</td>
<td>D, E</td>
</tr>
<tr>
<td>Consist with the picture</td>
<td>A</td>
</tr>
<tr>
<td>Production errors</td>
<td>A</td>
</tr>
<tr>
<td>Goes out of stock</td>
<td>D</td>
</tr>
<tr>
<td>Missing product</td>
<td>C</td>
</tr>
</tbody>
</table>

Table 4.3 Most common failures

When something has failed sales manager A said the customer contacts the company and compensation may be appropriate. All five companies mainly gave monetary compensations when a failure has occurred and the size of the compensation depended on the failure; how large and serious it was. Four of the five companies mentioned free shipping cost as a common compensation. Customer service manager D always had free returns as long as there has been a failure, but not when the customer changed his or hers mind about the order. Sales manager A said that their customers normally contact them for monetary failures and therefore monetary recoveries are the focus. Customers usually want to extend the expiring date on the invoice or get compensated for the return cost. Customer service manager E provided gift certificates to customers who suffered failure, and if the failure was more serious a larger amount of money could be given as compensation. It was important to customer service manager E that the compensation is fair and two people that encounter the same problem should be compensated in the same way. Customer center manager B also gave gift certificates to customers who suffered a failure and considered the value of the product. He continued “For example a pair of socks that were delivered wrong can be kept by the customer as it cost us more to ship them back to us then to let the customer have them”.

There were some differences of opinion when it came to standard compensation and frameworks. Sales manager A, customer center manager B and customer service manager D had guidelines to work from where the level of failure determines how much compensation
the customer would get. Customer center manager B and customer service manager D had a second team working with larger failures where the compensation needs to go outside the guidelines, but these teams had other guidelines and limitations to work from. Sales manager A said that their guidelines come from the business customer who decides what type and amount of compensation that is allowed. He further argued "if the business customer has free returns, approximately 30% of the customers return their orders"

Logistics manager C and customer service manager E on the other hand did not have any guidelines or limitations, but work in smaller teams. Since the teams are smaller, they get more experienced and recognize returning problems without guidelines and can evaluate cases equivalent. Logistics manager C also had a lot of discussions in this team to frequently improve the customer service and discuss more complicated cases and how to solve various types of failures. Customer service manager E emphasized that their team has been there for a long time and possesses a lot of tacit knowledge, which makes them an invaluable human capital.

Customer service manager D said they write failure reports when something has gone wrong. These are then reported to the manager who compiles the information. If it is a returning problem the report is passed on to other managers and operational changes in systems and routines are made. Only cases where the problem concerns payment problems are followed up though by contacting the customer. Customer center manager B and logistics manager C wrote failure reports to some extent depending on the failure. A customer who suffered a returning problem would be given a call from customer center manager B who then tries to gain information on how to improve themselves. The customers of logistics manager C would get a follow-up e-mail checking that the problem is solved and statistics are compiled in every step of the process. A customer complaint would be forwarded to the concerned department who gets to adjust the failure. Customer service manager E on the other hand did not write any failure reports. If a failure was detected it was mostly adjusted by extending the information on the website. Logistics manager C said all products have product information where the company can write deviations such as the color is darker in reality than in the picture.
4.2 Focus groups

The second step in gathering the empirical data was to get a deeper understanding of the customers’ preferences and experiences in the service failure/recovery area. Three focus groups were therefore conducted. Table 4.4 present the participating respondents’ age and employment at the time of the focus group. The respondents are named after focus group and participant number. For example respondent number 1 in focus group 1 is named R11.

![Table 4.4 Presentation of the focus group respondents](image)

4.2.1 Efficiency

The respondents started discussing what important attributes there are when shopping from a website. All three focus groups agreed that one important attribute was that a website needs to be easy to navigate. R11 expressed that a website should be easy to grasp and simple, there should not be too many tabs to choose from. R13 agreed with R11 and said that many websites has too many filters that the visitor must go through and this was something that she felt was irritating. R22 said that it should be easy to grasp news and be able to click around different pages of the site. R22 and R24 said that if they did not have a smooth experience they would immediately leave the website. R32 emphasized that there should be easy to see clear information about payment and delivery. She further argued "it should not take too long to get where I want. If I want a product, I do not want to click fifteen times to get to the checkout".

Another important attribute according to the three focus groups that was related to navigation was the design and layout of the website. R21 said that the site needs to be graphically appealing and if it looks old she would not feel attracted to it and leave the site. R31 expressed that the site should not be cluttered with too many colors. R34 put forward that she should instead appreciate a more harmonic site since there are already a lot of colors on the clothes.

Further on according to focus group 1 and 2 were the actual clothes also an important attribute in wanting to shop from a website. These two groups did also put forward an important
quality on how the clothes were displayed, through pictures. R25 stated that the clothes is most important and also the presentation of them. Therefore the pictures must be nice and bright. R25 further on suggested that it should be really good to show pictures on different models that had different sizes, because then the visitor could choose what size she prefers. R15 was of the opinion that the pictures are needed to be fresh and displayed in a good way. R24 further argued "a neat and stylish website gives the impression that the company has put a lot of time in it and then I feel more confident to buy from there".

R15 and R16 thought that another important attribute was catwalk-videos, to make the visitors see how the clothes flows and moves on a person were really good. R14 expressed that some websites gives a chance to let visitors leave comments on the clothes. 4 out of 6 respondents used this type of function to find out how a certain garments are in their sizes, if the color was right or how the material flows. According to R16 was the models displayed on a website important and she wanted them to be beautiful and show the garment in a nice way.

In focus group 2, R24, R23 and R22 said that they appreciated when websites offer free shipping. The discussion between the respondents shifted to different opinions regarding high and low prices on websites. R24 stated that the prices were of high importance but it was depending on what type of garment she was looking for. R25 did not agree and said that it did not matter to her, but if it was a website providing only high prices, she would be tired and leave the page. At the end of the session the respondents talked about the importance of the brand and its reflection on a site. All respondents thought it was very crucial that a website reflects the brand behind it. R21 said that it is the brand she will remember when she leaves the site. Another opinion, from R23, was that a website needs to reflect the target group that the company is aiming.

All three focus groups discussed what pros and cons there are with online shopping and a common opinion was that they felt it is less expensive to shop online instead of offline. R33 and R31 were of the opinion that the products were less expensive online and R31 stressed that she used to get discounts through newsletters on e-mail and that was the reason she felt it was cheaper. Another respondent in focus group 1 said that she instead used to order several pieces of clothes because it was comfortable and she could try it at home. Focus group 1 and 2 did also discuss that there was a larger product range on Internet and that they therefore could compare several websites online.
One other disadvantage that was common between the three focus groups was that the product did not match their expectations. R16 said that in a physical store you are able to touch and see the clothes. On the internet though, one would instead get an idea of how it would look like in reality and according to R16 it is very easy to be disappointed. R16 further on believed that this problem lied in the pictures of the website, she felt that they often was misleading and that a catwalk video is therefore a good idea to use because then she could see the garment. R31 argued that "a garment does not fall the same on me as it does on the model wearing it". R25, R26 and R21 emphasized the negative fact that they could not try the clothes before buying it. R31 agreed with the aforementioned statement and added the fact that she could not feel the material on the clothes.

Another disadvantage that were discussed in focus group 2 stated by respondent R24, was that the experience are not the same when shopping online then shopping in a physical store. She continuous and said that it is more smooth to shop online and that she does not feel restricted by any open hours, but the experience is not the same. All three focus groups agreed that the website also is important when it comes to their perception of the company. Focus group 2 and 3 discussed the importance of a cohesive image. R25 said that the website needs to be cohesive with the company’s brand, especially if the company also has a physical store. She continued by arguing that if they do not match she would get a mixed perception of the company and what they represent. Five out of six respondents in focus group 2 strongly agreed on if the company does not keep what they promise, the picture would change and become negative. The result would be that they would talk badly about the site and never shop there again. R36 in focus group 3 agrees and add that the feeling of the physical store needs to match the feeling on the website or else she might not get the right picture of the company. R32 added that “it is very important that the website matches the brand since it is the face of the company. This is of higher importance for those companies that do not have a physical store”

4.2.2 Fulfillment
When talking about what expectations the respondents had of a website there was only one united opinion between the three focus groups which was clear information. R25 and R24 expected that they could find important information before they placed an order, for example information on returns. In focus group 1 five out of six respondents felt it was hard to return a product. R12, R13 and R14 expressed that they became upset if they received a garment that did not fit and they had pay because the company could not send clothes that fit. R15
expressed that she wants it to follow a return form in the package because she worries about the cost. She always sends the package back by registered post if there is not a return form, and felt it would instead be good if the company paid for returns. Four out of six respondents in focus group 3 also had the same view regarding returns and a pattern was shown about returns and sizes. They also said they often were unsure about the sizes so they usually ordered two sizes of the same garment. In focus group 3 R31, R32 and R36 agreed with this and added delivery time as another important expectation. Except information, the three focus groups had all different expectations. Focus group 2 started discussing expectations and R26 stated that she expects the site to provide a customer service that she can turn to if she has a problem.

Focus group 3 discussed the products on the website. R36 wanted to be able to see the products very clear and therefore expected that she could zoom in on all products to see them on a close up. R31 and R35 expressed that they wanted to have accurate and clear product descriptions, that involved information on how to handle the material, for example how it should be dry-cleaned. R35 added that she felt it was important that the product descriptions involved how the clothes are in sizes compared to the standard sizes. This so that she could get a perception about the garment. R32 expected and appreciated customer reviews on a website; this is what she usually uses to find how other customers talk about the clothes, especially regarding sizes. R32 and R34 expressed that if they could find customer reviews it made them feel more secure to shop from that site.

In focus group 1, R11 started the discussion very quickly by saying that she wants the products to match her expectations. She said that the garment needs to be in that way she wants it to be, it needs to be how she perceives the product to be. The other main area that was discussed in focus group 1 was deliveries. All respondents strongly felt that it is crucial for the websites to deliver on time. R12 said "if the website promises that the good should be delivered within two to three days, then it should not take four days".

One of the respondents, R11 felt that there is an exception if the site is not delivering on time. That is if there is a holiday, but she did not think that there are many people thinking like that. She continued by adding that a good idea is to write the terms very clearly on the website in order to avoid angry customers. Respondent R16 said that she is often stressed when she orders online and then she really wants the products to come on time and if it does not, she would be very irritated. R15 was not as agreeable when it came to deliveries. She said that the
delivery date is something she counts on and if the item would be late she would get very disappointed, especially if she had planned to wear it on a special occasion. She continues and says that a late delivery could therefore make her send back the whole order.

R11 said that it is not always the websites fault that a delivery is late; it can in fact be the post office fault. Respondent R11, R15 and R12 agreed and said that they often did blame the post office because they used to check where their package is and as long as the company has sent it they are not blaming the company. However R13, R14 and R16 disagree and do not check if the package has left the company, they believed that the company has chosen to cooperate with the post office and therefore they blame the company instead.

R14 mentioned that if she orders something from a website that she has used many times who usually keep their deliveries, she would be more disappointed and are not accepting one mistake. This because they have then brought down her expectations. Respondent R15 and R13 discuss that they may also blame themselves instead of the company because they felt that they should have done an order earlier so they would have some extra days if any troubles would occur on the way.

When it came down to delivery times, all three focus groups discussed how long they were willing to wait for a delivery. In focus group 2 two respondents, R24 and R21 said that it depends on the situation and in what purpose they have ordered. R26 said that if she has ordered within Sweden she do not want to wait longer then maximum a week. R25 did not agree and felt that she could wait up to ten days regardless of where she ordered from, but if it takes longer she could easily forget the package.

The respondents were not positive to divided deliveries and R23 said that an item which is out of stock should not be exposed on the website at all. She continued to argue that in many situations is this something that the customer will be aware of in the last step of the checkout, which she felt was irritating. Focus group 1 could not agree on a maximum number of days that they could wait for a delivery, all of them said that they relied on what the company wrote on the website. However, R16 stated that she did not want to wait longer than seven days. Four of six respondents in focus group however, 1 agreed when it came about not bothering to order an item if it is not in stock. R13 and R15 on the other hand said that it depended on how much they really wanted to have that garment. R12 and R11 felt that websites are often bad at updating the stock.
In focus group 3 respondent R33 was of the opinion that a maximum of five days was reasonable to wait for a delivery. They also discussed the importance of promises and four out of six were aware that it might be the post office fault if a delivery is not on time. Two respondents R32 and R36 expressed that they liked when they got a confirmation mail from the company stating that the order was sent. Respondent R34 and R35 said that a delivery should be later then what was written on the website and that they are looking at the date the company said they sent the order.

Focus group 1 and 2 had several common mistakes that they experienced when shopping online. Firstly, a common mistake was that the size did not fit. In focus group 1, R11 said that she appreciated when websites wrote what size the model wore in the picture so that she could compare herself against the model. This made R16 bring up the advantages as aforementioned regarding reading customer comments and how others have experienced the sizes.

Another mistake that was common for all focus groups was that the product did not match their expectations. R21 expressed that she only want to buy the product that is showed on the picture and nothing else. Further on R25 shared an experience regarding an order she placed a few months ago. She looked up the sizes carefully but when she received the garment it did not fit and this resulted in that she felt betrayed and do not shop there anymore. R21 added that “they sometimes put a clip behind the model to make it look good in the picture”.

Respondent R11 said that sometimes the feeling of the product is not at all as she expected when she received the garment, often because of the fabric. R16 agreed and highlighted that her expectations were often not met at all. R36 empathized that the colors were often not the same as in the pictures or that the garment was in fact wrongly sewn.

One other mistake that all three groups had experienced was delivery problems. In focus group 1 and 2 all respondent had been affected by late deliveries. R25 had also experienced to receive a broken product in addition to the late delivery and R23 once got a complete different product in her package, which she retained and the company never asked for it. In focus group 3, five out of six respondents had experienced late deliveries and R34 told that one package had at one point been missing and therefore she believes that websites does not always keep their promises.


4.2.3 Privacy
Commonly for all three focus groups was that many of the respondent had no larger issues to provide their personal number or credit card number if they felt that the website was secure enough. They all judged the website by how well known it was. In focus group 1 all respondents said that it is important how established the site is and the more famous it is the more they trusted it. R11 said that if the website is not famous she choose to pay by invoice rather than by credit card. In focus group 2, R21 and R25 said that it feels a little tough to hand over her credit card number but if she wants to shop she has to do it.

No respondents in the three focus groups liked to give out personal information and if they could avoid it they would not give it out at all. When needed though they judge the risk on the size and how well-known the website and company behind it was. Commonly for the three focus groups was that they firstly chose to pay trough credit card or directly through their bank. But R25 added that if she could choose to pay by free invoice she will instead do that.

The reason for the respondents to choose to pay trough credit card was because it is free and they want to be done with the payment as soon as possible.

In focus group 3 one respondent, R33 was a little hesitant against handing out her personal information but as was said in the other focus groups she has to if she wants to shop online. Five out of six respondents had absolutely no problem with handing it out, especially their birth number. However all respondents agreed on that it depended on what website it was, how well known it was and what they were going to buy from it. R36 stated that “a person cannot do so much with a birth number today anyway. It is really easy to find it trough Internet or the government”.

The discussion throughout the three focus groups did also involve how the respondents judge the website as secure. R11 argued that many sites have a label called, secure e-commerce who shows if the website fulfils certain criterions in order to be called a secure website. All respondents in focus group 1 were aware of it but admitted that they had never searched for it to get a confirmation regarding the site. In focus group 2 no one knew what the label was about and they had never looked for it. Group 3 did not discuss this label at all. R31, R33, R35 and also R13 instead felt secure when they could pay directly through the bank or by the function verified by visa.

Another payment method that all three focus groups were familiar with was invoices through the company Klarna. R23 express that Klarna feels really good because for her it gives a
positive and serious impression to see websites collaborate with them. 4 out of 6 respondents in focus group 1 said that they usually look for Klarnas logo when they shop online. R34 said that “I-t is really good when websites use Klarna. It feels more serious because I then feel that they have made an effort to make my feel secure”. Two respondents, R11 and R14 did only base their judgment on the page itself. They look at what brands the site use and R14 puts forward that it is instead the feeling she gets when visiting the site.

All three focus groups discussed what worries them when they shop online and all groups had different opinions. The biggest concerns in focus group 1 were regarding deliveries. R12 said that she becomes worried if her package is not on time and that it possibly had gone missing within the post. Three respondents, R12, R14and R16 said that the website need to send out trusting signals in form of advertising, being well established and well known by their friends. R15 was of another opinion of why the customers are not worried about payment. She meant that other websites such as e-bay, pure buy and sell sites have bigger risks. The customer is in those cases more involved and aware of the risks. Four out of six respondents agreed and said that they are afraid of spending large amounts of money on those websites. There were other concerns in focus group 2 but one respondent, R21 agreed concerning deliveries because she wants the process to go smoothly and the package to end up nearby her home.

Group 3 was worried about returns and the risk of being deceived. R34 expressed that she is always afraid of being betrayed of the website. R33 put forward that when she sends a package back it always take time for the company to receive it and that there is always some anxiety when the company is judging the accuracy of the return. R33 said “I am often unsure when it comes to returns whether I will really get my money back or if the package will go missing on the way back”.

In focus group 1, R11 quickly answer that she would not shop from a website that looks unattractive and all respondents agreed with this statement. Respondent R14 add that it does not matter how many or famous brands the site has if it does not look good. Two respondents R13 and R15 agree and said that they can accept it when the website is new but not after a while. Respondent R14 are of the same opinion and adds that her demands on the website will increase with time. R16 thought that she also looked at the standard of the site; if they sell cheap products then she would not have very high expectations.
4.2.4 Contact
In all three focus groups there were mixed opinions on what contact channel to choose when a failure has occurred. 14 of the respondents from all focus groups, or 78 percent, wanted to firstly call the customer service because they felt they would get faster help. R11 said she could get verbal and straightforward information that makes it easier to solve the problem. R22 and R26 added that they were concerned not to get a response at all if sending an e-mail and R25 wanted to know how long she would have to wait for a respond. The respondents would feel better sending an e-mail if they knew there was many people working in the customer service since the respond then would come quicker. R21 said she would check how long time it would take to get an e-mail response before choosing contact channel. If it would take more than two-three days when having an urgent problem, she would rather call. R14 added that companies who only provide e-mail contact need to offer other contact ways as well, such as a chat function. She further stated “maybe I am old fashion but it feels like e-mail is too slow”

R33 was concerned that she would not have anything written as proof when calling the company and R35 stated she uses both channels because of this. She wanted to have something to show the company, such as logged e-mails, if there were any misunderstandings or problems when contacting them. R33 continued the discussion by claiming she felt more secure to send an e-mail, but that it is nicer to talk to a real person. All respondents in focus group 1 agreed that it is important for companies operating online to provide both telephone and e-mail contact. This as smaller problems could take longer time than needed when failures occur and that it is then easier to be able to call and sort it out. R11 said “it is easier by telephone to explain what the problem is and I can get an answer directly from the company”.

Two respondents from focus group 1, R11 and R16 said they sometimes use the FAQ, frequently asked questions, provided by the company when having a minor problem. This as the information might be easy to find directly on the webpage and then there would be no need to contact the company and wait for an answer. When there was a need for contacting the company and telephone was used as contact channel, R21 and R24 argued that standing in line was a problem. To get around this problem R23 wanted to be offered to leave her number so that the company would call her back when it was her turn. A reason for using e-mail contact was stated by R14 who said that the customer service mostly have their opening hours during her work time. By sending an e-mail in the morning she could still get a problem fixed
during the day. However, the two respondents who rather use e-mail than telephone, R14 and R15, would not give out any personal information through this channel, while the other four respondents in the same focus group would not have problems with this.

All the three focus groups also said that the choice of contact channel depends on the failure and who to blame for it. When the company was the one responsible for the failure different opinions was raised. In focus group 2, R26 said she would be very disappointed and tired of the company, but not bother to contact by telephone. Instead she would have sent an angry e-mail and switched to another e-tailer that could fulfill her expectations. Focus group 3 on the other hand agreed they would all call first. As discussed before this was seen as a faster way of solving the problem and they wanted to give the company a chance to correct it the same day. All respondents in all three focus groups would however consider other purchase options and providers, sent the package back and probably visit an offline store instead. This as R26 argued “I would simply not trust the e-tailer to get me the right product next time”.

If the failure would have been due to the customer itself all respondents in focus group 2 and 3 would have tried to cancel or adjust the mistake themselves on the website. If that did not work they would contact the company. There were mixed opinions on how to contact though. Four respective six and one respondents in the focus groups would have called the company first to adjust the problem before the order was packed. R13 said that e-mailing might lead to that the problem could not be fixed on time and that they would have to return and pay for an already shipped package. The remaining seven respondents would have sent an e-mail though.

All respondents agreed that if the problem was of a more serious nature they would all try to contact the company by telephone. They would also be more willing to wait longer in a telephone line to get the chance to actually talk to someone and sort out the problem. A serious problem was discussed to be payment and other economical problems and R26 said she would handle minor matters by sending an e-mail to the company.

R23 was of the opinion that companies can gain so much more if they are able to make their customers satisfied even if the failure might be the customer’s own fault. She said that it is so little the company needs to do in order to make their customers satisfied, for example a discount code. Focus group 2 further discussed the importance of having a working customer service. R24 said that a company has to put a lot of effort in to its service, if something
happen they have to solve it without any more problems for the customer. R22, R24 and R26 add that if they will receive some sort of compensation they will forget the problems they had.

4.2.5 Responsiveness
When it comes to how the company should act when helping a customer by telephone, focus group 1 highlighted friendliness as a good quality. R12 said that the person should answer in a friendly manner but with a personal touch and R14 added that it is important not to exaggerate. Sometimes she felt that some people that work within customer service amplify their personality and it can often be too much and sound fake. Focus group 1 discussed their feelings regarding a customer service who tries to sell something while helping a customer with a problem through the telephone. R15 was not positive at all to that behavior because such behavior feels impersonal. R11 and R14 thought that it was okay as long as they got the option to choose if they wanted to hear it or not.

Regarding how the customer service should treat calling customers, focus group 3 wanted to be met as in a physical store, meaning that they want it to be very personal. R32 stated that it is really good if the people working in the customer service present themselves by their real name. R24 from focus group 2 thought that customer service through telephone should foremost be nice and keep a good tone even if she might be upset.

R23 discussed the phrase ‘the customer is always right’. She feels that many customer services often forgets that and felt that companies should have that as policy. The customer is always right even if she is stupid. All respondents in focus group 2 felt that it is important to provide accurate information on the website so that both parties know the terms. R21 argued that it is the company’s chance to show what they represent and are responsible for, and what lies on the customer. R23 also said that it is important that the whole company is on the same side, from top to bottom line. She continues that if everybody has the same behavior and attitude, she will have higher trust in that company.

There were mixed opinions between the three focus groups regarding if a person in the customer service was actually rude during a conversation. R12 and R15 from focus group 1 would not bother to order at all from that company. R12 added that customers are actually allowed to ask stupid questions. The other four respondents would hang up the telephone and try to find the answer on the website instead. Respondent R23 in focus group 2 would tell the person she was talking to that he or she was rude and that it was not appreciated. She further argued “You make a favor against the company if you points out that they are rude”. This
would however make her less interested of the garment but if the customer service apologizes it would be fine. R24 expressed that if she got the information that she wanted she would not care if the person was rude, although she would not order from that website. Another opinion from R25 was that if she really wanted the garment she would have said something to the rude person but if the garment were not important, she would not place an order at all.

The respondents in group 3 also agreed that it would be much worse to be badly treated trough telephone than through e-mail. The reason was that they had a greater understanding of that it is easier for misunderstandings to occur trough e-mails. R13 said the increased risk for misunderstandings through e-mail is because the two persons cannot hear each other’s tone of voice. She further stated “a short and concrete answer does not have to mean that the customer service is trying to be rude, but through the telephone you can actually hear what the person means”. R24 points out that customer service are supposed to be on the customer’s side and help out. Three respondents, R21, R22 and R23 agreed and R23 said that customer service is the company’s face to their customers and if they are rude it could ruin the picture of the company. R22 express that talking to a rude person that are bad at fixing her problem in the best way possible can make her to involuntary leave the website even if she wants to shop from it. She continued and said that her trust would be failing against the company and the website. R21 also added that “it has to be the same as in a physical store; they cannot be rude just because they can’t see me face to face”.

The respondents talked about how important education is within customer service. All respondents thought that education is important, both in treatment and in processes within the company. R23 express that it is not just about customer service it is also about teamwork education; how they mediates a brand and what knowledge they possess of the company and its products. All respondents wanted the company to show a united front against their customers. R25 said that she could clearly hear if the person she talks to do not have an education. She felt that an employee sends out if he or she feels like a part of the company and believes that what he or she does matters.

When it came to e-mail focus group 1 wanted the customer service to respond professional and direct but with a personal impression that showed that they had taken time to answer. R16 expressed that they could write the customer’s name or wish the customer to have a nice day. R12 did not want them to advertise or write something irrelevant to the problem, which the rest of the group agreed with. All three focus groups also discussed and agreed that
misunderstandings easily can occur when e-mailing. R11 said this could be due to that both parties have a hard time interpreting each other’s written language. All respondents wanted e-mails to be personal, but focus group 1 stated that there are limits to how personal the customer service should be. Such things as smileys were discussed and divided opinions were raised. R14 said she liked when the customer service uses smileys because it shows that there are real human beings handling her questions behind the computer screen. R13 on the other hand said an e-mail might sound short and unpleasant if only using words, but that a lot of smileys would give and unserious and unprofessional impression. R12 stated that she knows that people working with customer service does not genuinely care about the customer sometimes, but that it is important to make the customer think they do.

The respondents in all three focus groups further on discussed their views on customer service that used standard guides when answering e-mails and automatic replies. Group 1 was more positive and understandable with automatic replies while group 2 and 3 did not appreciate it at all. None of the groups had issues with companies that use standard guides. R14 thought that it is okay as long as the company solve the problem or answer her question. Four out of six respondents in focus group 1 understood that there are a lot of customers that contact the companies’ each day to ask the same questions. Focus group 2 and 3 expressed that an auto reply should at least be modified to answer their questions. R24 said that she often felt like there was a real person behind the screen answering her professional and in a personal way, which was important. Five out of six respondents in focus group 2 appreciated smileys in e-mails and believe that smiley’s makes it feel like that there is another human being in the other end of the computer screen. However R23 argued that it depends on the situation. Focus group 3 wanted the reply to be very accommodating, as in a physical shop. R33 said that the reply should be personal and not just a standard reply. She wanted the company to write things such as; ‘we understand your situation’. R36 added that it is important to be addressed by name and receive a reply from a real person.

Focus group 3 discussed their opinions when a website only offers e-mail support. R33 said that she felt it was hard if she could not call the company. R34 agreed and pointed out that it can be a disadvantage for the company to not have telephone support. This since it takes longer to get reply trough e-mail and it is harder to ask follow up questions. All respondents agreed that this depended on what they were going to buy and three out of six respondents, R31, R32 and R35 said that when it comes to clothes there was not a problem with only having e-mail support. R31 expressed that even if it is easier to express one self and explain
through speaking rather than writing, it is no problem as long as it works and there is at least one channel to contact the company. R32 said that how she feels about e-mailing depends on how she has been treated before through that channel. She further argued “if I do not get an answer I would of course want another way to be able to contact the company“.

4.2.6 Compensation
All focus groups had received various kinds of compensation from a company when a failure had occurred. The most common ones were economical in form of free returns, discount codes, company money, free shipping on their next purchase and gift cards. Focus group 1 and 3 believed that the most usual compensation was discounts in some way, gift cards or free returns to use on the next order; any compensation that forces the customer to stay or come back and buy from the company again. R34 said that it was a smart way for the company to bring and retain its customers while R35 thought it was a dirty trick. This since it was possible that she never wanted to shop from the same site again.

The three focus groups discussed what would happen if they had received the wrong product from a company and all focus groups said that they would become angry, irritated and disappointed of the company. It was clear in focus group 1 that a larger compensation would be needed to restore their satisfaction if they received a wrong product. Four out of six respondents did not feel that a discount code would be enough. They felt that an economical compensation and an apology would instead be a good. R14 said that compensation is more important for smaller companies because the bigger ones know that they will always have customers coming back. The most important for focus group 2 was that the companies exceed their expectations. Four out of six respondents said that did not want to have a discount because it would not be enough. They would rather get their money back and receive “that little extra” from the company. R23 argued “a large company can afford to give me that little extra, and then they should actually do it”.

Focus group 2 and 3 added that another solution would be if the company could have solved the problem and sent the right product the following day. R26 put forward that it was still important the company made sure to have good information that the customer could find on the website. R35 felt that it was obvious that the company should pay for the return. She continued by saying “I should not have to ask for compensation. It should be obvious for the company to offer it when it is their fault”.

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Two respondents, R14 and R34 in focus group 1 and 3 had at one point received a new product as compensation and were allowed to keep the wrong product when the failure was the company’s fault. R14 felt it was a good compensation and the other respondents in focus group 1 agreed. In focus group 2 R26 expressed that she would like to know in advance how she will be compensated if a failure occurred, because it would make her feel more secure and able to trust the company.

The discussion among the focus groups continued with if the perception of the company would change as a result of a wrong product. Focus group 1 and 3 expressed that their image would change and become negative. The respondents in focus group 3 also said that it is crucial for the customer service to be good and able to compensate the customers so that they become satisfied again. They have to show that they are genuinely sorry. R34 added that it shows lack in some sort of quality control. R34 mentioned that she would not dare in the future to order anything close to a special date for example. But if the company should manage to solve the problem the same day, all respondents’ perception would become very positive. Focus group 2 said that a change in the perception of the company depends on how the company deals with compensations. If the respondents should receive a good compensation they would be satisfied, but not more than that.

All groups also agreed that they would not expect any compensation if the failure was them to blame, because it was their own fault. However one respondent, R22 expressed that if she got a free return on a wrong product she had ordered she would be really happy since it was not something she had expect. The three groups further discussed if their perception of the company would change if they themselves were the reason for the failure, which provided mixed opinions. Focus group 1 and 3 felt that even if the company could not fix the problem they would not get a negative picture of the company since it was their own fault. R16 said that if the company could fix it she would get a better image of them because it then shows that they are committed. Focus group 2 would directly get a negative image of the company if they the customers service could not work out the problem. R24 stated “if I have pressed the wrong button it is clumsy of me, but I still need to get in contact with the company and they have to be able to help me”.

The focus groups discussed if the contacted customer service and the person that were suppose to help was rude. All focus groups stated that they would become very irritated and not order anything from that particular company. However R36 would give that company one
more chance since the person might have a bad day but if it happened again she would never go back to the same website. But R22 and R24 felt that it is much worse if it has happened before at the same company. R31 also said “a person who works with service has to be able to put a bad day behind her”.

All focus groups agreed that their perception of the company would change and become negative. They also put forward that they would also talk badly about the company among their friends. R24 expressed that it did not matter if it was the first or second time, the picture would become negative either way. R35 said that shopping online means that the customer needs to trust what somebody else is saying, since you do not have that product in your hand. R34 agreed and added that it is hard to get the same kind of feeling when it comes to, a mood of another person. R35 admits that she has higher demands on customer service online then offline. This she said was because “I as a customer do not have much power over my purchase when I am shopping online”.

However all focus groups agreed if they had been treated badly in the customer service they would not prefer to have any economic compensation, but an apology. Although, R33 adds that she would get really upset and never shop from the same site again despite an apology. However R22 felt that an apology was not enough and they also wanted monetary compensation in form of, for example a gift card. R25 agrees and express that an apology does not have to prove anything and it shows more if the company really give a more tangible compensation, especially if it happens a second time. R21 did not agree to this and stated that she do not want to have any monetary compensation even if the same thing had happened before. She further argued “it is not the compensation itself that matters, it is the gesture. An apology is the most important, but also understanding and change”.

R26 continued the discussion by arguing that to her a friendly treatment should be wrapped inside the price she has to pay for the garment. R24 also stated that what she wants in compensation really depends on how keen she is about the company, its products and how much she wants to shop from them. R33 thought an apology would ease the pain but she would have a hard time to go back to the company.
5 Analysis
This chapter presents the analysis and results from the empirical investigation conducted by this qualitative study. The chapter is divided in six sections from the chosen topics in the two models E-S-QUAL and E-RecS-Qual created by Zeithaml, Parasuraman and Malhotra (2002). In the beginning of each section a model is presenting the most important findings in the topics.

5.1 Service Quality

5.1.1 Efficiency

![Diagram showing analysis of service quality efficiency with categories like Attributes, Experience, Information, and CRMs systems with specific findings and attributes]
Attributes

Various attributes are argued by Lee and Lin (2005) to be important for the service quality on a website such as *readability* and *visual appealing*. Many of these are confirmed by the companies interviewed which indicates that previous research also can be applied to the service industry focusing on clothes shopping online. The common opinion was that *navigation* is the most important attribute, and by the explanations of the concept it involves the readability and information variables discussed by Lee and Lin (2005). This attribute was important to the companies to reduce the customer contact, in other words a cost reducing operation. The customer respondents in this research also stated that a bad navigation would make them leave the website, a statement that shows that easiness for the customer is of high importance. If the customer encounter too many problems and have a hard time finding the desired products she will, as Overby and Lee (2006) also implies; simply turn to another company that can offer her better service.

The visual appearance was also mentioned by the companies as the concept ‘*attractive*’. The respondents of the focus groups highlighted the graphic design when discussing attractiveness. They said the website needed to be modern, which was discussed as an important attribute by the companies too. The respondents also wanted the website to be graphical appealing and it should not be too many colors or clutter on the website, the clothes should be the focus. However the concept was described as ‘*good information*’ by the companies and the product descriptions were in focus. To have good information about each product and to include both hard and soft values was said to be of high importance. This can also be seen as a cost saving operation since well informed customers are found in a previous study by Shankara, Smith and Rangaswamy (2003) to be more satisfied. This in turn will lead to less customer contact and returns, but also as Grönroos (2007) argue; to further repurchases since satisfied customers comes back for more. The respondents of the focus groups also discussed information, such as payment method and product information, to be important as they would feel hesitant and not trust a website with a lack of information. That would make them leave the website without buying anything.

As can be seen from this discussion; both the companies and customers are product oriented and want the product to be the focus on a website. However, being product oriented differ from the two parties in terms of visualisation and information. While the companies think the product information is the important part, the customers base their image of the product on the
visual appearance. Since they cannot touch or try the garment before purchasing, the visual appearance becomes the most important focus. It can also be argued that Grönroos (2007) statement that companies are changing from a transactional to a relationship perspective might not consist with online shopping. This study implies that both companies and customers are still having a transactional perspective when it comes to online shopping, mainly because the difficulty of getting a correct idea of the products. This makes both parties focus on the product instead of the actual interaction between the company and customer.

**Experience**

Burke (2002) implies that product information and photographs are important which in this study are parts of the concept *attractive*. The overall view from the company perspective was that *attractive* included both information, but also news and pictures to make the design more appealing. This was something the customer respondents also highlighted as very important as well as catwalk videos where the clothes could be viewed more alive. However they wanted different models to show the same garment in different sizes since customers compare themselves to the pictures and need to feel that the product would fit in reality. This also relates to the customer expectations as the customer can only get an idea of the material and how the garment will look in reality from a picture.

According to Lovelock and Wirtz (2010) and confirmed by the customers; unequalled expectations will lead to decreased customer satisfaction, which in turn leads to customer losses. A catwalk video or picture also contributes to the shopping experience which Burke (2002) has found to be important for customers younger than 25 years old. This research can thus confirm that the experience on the website is important for customers younger than 25 years old, since the average age of the focus groups were 24 years old. Burke (2002) also argue that younger customers are more interested in discounts and economical offers than older ones. The customer respondents of this study said they wanted a website to show deals, have different prices and offer free shipping. In addition to that the customers felt that it is less expensive to shop online and that it was an advantage since they did not have to visit an offline store. A statement that consist with Overby and Lee’s (2006) previous study who found online shopping to be more convinience and cheaper than offline for the customer.

This discussion shows that it is important for companies to offer attributes that lower the differences between the online shopping experience and the reality. By doing so the risk for dissatisfaction decreases, as the customer expectations will be consistent with the reality. The
discussion also strengthen the statement that customers are of a transactional perspective since the economical factor is important for the exchange. However there is also a connection between the participating respondents and the economical indication. The majority of the respondents were students with a lower income and it can be assumed that discounts and special offers are natural preferences for online shopping.

**Information**

The focus groups also discussed promises in terms of delivery and payment to be important variables to fulfill. Mukherjee and Nath (2007) has previously found that if promises are not fulfilled the customer will not trust the company and turn to competitors instead. This is especially true if there have been problems with the same online retailer before according to the customer respondents. Promises are also related to the image the company tries to represent. The respondents of this research discussed that the brand is what they will remember when leaving the website and an image that are not consistent between an online and offline store for example would make them confused and unattached to the website.

The site should also reflect the target group of the company. In addition to that the customers wanted the possibility to leave comments on the products. This can affect the information positive or negative. If the company have not wrote about for example the size, while a lot of customers have commented that the size is small compared to the standard sizes, other customers might feel unsure if they want to buy the product or not. This could also affect the image since the expectations might not be fulfilled. As found in the focus groups a broken promise will lead to a negative picture of the company.

It can be argued that the attributes and how the company present itself on their website is of high importance and need to be well thought-out. This as if the presentation is not consistent with the image, the customer gets a negative picture of the company and do not want to be identified or associated with it. From the discussion it can also be assumed that there is a relationship between word of mouth, accurate information and trustworthiness. Customers seem to be sceptical towards companies from the beginning, and a failure in giving accurate information (which can be revealed through customer comments) lower the trust. This in turn will affect the satisfaction and intent to purchase and the more failures that occurs, the larger effect it will get.
CRM-systems

Meuter et al (in Shankara, Smith and Rangaswamy 2003) claim that the risk of decreased satisfaction is higher online and Walsh et al (2010) argue that it is harder to create and maintain customer relationships. At the same time the companies implies that social media and customer bahaviour mapping becomes increasingly important to create satisfaction and customer relationships. Social media and customer mapping becomes more important due to the lack of human interaction that can be offered online. Walsh et al (2010) and Mukherjee and Nath (2007) have found human interaction to be one of the largest differences between operating online and offline, a statement also raised in the company interviews. According to Payne and Frow (2005) CRM-systems could be a solution on the problem of customer relationships online. However due to this study there were different opinions in this matter. Two companies did not see a need for CRM-systems in their business. This could be due to the size of these companies, they were the largest ones and well established on the market. They have a large range of customers and say the customers quickly contact them when something is wong, need to be changed or with wishes, which was confirmed by the customer respondents. The companies also have all departments inhouse which makes it easy to communicate within the company and to get information. One of these three companies are also the outsourcing company. Here a difference can be seen as they do not sell the products, they simply take care of customer service and storage of products. This implies that they do not need that much information about the customer as a CRM-system would probably provide, it is the business customer that might be interested in that information.

Interesting though is that the three companies using CRM-systems are to oldest and the youngest. They are also from different backgrounds since the oldest companies started as mail-order companies and the youngest as an online store. However the youngest entrant offers a variety of brands and launched their own brand name first 4 years after the start-up. This could mean that the need of a CRM-system was found since they needed to analyze what brands to bring in. It could also be due to improvement of all parts of the company from logistics to customer service. The oldest companies on the other hand started as mail-order companies and it could be important to intergrate all parts of the company. This as customer service, catalogue and warehouse must cooperate well to get a functioning business. When starting to operate online the most natural step should have been to bring the online business into the CRM-system.
5.1.2 Fulfillment

Expectations
- Expectations are affected by the overall quality on the website
  - Was discussed in Lee and Lin’s (2005) study and confirmed by both the companies and focus groups.

Most common failures
- Delivery problems
  - Late deliveries were also common as a failure and discussed by both Holloway and Beatty (2003), Rao, Grifflitz, and Goldby (2011), companies and focus groups. The companies said delivery is not always in their control and some of the respondents blamed the post office while some always blamed the company.

Failures
- Inconsistency between website and reality
  - Customer expectations were found to be built upon pictures and product descriptions by both companies and customers. A very common failure was that the pictures did not match the reality, in terms of i.e. color, size and material.

Experience
- The findings contradict theory
  - The experience are for younger customers more important than hard facts, such as product information, according to Burke (2002). Findings in this report contradict this statement and say the experience is important, but the hard facts are as important, if not even more important.

Updates
- The company perception differ from customer perception
  - Companies perceive themselves to be good and fast at updating the stock while the customer respondents perceive the opposite.

Figure 5.2 Important findings on the topic Fulfillment

Expectations
Mitra and Fay (2010) claim that customer expectations play an important role in determining customers’ perceptions and satisfaction. It has also been found in previous studies by Zeithaml, Parasuraman and Malhotra (2002) and Holloway and Beatty (2003) that expectations are not as well formed online as they are in an offline environment. All companies in this study works towards meeting their customer’s expectations, but they admit that it is hard to survey about what online customers expects when entering and ordering from a website. Even though they implies that they do not know the customer expectations, the companies make quality assurances such as double checking the packages before sending
them to the customers. It can therefore be argued that companies have an idea of what expectations that exists, such as accurate and on-time deliveries. The interviewed companies in this study also have a history in the business of fashion and three of them were logistics companies before turning online. This could mean that the experience from previous failures and complaints have led to the assumption of existing expectations.

The companies are also to a great extent leaning on computer systems. The computer systems can simplify the daily work for the companies, but it can also make the companies vulnerable. This as they put their business into someone else’s hands and if something goes wrong, the computer system supplier needs to be able to fix it. This as the orders is going through the computer system and often is connected to what is displayed online, and failures in the system could lead to upset customers and order failures.

**Most common failures**

Holloway and Beatty (2003) amongst others argue that the most common mistakes within an online environment are delivery problems (Rao, Griffits and Goldsby 2011), website problems (Zhou, Lu and Wang 2009), customer service problems (Holloway, Wang and Turner 2005) and payment troubles (Mukherjee and Nath 2007). However the companies and focus groups had only a united opinion by two of them, delivery and websites problems. To come deeper within the respondents’ preferences they often felt that a common mistake regarding website problems involved a mismatch in expectations which the companies agreed on. This was related to that the product did not match their expectations in terms of size, pictures and fabrics. The companies admits that production errors are mistakes that happens but in a small amount. Zeithaml, Parasuraman and Malhotra (2002) and Holloway and Beatty (2003) also say that expectations are harder to fulfill in an online environment.

Delivery and website problems can be argued to be quality failures where the promised and the perceived quality are not consistent. The companies’ promises on what they offer are not consistent with what the customers perceive to be the reality which leads to a mismatch in expectations and a decreased satisfaction. Even though the companies mention these problems as the most common they also imply that they rarely happen. At the same time the customers discuss these as the most common and frequent failures and the discussion shows a conflict in the perception of the wideness of these problems.
**Delivery problems**

Ranganathan and Ganapathy (2002) argue that the most prominent customer expectation concerns deliveries on time. This is also repeatedly mentioned by the companies who tries to meet the promises they have on the website, but says that delivery problems occur even if they have several quality checks. Failures with picking and packing orders are also common which the customer respondents agreed on. They had experienced to receive broken products, different products and also a complete missing package. The respondents therefore brought up the subject about keeping promises as aforementioned. Lee and Lin (2005) say trust is a key driver for service quality and customer satisfaction for customers, therefore is this is crucial that companies can deliver what they say on their website. If the delivery is late though the companies say it is often beyond their control since they do not ship the products themselves. This was also discussed disagreed with the companies and said they would blame the e-tailer they ordered from. This could be a larger problem for the e-tailer because customers who blame the company often want a larger compensation to become satisfied again. This is further discussed in 5.2.3 on page 83. However, if there was clear information provided on the website that the delivery may be late, due to a holiday for example, the late deliver would not feel as bad according to the customer respondents.

This research also puts forward that companies that mostly deliver on time but for some reason once fail gets a greater impact and would affect the customers’ trust. Lee and Lin (2005) stated that trust and perceived quality are close connected together with expectations regarding keeping promises online. This was also a belief by the companies, that customer expectations are affected by the overall quality of the website. The respondents of the focus groups did not explicitly discuss the quality though, but expressed that keeping promises determines their satisfaction of the website and was confirmed to be an important preference. Keeping promises could however be seen as a part of the quality since a broken promise is a quality failure. This means that the respondents indirectly are discussing the same thing as the companies and theories.

Again it can be discussed that companies have a certain amount of knowledge about customer expectations and that problems occur despite quality checks. This argues with the companies own perspective as they claims to have a lack of information in these matter. It can also be argued that information is a strong help in the process of keeping promises. This since the study showed that a well-informed customer is less likely to become dissatisfied.
**Inconsistency between website and reality**

As the previous study by Overby and Lee (2006) stated, this study also found that online shoppers firstly search for utilitarian value dimensions. They expect that a website can provide clear information especially regarding delivery’s and returns, but also product descriptions such as how to best handle the material and how the garment is in size. Burke (2002) also claim that online shoppers younger than 25 are more interested in experiences than product descriptions. On the contrary to this statement this research has found that the experience is an important part, but the product description is similar or even more important. This could be due to the section of the service industry investigated. The products in this case are clothes that the customers are suppose to wear, and the fit of the garment along with color, size and deviations are important for the satisfaction. This as the customer expects the product to look and feel in a certain way, and if it is not consistent with the picture or information the customer will be dissatisfied.

Burke (2002) further emphasized the importance of updating the stock. This was something that the customer respondents felt websites often failed with which created irritation and frustration. A product that is out of stock was said to be rarely communicated before the checkout and if a selected garment was out of stock or could be delivered at a later date, the respondents did not bother to order that garment. The respondents also stated that the garment should not be exposed at all if it was not in stock. The companies on the other hand thought they were good at updating and informing the customers, except for sometimes when there is a lot of pressure on the business. The companies mainly have the warehouses inhouse and the communication to customer service and the IT-department are said to be good. What could be seen though is that most of the companies rely on computer systems to update and communicate between the different departments. A failure in this system could mean that a product not in stock is still exposed on the website without someone in the company recognizing it.

Once again a conflict between the company and customer perception can be seen. The companies think they work effectively with updates and information on products in stock whilst the customers perceive the opposite. It can also be stated from this discussing that quick information is an important part in the purchasing process. It should be provided right away and the customer satisfaction will be lowered by each extra step they have to take in the process before receiving information.
5.1.3 Privacy

Figure 5.3 Important findings on the topic Privacy

**Personal information**

Mukherjee and Nath (2007) states online customers are concerned with the security when it comes to payment methods on websites. The results from the focus groups are not in line with the theory when it comes to these matters. The respondents expressed that they did not have any difficulties with handling out personal information. Their credit card number was nothing they enjoyed handing out but they did it anyway since they wanted to shop online. Their birth number was nothing they were worried about at all. That the respondents did not felt it is hard to pay online implies that the customer perception of the issue has changed. It could also mean that companies have worked with increasing security and their payment methods. Many companies used payment methods such as credit card, invoices and cash on delivery. Both credit card and invoices were frequently used by the respondents to and credit card was the most commonly used since it was free. However it was also stressed that if invoice should be free that might be used instead. Cash on delivery was not used by any of the respondents and could be related to the cost of using it. This research implies that online customers prefer the payment method to be free of charge and one reason could be that almost half of the respondents were students. This could impact the result since students already have lower
income than the working people and the fee can feel unnecessary to pay, therefore they choose the credit card option.

It can also be discussed whether the result of this study could be related to the age of the respondents. It was mentioned by the companies that younger customers have grown up with Internet and it can be assumed that they therefore are more comfortable with shopping online. The customers also expressed that a birth number cannot be used in that many ways today which was the reason they did not feel afraid of provide personal information.

**Trust**

Lee and Lin (2005) highlight the importance of trust, within service quality and this is something that was brought up for discussion both within the companies and focus groups. Most of the companies worked together with an invoice company named Klarna, had secure e-commerce labels and co-operated with the Swedish banks to increase the trustworthiness of their website. What is interesting in this study is that the respondents did actually felt these labels as secure but admitted that they did not searched for them at all or knew what they represented. However, they appreciated websites that collaborate with well-known labels and made an effort with securing payment methods. This research also found that online shopper’ preferences, when it came to judge a website as secure and trustworthy, depended foremost on how established it was and if their friends were familiar with it. This also strengthens the previous found relationship (in 5.1.1 Information) between word of mouth and trustworthiness of a website, and that certificates are not the only important variable to create trust.

Burke (2002) states that customer’s worries about that companies leak out personal information but none of the respondents thought this about a shopping site. It was instead revealed that other pure sell and buy sites such as E-bay and Tradera involved a higher risk for them. The only time they felt concerned to pay trough a website was if it were a new website that they had never purchased from earlier. Many companies had the secure e-commerce label that means they follow the Swedish privacy protecting law and the result from this study seemed as the companies are not making customers mistrust them in this matter. A common variable for creating trust through both the website and payment method is to provide well-known options and a well-known brand. When satisfying customers so that they talk good about the company, the company also raises the trustworthiness for other customers.

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Burke (2002) also implies that keeping deliveries are seen as a way to gain and build trust of online customers and this did the respondents agreed on. The respondents also highlighted returns as an issue and that the respondents were to be deceived or betrayed when returning a garment, they were unsure if they will get their money back or not. It was found to be important for companies to create trust by customers. A statement consistent with what Turel, Yuan and Connelly found in their study in 2008; a trusting customer has higher intentions to reuse the same service provider.

From this it can be discussed that the customer feels powerless when it comes to returning products. This as it is up to the company to determine whether or not the return is accurate and what compensation that should be provided. It is also related to the lack of human interaction which makes it hard for the customer to know the company behind the website and their intentions. A well functioning return process can on the other hand create trust by the customer, which in turn leads to further purchases.

5.2 Service Recovery

5.2.1 Contact

<table>
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<tr>
<th>Theory versus findings</th>
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<tr>
<td>Holloway and Besty (2002) say customers rarely contact companies when they have suffered a failure. This study contradicts the theory as they say customers in this section of the service industry have no problems contacting the companies. Rather the opposite; they want to contact the companies when having problems.</td>
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<th>Different contact channels due to failures</th>
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<tr>
<td>Smith, Bolton and Wagner (1999) claim different failures require different contact channels. This is supported by the customer respondents who mainly call when having monetary problems, but e-mail when having minor problems.</td>
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<tr>
<td>3 of 5 companies agree with Smith, Bolton and Wagner (1999) and confirm that customers mainly contact by telephone when having monetary problems.</td>
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<th>Telephone versus e-mail</th>
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<td>2 of 5 companies only offer e-mail and do not see a need for telephone. The ones not providing telephone are younger companies that have not operated offline for a longer time before going online compared to the companies providing both contact channels.</td>
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<th>Contact way due to age</th>
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<tr>
<td>Burke (2002) and Tyrrell and Woods (2004) claim younger customers (≤25) want to e-mail while older customers want to call the company when having problems. This research contradicts that statement and say all customers want to be able to do both. The companies agree with Burke (2002) and Tyrrell and Woods (2004) though and the companies providing both channels have target groups older than 35 years old.</td>
</tr>
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</table>

Figure 5.4 Important findings on the topic Contact
Customer hesitation and failures

Holloway and Beatty (2003) found that online customers do not bother to contact a company when a failure has occurred. Something that is problematic for the company that does not get the chance to improve the business or win back the customer’s satisfaction. However this research has come to another conclusion. According to the companies interviewed are the customers very quick to contact them when failures have occurred. Also the customers that participated in the focus groups set forth that they contact the companies directly when having a problem. The reason for this finding could be the researched industry. Compared to other industries where returns or complaints might be unusual, in the service industry with focus on fashion it is a standard procedure to easy send back and change products.

Smith, Bolton and Wagner (1999) claim that different failures require different recoveries and contact channels was an important part of the recovery in this study. When more complicated and unusual problems, as well as payment troubles takes place, contact by telephone is the most common way of contacting. This is also what both the customers and most of the companies prefer with this type of failures. When having a minor problem e-mail was the most common contact way according to the customers. This as a minor problem not had to be solved right away and therefore they did not mind waiting a bit longer for a response.

What can be seen in this discussion is that a complicated and more serious problem is of higher value for the customer to resolve. It also creates an uncertainty which is related to that the company has the power to deny a recovery. Therefore the human interaction, which is to some extent provided through telephone, is also important; to give the customer a perception that there is a real person behind the company who is actually trying to solve the problem.

Contact way

Tyrrell and Woods (2004) also argue that customers want to talk to someone directly through telephone when having problems or are about to complain, but that they do not have that option due to the companies who only offers e-mail contact. This was to some extent supported in this research. Two of the five companies interviewed did only provide e-mail contact since they did not see a need for telephone contact. The other three companies said it was crucial for a company selling fashion online to provide telephone as a contact option as well. A pattern could be found that the companies in favor of only offering e-mail were the youngest companies that went fast from the beginning to operating online. They did not start as mail-order companies as the other three and had no experience from the catalogue business.
where telephone was offered as a way of ordering, but also as to complaint. When ordering by catalogue the customer does not have access to the Internet and by that telephone is a more natural contact channel. A reason for only providing e-mail is also the industry where these companies are operating. The failures are, according to the companies, often similar and standard answers and compensation can be given. Information can also be provided on the website which reduces the incoming questions.

**Customer age**

The companies also claimed that younger customers rather contact by e-mail while older customers rather call. This is a statement in line with Burkes (2002) previous study that denotes an old customer to be older than 25 years old. However the respondents of the focus groups conducted in this research did not agree with this and they all wanted both channels to be provided by the companies. The average age of the respondents however were 24 years old and they were on the boundary between what counts as a young or old customer, but the term ‘old customer’ might need to lower the age limit. Another common pattern found was that the companies in favor of providing both channels all had target groups older than 30 years old. This means that Burkes (2002) theory about older customers are supported also in this study, but as previously mentioned by Tyrrell and Woods (2004); even younger customers want to be able to contact the company through telephone.

### 5.2.2 Responsiveness

![Diagram](image)

**Figure 5.5 Important findings on the topic Responsiveness**
**Customer service**

Mukherjee and Nath (2007) have previously found customers to expect high quality from companies' customer service. They expect fast responses and feedback, which is why it is important to use a two-way communication. Four of the five companies had standard regulations on how fast an e-mail or phone call should be answered, and the fifth company was working on getting regulations. For the companies providing contact options by both telephone and e-mail the average standard regulation for answering an e-mail was 24 hours. These also wanted to answer 70-90% of the incoming calls every day but did not have any time limits for how fast they had to answer. The companies who were only providing e-mail as a contact option wanted to answer every e-mail within minutes and to close each case within four e-mails. The companies also said that depending on the problem, customers were willing to wait longer for a response when calling. This was also something that the respondents in the focus groups expressed. If they had a more serious problem or payment troubles they were more willing to stay in line longer.

It can be discussed what focus the different companies are having. The result of this study could be interpreted as companies offering telephone has a relationship perspective whilst companies only offering e-mail focus more on statistics and speed. This as telephone was shown to have lower response restrictions and the e-mail contact offered by these companies had longer response time. Companies only providing e-mail on the other hand had faster time limits, but also requirements on how many e-mails they were allowed to send before closing the case. However, the customer respondents in this study agreed with Mukherjee and Nath (2007) who argued fast responses was an important part of the customer service quality. The restrictions could therefore instead be interpreted as a question of effectiveness and different ways of building relationships depending on what the customer values.

**Customer contact**

This research also found that customers rather wanted to contact by telephone than e-mail, and a reason for this was that they felt unsure that they would get a fast response or a response at all, by e-mail. They felt that telephone contact was faster and easier, especially when having a more complicated issue. This is an interesting discussion since the companies’ only providing e-mail says they do so because it is faster than telephone. These companies only use e-mail as a contact channel and have time limits that will, if accomplished, give the customer a fast response. One can argue that these younger companies without experience from telephone contact (as they have never provided it) should be faster and better at responding to
e-mails. This since that is the only thing they know. The older companies that are used to having mostly telephone contact might have a harder time to adjust to the electronic environment. Still though the customers were determined that an e-tailer should provide both telephone and e-mail contact.

**Misunderstandings**

Vargo and Lusch (2008) suggest that the ultimate goal for a company is to satisfy the customer and that e-tailers should use personalized and customized answers through both telephone and e-mail. The respondents in this research wanted e-mails to be personal but thought there was a limit to how much. This since both parts could have a hard time to interpret each other’s written language. The risk for misinterpretations was also a common concern for all the companies interviewed since it does happen a lot. Three of the companies discussed education for employees to avoid the problems with misunderstandings, a discussion the customer respondents were in favor to. One of the companies did not educate though and considered the persons employed to have a pre-understanding for those things. The other two companies wanted the employees to act in the same direction and in a certain way and therefore they educated. Even though the persons hired should have a pre-understanding for customer service, misunderstandings still happens. Due to the level of education the treatment can differ and send out a shattered and confusing image of the company.

The discussion above shows that a company’s customer service plays an important role when creating the company image when a failure has occurred. Therefore it is important that the whole company share the same perceptions of what to communicate to the customers. At the same time misunderstandings easily occur when communicating and it can be argued that it is important to write with the customer perspective in mind. This as the customer does not have the same pre-knowledge and experience of the products and processes within the company as the employees. Misunderstandings can therefore occur when the company perceives certain information to be obvious while the customers do not.

**Treatment**

The companies however thought quickly responses and good manner was a good way of building relationships and said that a conversation should start and end in a friendly way. For example should the employee present him-/herself in and thank the customer for contacting the company. When e-mailing, all e-mails should contain a lot of information and be
customized to some extent for the certain customers problem. The respondents in the focus group agreed that a friendly manner with a personal touch such as presentation by name was a good quality. They expressed dissatisfaction with persons that do exaggerate and sound fake on the telephone and to be sincere and honest was instead important.

From this it can be shown that when a failure has occurred, human interaction and relationship building becomes more important. It can therefore be argued that the customer changes from having a transactional perspective in the purchase process to a relationship perspective in the recovery process. It can also be seen that sincerity and an honest interest in the customer is a preferred quality when it comes to the companies’ customer services.

5.2.3 Compensation

![Diagram of Compensation]

**Tailored compensation**

Smith, Bolton and Wagner (1999) imply that compensation needs to be tailored towards the type of failure that has occurred. They also say that there are two types of failures; process (emotional) and outcome (monetary). By the company interviews in this study, delivery problems could be confirmed as one of the most common failure compared to previous
studies. The research also found problems with size and wrong/damaged products and this can be due to the specific area in the industry chosen to investigate. However all these problems are outcome failures that according to Smith, Bolton and Wagner (1999) are monetary problems that should also provide compensation accordingly. The companies are working correspondingly with this statement and are usually giving monetary compensations. The respondents in the focus groups also agreed that this was the most common compensation and mentioned free shipping and return costs as well as gift certificates.

When discussing process failures with an emotional loss for the customer, such as bad or rude customer service, companies are giving mainly monetary compensation. However, according to Smith, Bolton and Wagner (1999) and the customers an apology would be more appropriate than money as compensation. Only if the process failure is repeated, the customers wanted monetary compensation instead. This because they thought the apologies had not helped or changed the behavior and a more tangible compensation would be needed. That companies gives monetary compensation instead of emotional can be seen as an attempt to give something extra to the customer to get it satisfied. It could also be seen as the company taking the safe path to satisfaction since most of the failures are outcome failures that has been shown to best be recovered by money. In this discussion a conflict between the companies and customers point of views can be found. The companies indicate to have a transactional perspective where the exchange in terms of money and product is the focus to get satisfaction. The customers on the other hand tend to rely on a relationship perspective and an apology implies that the company cares instead of covering up the failure.

**Relationship**

The customers perceived many companies to give compensation to use on the next order, something they did not appreciate since they might not want to repurchase from the same e-tailer. Holloway and Beatty’s previous study from 2003 also show that customers perceive e-tailers compensation to be inequitable relative to the failure experienced. This research showed that customers think companies play smart when offering compensations on the next order, but that it will decrease the satisfaction level and repurchasing. The companies on the other hand offers discounts on the next purchase to get a new chance to make the customer satisfied. But the purpose of getting the customer to repurchase might fail if the customer is dissatisfied enough to not want to order from the company again.
The customer could also feel forced to shop but do not trust the e-tailer to come back more than to use the compensation. However the research also shows that customers are more understanding and forgiving if they have a previous well functioning relationship to the company. This contradicts Gregoire, Tripp and Legoux (2009) findings who says that customers hold a grudge towards companies if they have a relationship to it. However it confirms the older researches discussed in Gregoire, Tripp and Legoux’s (2009) study who found that a customer relationship will benefit a failure situation. This could once again be due to the section of the service industry investigated. It is common with this type of failures and the customer knows she has the right to get compensation, and that she will.

**Blame**

Harris, Mohr and Bernhardt (2006) and Harris, et al. (2006) argues that customers tend to blame themselves when a failure occurs online and that they want less compensation due to that. However the customers in this research did not support that statement but did say they wanted no compensation at all if they knew they were the one to blame for the failure. When a failure occurred because of the company though, for example that a wrong product was sent to the customer, a *higher* compensation would be needed to get the customer satisfied. The companies were working with different levels of compensation regarding the level of failure, but such things as wrong products usually provided standard compensation, such as a new product and free return cost. It can be discussed whether or not the companies are acting correctly according to the customer preferences in this question. The respondents wanted to keep the failed product as well as getting a new one since this would be to give that ‘little extra’. In line with the findings of Solomon, et al. (2009), exceeding customer preferences was also found to provide more satisfied customers, but also as that the image of the company increases. Sending the wrong product was also mentioned as one of the most common failures by the companies. The companies however need to consider the findings from this research as well as from Lovelock and Wirtz (2010) and Armstrong, et al. (2009). The findings imply that a dissatisfied customer is not likely to come back, but will talk negative about the company which in turn could prevent others from purchasing.

The findings in this topic show that monetary compensation is the most common and that customers are not satisfied with the amount they get. Even if the companies always should strive to meet the customer preferences, they also need to consider where to draw the line. To increase the monetary compensation to each customer might be too expensive. At the same time the companies need to consider the long-term cost of having dissatisfied customers. This
as a dissatisfied customer has been shown to talk bad about the company which in turn leads to customer losses and a decrease in future purchases. The question is also when the customer will be satisfied and how to offer the same fair compensation to everyone and at the same time satisfy customers with different preferences and experiences. It can be assumed that a customer who have suffered a failure several times before are more likely to become dissatisfied and think the compensation is inequitable, than a customer who suffers the same failure for the first time.
6 Conclusions

In this final chapter are the final findings for this study presented. The chapter is provided into two sections; Service quality and Service recovery. Each section presents a table of the most prominent findings of the six studied topics, in terms of similarities and differences between the company perspective and customer preferences.

6.1 Service Quality

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<th>Fulfillment</th>
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<td></td>
<td>Personal information</td>
<td>Trustworthiness and security</td>
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Table 6.1 Prominent findings of the six studied topics in service quality

6.1.1 Efficiency

Similarities

The research has found both the companies and customers to be product oriented. Important attributes on a website were all mentioned in relation to the product, such as pictures. It was also found that both parties had a transactional perspective in the purchasing process. This as the product rather than the relationship to each other was in the center and the customers also mentioned economical factors, such as discounts, to be of high importance.
The companies need to provide attributes that reduces the difference between what is being shown online and the reality. This in order to meet the customer who creates an idea of the product by the information provided online. By that expectations are created and the risk for dissatisfaction increases when the online idea do not consist with the reality. In turn a mismatch leads to customer losses. The expectations also affect the image. This as if the communication made through the website do not consist with the reality the customers’ perception of the company changes.

The study argues that companies who are not using a CRM-system have a transactional perspective on their business. The focus lies in developing and selling products and improving the different processes in the company, more than in creating long-lasting customer relationships. It could also be argued that the customer have the same transactional perspective in the buying process. This as focus lies on seeing the product and finding information on the website instead of contacting the company when having questions before purchasing.

**Differences**

Even though both parties are product oriented, this has various definitions. The companies are focusing on informational variables such, as product information. They thought this attracts customers and gives them the chance to make a well-informed purchase, which in turn will increase the satisfaction. The customers on the other hand focused on the visual appearance of the product, such as pictures, catwalk videos and colors. This was found to enable the customer to get a concept of reality for the product. It was also found that companies that were using CRM-systems tended to have a relationship perspective. Although the customers, as discussed earlier, were of a more transactional perspective when it came to the buying process.

**6.1.2 Fulfillment**

**Similarities**

This study could determine website and delivery problems to be the most common failures when shopping clothes online. Keeping promises, especially in terms of delivery, is related to the customers’ perception of the website’s trustworthiness. The customers expect the e-tailer to keep their promises and this in turn leads to satisfaction. If the promises are not met though, the trustworthiness and satisfaction will be reduced. When suffering a failure,
information was also found to be helpful. A well-informed customer is less likely to become dissatisfied and is more understanding in the process.

**Differences**
The companies were found to have more knowledge about the customer expectations than they thought or brought out to have. This could be seen in the way they worked with reducing failures and keeping promises. The result also showed that the shopping experience is important for the customer, but that they in the purchasing process are product oriented and care more about the information provided on the products. Additionally the research stated that the companies’ perception of their capability do not consist with customers’ perception when it comes to updating the stock status. Companies perceive themselves to be quick at updating while customers say they need to improve that part of the business. Also the wideness of the most common problems; website and delivery problems were find in conflict between the two perspectives. The companies did not think they were a large problem and blamed the post office for delivery problems. The customers on the other hand blamed the companies for such problems and thought they were frequently common, which created insecurity.

**6.1.3 Privacy**

**Similarities**
Customers younger than 25 years old were found to be comfortable in shopping online regarding transactions and handing out personal information. Neither the companies nor customers think that the handling of personal information is a problem online. Important though is that customers feels powerless in the return process since the company has the opportunity to deny them compensation. Keeping delivery promises can therefore be stated as a way of creating trust.

**Differences**
Results show that companies perceive a website to be secure and trustworthy when having certifications stating that it fulfil certain requirements. Customers on the other hand depend on the size and how well-known the website is together with what their friends say about it. In other words it could be stated that customers rely more on word of mouth than on written assertions.
6.2 Service Recovery

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<tr>
<td><strong>Similarities</strong></td>
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<td>Customers do contact when having problems</td>
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<tr>
<td><strong>Similarities</strong></td>
<td><strong>Differences</strong></td>
</tr>
<tr>
<td>Expectations on customer service</td>
<td>Speed of contact channel</td>
</tr>
<tr>
<td>Treatment</td>
<td>Education</td>
</tr>
<tr>
<td>Image</td>
<td></td>
</tr>
<tr>
<td>Misunderstandings</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compensation</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Similarities</strong></td>
<td><strong>Differences</strong></td>
</tr>
<tr>
<td>Monetary compensation</td>
<td>Inequitable compensation</td>
</tr>
<tr>
<td>Well-functioning relationship</td>
<td>Next order compensation</td>
</tr>
<tr>
<td></td>
<td>Emotional compensation</td>
</tr>
</tbody>
</table>

Table 6.2 Prominent findings of the six studied topics in service recovery

6.2.1 Contact

**Similarities**

The findings of this study imply that customers do not hesitate to contact companies when having problems or questions. Instead they are quick at contacting the company when needed. It was also found that telephone is the most usual contact channel to use when having monetary problems. Serious and complicated, such as economical, problems were shown to create an uncertainty by the customers and to be of higher value to resolve. The human interaction was also found to be more important in the service recovery process than in the purchase process.

**Differences**

The study shows that younger and older companies disagree in how many contact channels to provide for customers. Younger companies only want to provide e-mail while older companies think it is important to offer telephone as well. The customers agree with the older
companies and prefer to be able to use both e-mail and telephone contact, depending on what problem they have.

6.2.2 Responsiveness

**Similarities**
The findings state that customers have high expectations on customer service. The company perspective on how to treat customers consist with the customer preferences; a friendly manner with a personal touch, for example by greeting by name, as well as providing fast responses. This was also found to play an important role in creating the company image. Since serious problems are of higher value to resolve, the customers are more willing to wait in line longer. It was also a common view that misunderstandings easily occur when having e-mail contact. This as there is a lack of human interaction and opportunity to interpret the other persons written language. When a failure has occurred human interaction and relationship building therefore becomes more important. This means that the customer changes from having a transactional perspective in the purchase process to having a relationship perspective in the service recovery process.

**Differences**
It can be seen by the result that the companies’ only providing e-mail and the customers disagree on the speed of the different contact channels. The companies are using e-mail because they think it is the fastest contact channel while the customers prefer to use telephone. The customers perceive e-mail to be slower as it is harder to express the problem and ask follow-up questions which could make a small matter take several e-mails to solve. An inconsistency regarding customer service education was found within the company perspective. Some of the companies were in favor while others thought a pre-understanding in the subject existed amongst the employees. The customers however argued that education was of high importance as the treatment of the customer service affects the image.

6.2.3 Compensation

**Similarities**
It can be stated that companies are mostly giving monetary compensation and that this is what the customers prefer. This because outcome failures, which are the most common one, results in an economical loss for the customer. From the result of this research it can also be seen that a previous well-functioning relationship between the company and customer is beneficial in a
failure situation. This as it makes the customer more understanding and forgiving, which lower the risk for dissatisfaction.

**Differences**
A conflict in the companies’ way of working and the customer preferences has been found to occur regarding the amount of compensation. The companies are giving monetary compensations but the customers do not think they give enough related to the severity of the failure. The customers blame the companies for failures which results in a need for higher compensation. The perception of inadequate compensation also contributes to bad word of mouth, customer losses and reduced future purchases. Giving compensation to be used on the next order was also found to create split opinions. The companies argued it gave them a new chance of increasing the satisfaction, while the customers said their satisfaction would decrease since they would feel forced to shop where they might not want to.

When it comes to emotional losses, such as if the customer service personnel is rude to the customer, monetary compensated is given by companies as with outcome failures. The customer would however prefer to get an apology. A monetary compensation would only be needed if the customer repeatedly suffers an emotional loss.

**6.3 Conclusion summary**
*From the discussion above the following conclusions can be presented;*

**Graphical design**
The companies and customers agree that attractiveness is important on a website. However the companies’ focus on information, such as product descriptions, while the customers focus on visual appealing, such as graphical design.

**Deliveries**
Delivery problems are seen as one of the most common failures. The companies’ though do not see this as a large problem and blame the post office for the failures. The customers on the other hand blame the companies and think this is the major problem that occurs.

**Word-of-Mouth**
When it comes to security and trustworthiness companies are working with security labels and certificates. The customers however tend to rely more on what friends say about the company and how well-known the company is.
**E-mail**

To only provide e-mail contact is by the younger companies seen as a faster way of solving problems. This contradicts the customers’ perceptions, as customers think e-mail is slower than telephone and they are concerned not to get an answer at all.

**Contact channel**

Younger companies want to only provide e-mail as a contact channel while older companies put value in offering both telephone and e-mail. The customers also agree with the older companies and want to have options when contacting.

**Compensation**

Monetary compensation is the main compensation given even when an emotional loss has occurred. The customers however think that the compensation is inadequate and would have wanted more to get satisfied.

**6.3 Theoretical implications**

The result of this research shows both similarities and differences compared to previous studies. Some of the theoretical findings could strengthen previous studies while others have shown to differ from it. In this section the most prominent once are presented.

**The transactional and relationship perspective**

The findings of this research contradict Grönroos (2007) statement that companies are changing from a transactional perspective to a relationship perspective. It instead implies that both companies and customers remain in the transactional perspective when it comes to the purchasing process online. It has been shown that the reason for this mainly relies on the difficulty of getting a correct idea of how the product will be in real life. To lower the differences between the provided idea online and the reality a well-informed purchase needs to be done and therefore a transactional approach is taken.

**The customer experience**

Burke (2002) claims customers younger than 25 years old focus more on the experience than the informational variables when it comes to online shopping. The findings of this research contradicts this statement. It argues that the experience in terms of visual appearance is important to attract customers, but that the informational factors, such as product information, is equal or even more important. This because the customers want to get all information
before purchasing, so that they do not need to go through the return process which is seen as complicated.

**Personal information concerns**

Previous studies by Mukherjee and Nath (2007) and Burke (2002) have stated that customers are concerned with the security and risk of leaking information online. This research have found this statement to not coincide. The customers of this study had no problems or concerns with paying or handing out personal information online and the companies said they had secure rutines in these matters. It was however stated that younger customers have grown up with Internet which might have an impact on their perception towards the online security. They were found to be comfortable online and have the perception that personal information cannot be used to harm as much as it could before.

**Contact issues**

Online customers have been found in a study by Holloway and Beatty (2003) to not hand in complaints when suffering a failure. The findings of this research contradicts this statement and argue customers quickly contact companies when having troubles. Burke (2002) also claims that customers younger than 25 years old rather contact the companies through e-mail than telephone. This was confirmed by the companies who shared the same perception. However the findings from the focus groups did not agree with Burke (2002) and the companies. Instead it states that even customers younger than 25 years old prefers to call the company when having questions or problems. Mainly because they thought telephone contact were the quickest way of getting a response.

**The failure impact**

Smith, Bolton and Wagner’s (1999) study implies that different failures require different contact ways and recoveries. This was confirmed by the findings of this study. It was found that complicated and serious problems required telephone as contact channel to easier solve the problem. Minor failures that were not urgent was found to be easier handled through e-mail contact.

When it came to compensation the companies contradicted the statement by Smith, Bolton and Wagner (1999). Instead they said monetary compensation was given in all situations, even when the customer suffered emotional losses. The customer preferences did however...
consist with the previous study and claimed that an apology were more appropriate than money.

The relationship impact and the blame

Gregoire, Tripp and Legoux stated in a study from 2009 that an already existing relationship between the company and customer is not helpful in a service recovery situation. The findings of this study did not agree with this statement and said customers are understanding and forgiving if having a previous relationship to the company.

It has also been found in Harris, Mohr and Bernhardt (2006) and Harris, et al.’s (2006) previous studies that customers tend to blame themselves for failures online. The consequence of that statement was claimed to be a decreased need for compensation. The customers of this research did not agree with this discussion. Instead they wanted no compensation at all in these situations. However it was also found that customers mostly do not blame themselves, but the company in online failure situations. The consequence of this instead was a need for higher compensation in order to gain back satisfaction.

6.4 Managerial implications

The focus of this research has been to clarify the similarities and differences between the company and customer perspective of service recovery in a quality system. The quality system has been studied as being the company website and customer service, tools for communicating with and selling products to customers. Several differences between the company perspective and customer preferences have been found that managers need to take in consideration when trying to develop and improve their service quality.

The relationship between expected service quality and fulfillment

It is though important not to focus on the one or the other of these attributes; graphical design or information. This means both hard and soft values need to be included in product descriptions. It is of high importance that managers listen to customer complaints regarding attributes on the overall quality as they contribute to the customer’s expectations. If the expectations are not fulfilled the customer will switch to another e-tailer or offline store that can serve them better. Therefore managers need to make sure they have up to date information on the products to enable the customers to make informed purchases. This in turn will increase the satisfaction since expectations are easier to meet if the customer has all information needed.
Even though both customers and companies have a transactional perspective on the buying process online, managers need to evaluate the attractiveness of the graphical design on the website. This as it is a part of the overall quality that attracts customers to purchase and contributes to the expectations. Navigation, pictures and product information was found to be important attributes for the customers’ perception on the overall quality of a website and should be regularly evaluated and improved.

**The relationship between deliveries and satisfaction**

Delivery failures were mentioned by both companies and customers to be the most common failure. It is positive that the companies are aware of the problem, but at the same time they need to consider various actions to take in order to reduce the problem. This as it cost both money and time to recover and compensate customers for the inconvenience. Managers should therefore identify where in the process the failure occurs and take action after that. If the problem is that the delivery is often late, then the delivery time promised on the website should be evaluated and possible changed. The company used to ship orders should also be considered whether or not it keeps its promises on delivery time. If for example the post office is often to blame, either the estimated delivery time promised on the website would advantageously be amplified or a change of delivery company should be considered. If the expected delivery time is not fulfilled the customer’s trust will decrease along with the satisfaction. This in turn could lead to that the customer chooses another e-tailer next time.

**The relationship between trustworthiness and word of mouth**

Companies rely to a great extent on various certificates to communicate trustworthiness and security to customers. However, these have been stated to be recognizers for the customers but do not convince them to trust the website. What other people, especially friends, say about the website is opined to be more reliable and useful to customers. Therefore managers should consider ways of increasing the satisfaction level and decreasing problems to already existing customers. This will make them talk good about the company, which in turns creates higher trust and attracts more customers.

**The relationship between e-mail and response time**

Younger companies have been found to believe that e-mail suffices as contact channel for customers. However, customers perceive e-mail to be slow and are worried to not get answers within preferred time limits. Therefore companies who only provide e-mail as a contact way should consider to use time limits and to always strive to improve and fasten their response
time. How long the customer will have to wait for a reply should also be easy to find on the website. This as information about such things has been showed to lower frustration by the customer.

Due to the perceived slow handling of e-mails, companies should also provide another option for the customer to contact when having problems or questions. To have a chat room was suggested by the customers and could be a good complement to e-mail if telephone is not to consider. The companies should consider that it could increase the customer satisfaction. This by making them feel like they have more options to choose from and they are not forced to use a contact channel they are not comfortable with. It could also decrease the response time as more than one customer can be served at the same time.

**The relationship between contact channel and failure**

Some companies prefer to use telephone as contact channel since they perceive it to be easier to have a discussion and to solve problems. Telephone has also been shown to be a desired channel by the customers. Companies should however consider using e-mails as well since the customer preferences for contact differ depending on the failure. When having a monetary issue or a problem concerning personal information the customer rather call the company than write an e-mail. But when having minor problems that are not urgent they rather send an e-mail. Therefore companies should provide both channels and strive to improve them both. Since customers perceive replies through e-mail to be slower, the quality of it must be improved and developed. To successful be able to offer both channels with fast responses could increase customer satisfaction.

**The relationship between compensation and satisfaction**

Outcome failures with monetary compensation have been found to be the most common used today. To be able to increase satisfaction amongst customers companies need to consider the amount of compensation given. Even though they use the right type of recovery method compared to customer preferences, customers often feel unsatisfied with the amount. There is a need to reflect on optional compensations to increase the satisfaction level such as letting the customer keep a failed order or giving something extra when offset the customer. These things can in turn lead to higher repurchases and long-lasting relationships. But it could also bring more customers to the company as satisfied customers talk good about their experience.
6.5 Limitations

In this section the limitations of this study are presented. It discusses limitations concerning the service industry investigated, the studied companies background as well as money and time constraint. These limitations are factors that may have affected the result both from a positive or a negative point of view.

This research only focused on a certain section of the service industry; customers who shop clothes online and companies who provides them with customer service. This could have affected the findings and might not be consistent to other sections of the service industry. The result and managerial implications of the study should therefore only be applied to companies and customers dealing with online clothes shopping.

The companies interviewed also came from different backgrounds and have been working with service quality in different ways. This could have been a negative aspect for the findings. However an interesting finding for this research is that regardless of their differences, many things are similar within the companies work. It could also be stated that the variety of companies could have a positive effect as a wider segment of the industry section was studied.

The number of company interviews and focus groups were decided due to time and money constraints. Additional surveys could have deepened the information and contributed to further findings. If money and time were no problem a larger geographical area could have been studied. Several interviews on the companies as well as more focus groups could also have been performed.

6.7 Future research

The findings of this study have shown similarities and differences amongst the companies, customers and theories. This has set a foundation for future research. Recommended future research concerns the two models studied, the service industry and age of the companies, and customer preferences.

Service quality is a large concept with many dimensions regarding online stores. From this study the authors have found a need for investigating each dimension of the E-S-Qual and E-RecS-Qual models separately. This to gain deeper knowledge on how each dimension affects different parts of the company and the customer preferences. Future research should also include both a variety of qualitative interviews within the companies, but also observations on the businesses to get a wider foundation for comparing the result to the customer preferences.
Interesting for further research would also be to investigate these topics in other sections of the service industry. This in order to find out if the implications of this study is applicable elsewhere. Additionally the findings showed that younger companies that have been mostly operating online have different ways of working than older companies that have been established on the offline market. It is therefore interesting for further research to investigate the relationship between operating methods and the age of the company as well as how it affects the customer satisfaction.

The study gave new insights and knowledge regarding customer’s preferences in an online context. The research confirms that online customers’ preferences have changed since previous studies which give a foundation for future research. It has been established by this study that online customers feel that companies are lacking in several dimensions of service quality and especially in meeting the customer expectations. Further research should focus on finding ways of meeting customer expectations and how to make promises on a reasonable level.
References


Neale, L, J Murphy, and A Scharl. (2006) "Comparing the diffusion of online service recovery in small and large organizations (SME's)." *Journal of Marketing Communications* 12, no. 3: 165–181.


APPENDIX 1: E-S-QUAL and E-RecS-QUAL

The models used as a foundation for the research. The E-S-QUAL model treats topics important to the website and expectations while the E-RecS-Qual concerns the handling of failures.

<table>
<thead>
<tr>
<th>E-S-QUAL</th>
<th>E-RecS-QUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFICIENCY</td>
<td></td>
</tr>
<tr>
<td>Ease/speed of accessing the website</td>
<td></td>
</tr>
<tr>
<td>FULFILLMENT</td>
<td></td>
</tr>
<tr>
<td>The fulfillment of delivery and item availability promises</td>
<td></td>
</tr>
<tr>
<td>SYSTEM AVAILABILITY</td>
<td></td>
</tr>
<tr>
<td>Correct technical function of the website</td>
<td></td>
</tr>
<tr>
<td>PRIVACY</td>
<td></td>
</tr>
<tr>
<td>The degree to which the website is safe and protects customer information</td>
<td></td>
</tr>
</tbody>
</table>

However this study has only focused on three of the four topics in this model. This as service recovery in a quality system focuses more on the process between the company and customer than on the technical part of the website. Therefore system availability was removed from the model. The tables below show the modified model made by the authors that was used in the study and the S-RecS-Qual model made by Parasuraman, Zeithaml and Malhotra in 2005.
## APPENDIX 2: Operationalization: Company interview guide

<table>
<thead>
<tr>
<th>NUMBER</th>
<th>QUESTION</th>
<th>THEORY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Are you involved with the design of the website?</td>
<td>GBI&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>2</td>
<td>What is the main focus when it comes to the website?</td>
<td>Brand image</td>
</tr>
<tr>
<td>* 3</td>
<td>What attributes are the most important in order to attract customers to purchase?</td>
<td>Brand image</td>
</tr>
<tr>
<td></td>
<td><strong>Fulfillment</strong></td>
<td></td>
</tr>
<tr>
<td>4a</td>
<td>What expectations do the customer have on you?</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>4b</td>
<td>How do you work to meet these expectations?</td>
<td>Customer satisfaction / Brand image</td>
</tr>
<tr>
<td>5</td>
<td>Can you describe the purchase process from when the customer clicks the order to delivery?</td>
<td>GBI&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>6</td>
<td>How are you working to get each order as accurate as possible?</td>
<td>E-service quality</td>
</tr>
<tr>
<td>7</td>
<td>How many days from ordering to delivery are your standard?</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>8</td>
<td>Are your stock in the same place as the customer service?</td>
<td>GBI&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>9</td>
<td>How do you communicate between the customer service and the stock?</td>
<td>E-service quality</td>
</tr>
<tr>
<td>10</td>
<td>How often do mistakes happen with orders or deliveries?</td>
<td>E-service quality</td>
</tr>
<tr>
<td>11</td>
<td>Can you describe the process of making a money transaction at your website?</td>
<td>GBI&lt;sup&gt;4&lt;/sup&gt; / Customer satisfaction (trust)</td>
</tr>
<tr>
<td>12</td>
<td>How do you handle personal information? (Systems?)</td>
<td>E-service quality</td>
</tr>
<tr>
<td>* 13</td>
<td>How do you work to build trust when it comes to purchase and money transactions on the website?</td>
<td>Service marketing / Customer satisfaction</td>
</tr>
<tr>
<td>14</td>
<td>What do you consider as a safe payment method online?</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td></td>
<td><strong>Privacy</strong></td>
<td></td>
</tr>
<tr>
<td>* 15</td>
<td>What is the most common failures that occur? Can you list 3?</td>
<td>Service recovery</td>
</tr>
<tr>
<td>16</td>
<td>Do you write any failure reports and make operational changes when a complaint has been received?</td>
<td>Service recovery / E-service quality</td>
</tr>
<tr>
<td>17</td>
<td>How can the customer contact you if they have any questions?</td>
<td>Service marketing</td>
</tr>
<tr>
<td>* 18</td>
<td>What is the most common way the customer contacts you when a failure has occurred?</td>
<td>Service recovery / Preferences</td>
</tr>
<tr>
<td>* 19</td>
<td>What pros and cons do you consider that there are with</td>
<td></td>
</tr>
<tr>
<td>19a</td>
<td>Telephone contact</td>
<td></td>
</tr>
<tr>
<td>19b</td>
<td>Mail contact</td>
<td></td>
</tr>
<tr>
<td>20a</td>
<td>How easy is it to create misunderstandings through e-mail contact?</td>
<td>Service recovery</td>
</tr>
<tr>
<td>20b</td>
<td>Why do you think that is?</td>
<td>Service recovery</td>
</tr>
<tr>
<td></td>
<td><strong>Contact</strong></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Can you describe the process from receiving a complaint to the point where the problem is solved?</td>
<td>GBI&lt;sup&gt;5&lt;/sup&gt; / Service recovery</td>
</tr>
<tr>
<td>22</td>
<td>Do you contact the customer when the problem is solved to see if the customer feels satisfied with the performed recovery?</td>
<td>Service marketing / Customer relationship / Customer satisfaction</td>
</tr>
<tr>
<td>23</td>
<td>Do you have any timelines on how long the customer will have to wait to get a response when contacting you through</td>
<td></td>
</tr>
<tr>
<td>23a</td>
<td>Telephone</td>
<td>E-service quality</td>
</tr>
<tr>
<td>23b</td>
<td>Mail</td>
<td>E-service quality</td>
</tr>
<tr>
<td>* 24</td>
<td>What do you do if someone felt mistreated when contacting your customer service?</td>
<td>Customer relationships / Service recovery</td>
</tr>
<tr>
<td></td>
<td><strong>Responsiveness</strong></td>
<td></td>
</tr>
<tr>
<td>* 25</td>
<td>Do you educate the customer service personnel in how to treat customers when they contact you?</td>
<td>Service marketing</td>
</tr>
<tr>
<td>26</td>
<td>What is the most common compensation that the customers receive when a failure has occurred?</td>
<td>Service recovery</td>
</tr>
<tr>
<td>27</td>
<td>Is it the same for all types of failures?</td>
<td>Service recovery / Service marketing</td>
</tr>
<tr>
<td>28</td>
<td>How much power do the employee have to change/ increase the compensation?</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Compensation</strong></td>
<td></td>
</tr>
<tr>
<td>* 29</td>
<td>What is the main difference in building customer relationships online and offline?</td>
<td>Customer relationships</td>
</tr>
<tr>
<td>30</td>
<td>Do you have any systems (CRM) to build customer relationships or how do you work towards this?</td>
<td>Customer relationships</td>
</tr>
</tbody>
</table>

<sup>1</sup> SA = System Availability  
<sup>2</sup> R = Responsiveness  
<sup>3</sup> C = Contact  
<sup>4</sup> GBI = General background information  
<sup>5</sup> Main questions that were of highest importance
**APPENDIX 3: Operationalization: Focus group interview guide**

<table>
<thead>
<tr>
<th>NUMBER</th>
<th>EFFICIENCY</th>
<th>PUNCTUALITY</th>
<th>PRIVACY</th>
<th>CONTACT</th>
<th>RESPONSIVENESS</th>
<th>COMPENSATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1. What makes you want to make a purchase when you visit a website?</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>2</td>
<td>2. What is the process cost like online instead of offline?</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>3</td>
<td>3. How much does the website influence what you think about the company?</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>4. How long would you consider to wait on a delivery before getting disappointed?</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>5</td>
<td>5. What is the most common failure when purchasing online that you know from own experience? (Different?)</td>
<td></td>
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</tr>
<tr>
<td>6</td>
<td>6. What is the most common failure when purchasing online that you know from own experience? (Different?)</td>
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</tr>
<tr>
<td>7</td>
<td>7. What is your personal information such as birth number and credit card number when purchasing online?</td>
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<tr>
<td>8</td>
<td>8. How do you prefer to contact the company if you have any questions? Why?</td>
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<tr>
<td>9</td>
<td>9. What is your email or contact when purchasing online?</td>
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</tr>
<tr>
<td>10</td>
<td>10. How should the company act towards you when you contact them?</td>
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<td></td>
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</tr>
<tr>
<td>11a</td>
<td>11a. Telephone</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11b</td>
<td>11b. E-mail</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12a</td>
<td>12a. Have you received any compensation when you experienced a failure?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12b</td>
<td>12b. What kind of compensation do you think the company should give?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Main questions that were of highest importance*
APPENDIX 4: Scenarios

Scenario 1
Imagine that you are ordering a pink t-shirt in an online store that you are going to wear at the party on Saturday, four days later. Three days later you receive your package, but the t-shirt is orange and not pink. You log in to your pages at the website to make sure you did not do anything wrong when ordering.

1. How do you act?
2. How does your perception of the logistics manager Change?
3. What would be needed in compensation to make you go back to purchase again?

Scenario 2
Imagine that you are ordering a pink t-shirt in an online store. Right after you click “order” you realize you accidently ordered the wrong size.

1. How do you act?
2. How does your perception of the logistics manager Change?
3. What would be needed in compensation to make you go back to purchase again?

Scenario 3
Imagine that you are interested in ordering a pink t-shirt in an online store, but you are not sure if the sizes are the same as you normally have. Therefore you decide to call the company behind the online store to ask about the sizes. The person working at the customer service call center answers rudely and are generally rude during the whole conversation.

1. How do you react?
2. How does your perception of the logistics manager Change?
3. What would be needed to make you feel compensated?
APPENDIX 5: The European Commission’s definition of SME’s

**THE NEW THRESHOLDS (Art. 2)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt; 250</td>
<td>≤ €50 million</td>
<td>≤ €43 million</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ €10 million</td>
<td>≤ €10 million</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ €2 million</td>
<td>≤ €2 million</td>
</tr>
</tbody>
</table>

(Previously not defined)
APPENDIX 6: Author’s calculation

Estimated annual turnover for medium-sized enterprises 2011

<table>
<thead>
<tr>
<th>Annual turnover for a medium-sized company</th>
<th>M €</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>40</td>
</tr>
<tr>
<td>2006</td>
<td>50</td>
</tr>
<tr>
<td>2011&lt;sup&gt;1&lt;/sup&gt;</td>
<td>55</td>
</tr>
</tbody>
</table>

<sup>1</sup>The value is an estimated annual turnover for 2012 calculated in four steps based on the European Commission’s values (European Commission 2006).

**Step 1)** Calculate the difference in millions € between 1996-2006 (years taken from European Commission 2006)

**Step 2)** Calculate the difference in millions € per year

**Step 3)** Calculate the estimated difference in millions € between 2006-2012 based on the previous values (number of year difference x difference in millions € per year)

**Step 4)** Adding the difference in millions € between 2006-2012 to the annual turnover 2006

(Difference in millions € between 2006-2012 + Annual turnover 2006)

<table>
<thead>
<tr>
<th>Calculation</th>
<th>M €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference between 1996-2006 (10 years)</td>
<td>10</td>
</tr>
<tr>
<td>Difference per year</td>
<td>1</td>
</tr>
<tr>
<td>Estimated difference between 2006-2011 (5 years)</td>
<td>5</td>
</tr>
<tr>
<td>Estimated annual turnover 2011 for medium-sized enterprises</td>
<td>55</td>
</tr>
</tbody>
</table>
APPENDIX 7: Construct Validity – Brief interview topic guide

<table>
<thead>
<tr>
<th>Website</th>
<th>Hur ni jobbar for sakra betalingstransaktioner, kundinformation, processen från köp till leverans, systemuppdateringar etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><em>How you work to secure payment transactions, customer information, the process from purchase to delivery and system updates etc.</em></td>
</tr>
<tr>
<td>Customer Relations</td>
<td>Hur/om ni jobbar med kundrelationer (ex. CRM system) samt kundnöjdhet (hur ni jobbar mot att få kunderna nöjda och komma tillbaka för fler köp).</td>
</tr>
<tr>
<td></td>
<td><em>How/whether you are working with customer relationships (i.e. CRM systems) and customer satisfaction (how you work towards getting the customers satisfied and willing to come back for further purchases).</em></td>
</tr>
<tr>
<td>Failures</td>
<td>Vilka är de vanligaste problemen/felen som uppstår vid beställningar, kundkontakt etc.</td>
</tr>
<tr>
<td></td>
<td><em>What are the most common problems/failures that occur when ordering, with customer contact etc.</em></td>
</tr>
<tr>
<td>Recoveries</td>
<td>Hur ni jobbar mot att förhindra och reparera de problem som uppstår.</td>
</tr>
<tr>
<td></td>
<td><em>How you work towards preventing and repairing failures that arise.</em></td>
</tr>
</tbody>
</table>
APPENDIX 8: Company descriptions

Company A

Company A is a third party company, meaning that other companies (henceforth business customers) hire this company to take care of their inventories and the contact with their end-customers. Company A has systems that check the stock status and do also ship products to the end-customer. The company started in the 1960’s as a mail-order company and later moved on to operate online in the year of 1995. They have 140 employees and the turnover in 2011 was measured to €9, 7 million.

Ordering process

The end-customer places its order on the website and the order is registered in Company A’s system. The products are then picked out from the shelf and checked to be the right ones; another person receives the products and starts packing them. At the same time he/she checks a second time that it is the right products. The products are packed in plastic bags and then in delivery bags. A return form and invoice are sent with the package, and the signature from the person who packed the delivery bag is put on the package. The package is then sent to the end-customer.

If the products are ordered before 11.00, the package is sent the same day. The customer can choose how the package should be sent through the website. There are various alternatives depending on how well developed the website is.

Company B

Company B is a part of a larger global corporate group that started as a mail-order company in 1947, selling clothes in catalogues. They are operating online since the late 1900’s and have production in 17 countries with a turnover of €3, 9 Bn (2007). There are 1000 persons working at the company and their target group is women in the age of 35-45 and her family.

Ordering process

When ordering from company B the customer chooses products and payment method and places the order to the company. Delivery information is then sent to the customer, saying how long it will take before the products will arrive. The order comes automatically in to the warehouse-computer system and a picking label, telling the employee what products to pick, is created. One person picks the right products from the shelves and puts them in a sorting
machine who sorts out products so that the right product will get to the right person. In this machine the products are also scanned and are sorted down to another person who packs the order. Then it is labeled to the right person and shipped away to the customer.

**Company C**

Company C is a clothing company with both online and offline stores. They have all departments in the same place such as purchase and customer service. The company started in 1997 and has been operating online since 2008 and has 2000 employees allocated in 6 countries. The turnover in 2011 was measured to €280 million. Company C do not have a stated target group in age since they want all women interested in fashion to be able to find something suitable for them.

**Ordering process**

The buying process starts with the customer who places an order online and the order is going in to the company’s business system. This system is connected to the stock department where a group of orders are collected and then picked in carts. They are then packed and sent to the customer by post.

A Swedish customer who places an order before 2 pm will have the package the next day. If the order is large though, the delivery time will be an extra day. On the website they do provide the customer with the information that it takes 2-3 days to deliver.

**Company D**

Company D is an e-commerce website that started in 2004, selling clothes and beauty products. The company only operates online and do not have a permanent physical store. They are a part of a larger corporate group and focus on females and males in the age of 18-35. Today they have around 150-200 employees working in the company and the turnover in 2011 was measured to €81 million.

**Ordering process**

To order from Company D one has to be a member on the website. To order the customer logs in to or register their account, choose the products and payment method and places the order. It is then registered in the company’s system and a confirmation of order e-mail is sent to the customer. The order is treated within 24 hours and then a delivery confirmation is sent to the customer and the package is posted.
The customer will get a confirmation of order e-mail within 3 days from placing the order and the package is normally delivered within 6 days. The delivery time depends on what time of the year it is and if they are having a sale campaign.

**Company E**

Company E is a corporate group consisting of two larger companies operating in six countries. They started as a mail-order company but today the majority of the sales are made online. They have a turnover of 123 million Euros and employ around 300 people. The company sells clothes, but also electronic devices and interior decorating for example and focus on women in the age of 25-45/50.

**Ordering process**

There are three ways of ordering from Company E; Internet, phone and letter and 70% is ordered online. The customer places an order on the Internet and chose payment method. The item number is registered in the mainframe system and then the customer gets a delivery confirmation. If some of the items are not in stock the customer gets information about this and gets a divided delivery, which the company pays. The products are then picked in the warehouse, packed and sent away with the post.

The customer will have its package within 2-4 days, but the delivery time depends on the work load.
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On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterised by high quality and a competitive portfolio of skills.

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